

**COUNTY OF BOTETOURT, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2006**

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Prepared By:  
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2006

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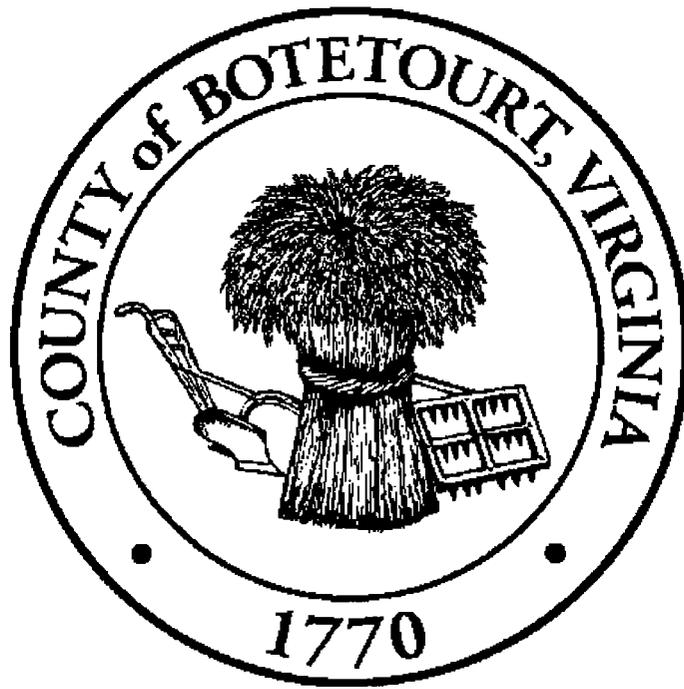
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## **INTRODUCTORY SECTION**





Botetourt County, Virginia  
*Office of the County Administrator*

December 21, 2006

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

Board of Supervisors

Wanda C. Wingo  
*Chairman*

Terry L. Austin  
*Vice Chairman*

Don A. Assaid

Stephen P. Clinton

Donald L. Meredith

**To the Honorable Board of Supervisors and Citizens  
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, 2006. 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 fiscal year.

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

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

Robinson, Farmer, Cox Associates, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

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

## **Profile of Botetourt County**

The County of Botetourt was founded in 1770 and named for Lord Botetourt, Governor of Virginia. After the Revolutionary War, the County's jurisdiction extended to the Mississippi River, encompassing what is now West Virginia, Kentucky, Ohio, Indiana, and part of Illinois. Today, Botetourt County is located along Interstate 81, 20 miles from Interstate 64, in the west central portion of Virginia in the Roanoke Valley, between the Blue Ridge and Allegheny Mountains. It is 233 miles southwest of the nation's capital, Washington D.C., 176 miles west of the state capital, Richmond, and is close to the City of Roanoke. Botetourt County consists of 548 square miles and is part of the Roanoke Metropolitan Statistical Area (MSA). The County of Botetourt is a political subdivision of the Commonwealth of Virginia that is administered by a five member Board of Supervisors and has a County Administrator to oversee its general administration.

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

## **Local Economics and Demographics**

Based upon a U. S. Census Bureau estimate, Botetourt County's 2005 population was 32,027, representing a 5% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 34% of the jobs in the County, manufacturing 23%, trade 16%, government 14%, construction 10%, and all others 3%. The civilian labor force totals approximately 17,500, with 16% working for the County's top ten employers. Unemployment remains well below the State average.

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

Botetourt County compares favorably to most Virginia localities economically in the area of fiscal stress, as reported by the Virginia Commission on Local Government. This agency has developed a composite fiscal stress index, which

takes into consideration each locality's revenue capacity per capita, the revenue effort, and the magnitude of median adjusted gross income for individuals and married couples. The County's composite index falls into the classification "Below Average Stress" and within a short reach of "Low Stress" for the most recent period reported (2003/2004). The County's ranking was 108 out of 134 localities, placing Botetourt in the lower 19% range. This is an indication that on a comparable basis, Botetourt County and its residents are experiencing a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.

Botetourt County continues to experience economic growth as a result of construction activity for residential, commercial, and manufacturing segments. The County's Comprehensive Plan was updated in 2004 and provides the framework for managing growth, along with proper zoning and subdivision ordinances. Residential construction starts include expansions in existing subdivisions as well as development plans for new subdivisions. The dollar value of residential starts in the County for FY06 represents a 25% increase over the average annual dollar value for the previous two fiscal years. In addition, assessed property values increased an average of 26% as a result of the 2006 real estate reassessment, which is part of a four-year cycle. This increase in assessed value was tempered by a \$.05 reduction in the real estate tax rate.

Manufacturing growth is primarily in the form of strategic expansions for several of the County's key manufacturing concerns. Recent and near-future expansions for five (5) manufacturers have already resulted in significant investment on their part as well as new jobs, yielding an increased tax base for the County. These expansions of manufacturing concerns are in direct contrast to the recent trend in most regions of the country, where there is a shrinking of this sector. Yet another contrast is the fact that foreign-owned companies are investing in Botetourt County; manufacturing jobs are being created as opposed to being transplanted to other countries. With respect to manufacturing, Botetourt County currently ranks eighth among 134 Virginia localities in job growth. Along with applying additional resources to its recruiting efforts, the County is a member of regional alliance and economic development agencies seeking to attract quality organizations, and has strong ties to state economic development resources.

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

project will become a catalyst for additional commercial growth in this area of the County.

In summary, the local economic activity has resulted in increased real estate, machinery and tool, and business license taxes. This revenue growth is a continuing trend for Botetourt County and affords the ability to provide desired service levels to citizens and business concerns in the County.

### **Public School System**

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. One of the high schools is currently receiving a major (\$17 million) renovation. All schools are accredited by the Virginia State Board of Education and the Southern Association of Colleges and Schools. Admission over the last three years has averaged 4,779. The results of the most recent “No Child Left Behind” testing showed all County Schools as making adequate yearly progress. The County’s School Board places a high value on continuing education and use of management practices to increase the skill level and teaching proficiency of its professional teaching base.

### **Higher Education**

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

### **Major Initiatives and Goals**

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

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

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

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

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

### **Future Initiatives**

The County has developed a comprehensive recreation park development plan in consideration of meeting citizens’ needs throughout the County. Three existing parks, one of which is substantially developed and two of which are undergoing expansion, will be joined by a fourth park to form a system of convenient recreational facilities. Additionally, construction is in progress for a sports complex, which will attract regional softball and baseball tournaments. These initiatives will enhance quality of life in the County as well as provide an attraction to the County for visitors, prospective employers and their employee base. The County also utilizes an award-winning Recreation Incentive Program, which applies matching County funds to public-initiated recreation projects. This cooperative program is a continuing success story with a large number of project accomplishments.

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

A major renovation is in progress for one of the County’s high schools, which will increase its utility in several areas. James River High School’s enhancements will include a new gym and library, and updates to labs, kitchen and cafeteria, locker rooms, and the auditorium, as well as classroom and administrative additions. A new entrance area will also be included in this project, which is scheduled to be completed in the fall of 2007.

A new solid waste disposal facility is being planned, as the County will move toward a transfer station process; related plans are being put into place to wind down the use of the existing County landfill. FY07 activity for this project will include site designation, planning, design, and the possibility of preliminary construction. Project completion is anticipated for FY08.

Other significant initiatives include a new branch library in the northern part of the County, and phased construction of water and wastewater improvements in accordance with the County’s master plan.

## 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, 2005

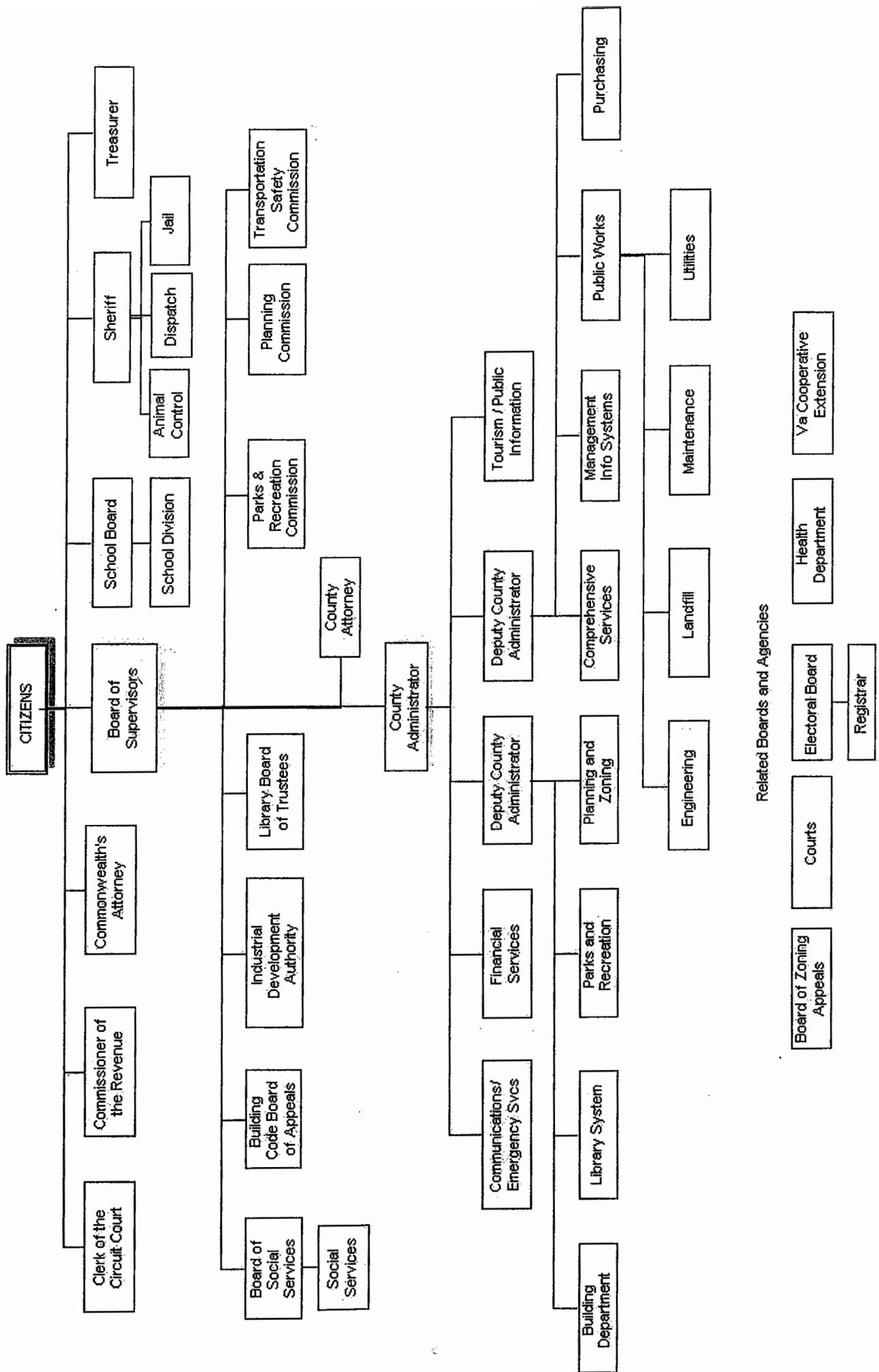
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# County of Botetourt, Virginia



# COUNTY OF BOTETOURT, VIRGINIA

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## BOARD OF SUPERVISORS

---

Stephen P. Clinton  
Don A. Assaid

Wanda C. Wingo, Chair

Terry L. Austin, Vice Chair  
Don L. Meredith

## COUNTY SCHOOL BOARD

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James R. Ruhland  
Kathy Sullivan

Michael W. Beahm, Chair

Ruth Wallace  
Jack Leffel, Jr.

## SOCIAL SERVICES BOARD

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Rev. Robert McRae  
Don Meredith

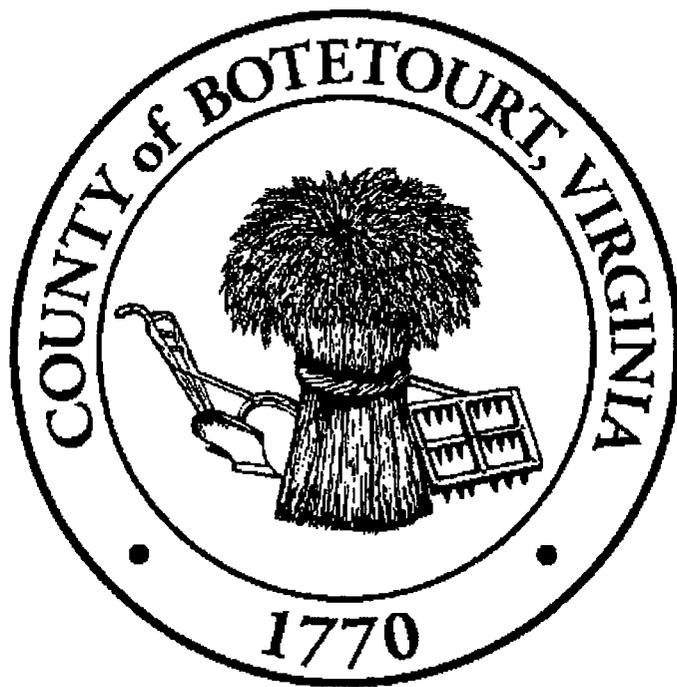
Sandra Johnson-Harris, Chair

Robert Terry  
Nancy Pauley

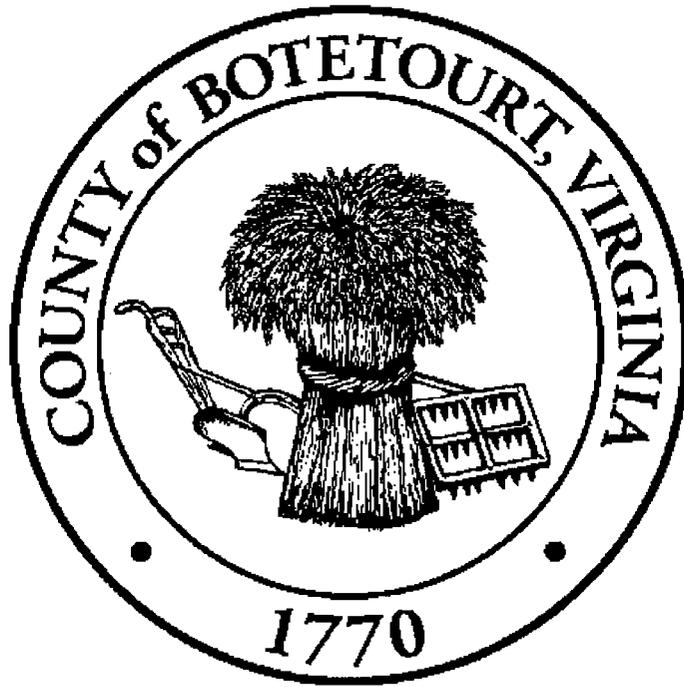
## OTHER OFFICIALS

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



## **FINANCIAL SECTION**



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Botetourt, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major funds and the aggregate remaining fund information of the County of Botetourt, Virginia, as of June 30, 2006, 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 September 22, 2006, on our consideration of the County of Botetourt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County of Botetourt, Virginia's, basic financial statements. The introductory section, combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Botetourt, Virginia. The combining and individual fund financial statements 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, Jaeger, & Associates*

Christiansburg, Virginia  
September 22, 2006

## **Management's Discussion and Analysis**

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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, 2006. This narrative is included to provide insights as to financial results of operation for the above-mentioned fiscal year, and, in certain cases, provide comparative comments as they relate to the two most recent fiscal years. In addition, comments are included which address the economic factors considered in developing Botetourt County's budget for the fiscal year ending June 30, 2007.

### **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 \$31,708,466 (net assets). Of this amount, \$18,758,845 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$24,909,083; nearly all (97%) of these net assets are invested in capital assets. (See Exhibit 1).

The Government's net assets for governmental activities increased by \$11,900,444 while the School Board's net assets increased by \$548,743. (See Exhibit 2)

#### **Fund Financial Statements**

At the end of the current fiscal year, unreserved fund balance for the general fund was \$16,603,564 or 32 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes, and accounts receivable reflected in the fiscal year 2006 budget as well as funds allocated to the School Board and County Capital Improvement Projects for fiscal year 2006.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$48,909,553, which includes \$33,460,000 of proceeds of bonds for two construction projects. Excluding these proceeds and related transactions, total fund balances increased approximately \$2.2 million in comparison with the prior year. Of the total fund balance amount, \$16,603,564 is unrestricted and available for spending at the government's discretion (unreserved fund balance). (See Exhibit 3.)

### **Overview of the Financial Statements**

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

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

## Management's Discussion and Analysis

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### Government-wide Financial Statements

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

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

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

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

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

### Fund Financial Statements

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

## Management's Discussion and Analysis

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### 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.

The County of Botetourt previously had one internal service fund: the Central Stores Fund. The Central Stores Fund accounted for the government's consolidated purchasing of office supplies and telephone charges. This small fund was eliminated during FY06.

### 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 \$31,708,466 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 59,452,748	\$ 18,029,960	\$ 1,787,613	\$ 1,810,397	\$ 61,240,361	\$ 19,014,736
Capital assets	41,770,344	31,937,549	17,596,608	16,644,200	59,366,952	48,581,749
Total assets	<u>\$ 101,223,092</u>	<u>\$ 49,967,509</u>	<u>\$ 19,384,221</u>	<u>\$ 18,454,597</u>	<u>\$ 120,607,313</u>	<u>\$ 67,596,485</u>
Long-term liabilities	\$ 65,216,752	\$ 29,281,506	\$ 8,717,468	\$ 7,830,042	\$ 73,934,220	\$ 37,111,548
Other liabilities	4,297,874	877,981	355,988	442,461	4,653,862	1,320,442
Total liabilities	<u>\$ 69,514,626</u>	<u>\$ 30,159,487</u>	<u>\$ 9,073,456</u>	<u>\$ 8,272,503</u>	<u>\$ 78,588,082</u>	<u>\$ 38,431,990</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 12,273,356	\$ 8,692,418	\$ 8,909,696	\$ 8,841,644	\$ 21,183,052	\$ 17,534,062
Restricted	676,265	116,975	0	0	676,265	116,975
Unrestricted	18,758,845	10,998,629	1,401,069	1,340,450	20,159,914	11,513,458
Total net assets	<u>\$ 31,708,466</u>	<u>\$ 19,808,022</u>	<u>\$ 10,310,765</u>	<u>\$ 10,182,094</u>	<u>\$ 42,019,231</u>	<u>\$ 29,164,495</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 39 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. These assets represent 2% of total net assets. The remaining balance of unrestricted net assets, which is \$18,758,845 or 59 % of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net assets increased by \$11,900,444. Current and other assets increased \$42 million from last year; 93% of this increase is due to \$40 million in funding for two large construction projects: a regional public safety building, and a major renovation of a County high school. Future-year debt service obligations for these projects account for the significant increase in long-term liabilities. In addition, FY06 end-of-year obligations for these projects result in a large increase in Accounts Payable, which is reflected in Other Liabilities. The major reasons for the overall increase in total net assets was a \$ 2.3 million decrease in the landfill closure / post closure estimate and recognition of state funding related to the public safety building of approximately \$5.3 million. Together these items accounted for 64% of the increase in net assets.

## Management's Discussion and Analysis

### Changes in Net Assets:

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

#### County of Botetourt's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,847,514	\$ 1,699,844	\$ 1,903,624	\$ 1,844,364	\$ 3,751,138	\$ 3,544,208
Operating grants & contributions	5,884,760	5,527,195	184,415	242,320	6,069,175	5,769,515
Capital grants and contributions	5,341,327	825,621	0	0	5,341,327	0
General revenues:						
General property taxes	22,943,504	21,959,664	0	0	22,943,504	21,959,664
Other local taxes	7,074,824	6,409,880	0	0	7,074,824	6,409,880
Use of money and property	1,247,708	760,822	61,439	33,751	1,309,147	794,573
Other	628,389	270,663	0	0	629,389	270,663
Grants and contributions not restricted to specific programs	3,330,507	3,684,929	0	0	3,330,507	3,684,929
Total revenues	<u>\$ 48,298,533</u>	<u>\$ 41,138,618</u>	<u>\$ 2,149,478</u>	<u>\$ 2,120,435</u>	<u>\$ 50,448,011</u>	<u>\$ 42,433,432</u>

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

	Governmental activities		Business-type activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Expenses:						
General government	\$ 2,623,963	\$ 2,396,259	\$ 0	\$ 0	\$ 2,623,963	\$ 2,396,259
Judicial administration	1,007,505	898,610	0	0	1,007,505	898,610
Public safety	7,541,698	7,214,325	0	0	7,541,698	7,214,325
Public works	(342,596)	1,087,768	0	0	(342,596)	1,087,768
Health and welfare	3,078,876	3,089,866	0	0	3,078,876	3,089,866
Education	19,071,338	16,869,552	0	0	19,071,338	16,869,552
Parks, recreation and cultural	1,756,571	1,708,618	0	0	1,756,571	1,708,618
Community development	564,789	1,022,648	0	0	564,789	1,022,648
Interest on long-term debt	1,081,456	949,361	0	0	1,081,456	949,361
Water and sewer	0	0	2,035,296	1,524,165	2,035,296	1,524,165
Total expense	<u>\$ 36,383,600</u>	<u>\$ 35,237,007</u>	<u>\$ 2,035,296</u>	<u>\$ 1,524,165</u>	<u>\$ 38,418,896</u>	<u>\$ 36,761,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 11,914,933</u>	<u>\$ 5,901,611</u>	<u>\$ 114,182</u>	<u>\$ 596,270</u>	<u>\$ 12,029,115</u>	<u>\$ 5,672,260</u>
Transfers in (out)	<u>\$ (14,489)</u>	<u>\$ (30,875)</u>	<u>\$ 14,489</u>	<u>\$ 30,875</u>	<u>\$ 0</u>	<u>\$ 0</u>
Increase in net assets	\$ 11,900,444	\$ 5,870,736	\$ 128,671	\$ 627,145	\$ 12,029,115	\$ 5,672,260
Net assets, July 1, 2005	19,808,022	13,937,286	10,182,094	9,554,949	29,990,116	23,492,235
Net assets, June 30, 2006	<u>\$ 31,708,466</u>	<u>\$ 19,808,022</u>	<u>\$ 10,310,765</u>	<u>\$ 10,182,094</u>	<u>\$ 42,019,231</u>	<u>\$ 29,164,495</u>

## Management's Discussion and Analysis

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### Governmental Activities

Governmental activities increased the County's net assets by \$11,900,444. Key elements of this increase are as follows:

- Revenues: Operating Grants and Contributions include first-year funding from the County's Emergency Services Cost Recovery Program, which generated approximately \$440,000 in revenues.
- Revenues: Other Local Taxes increased \$665,000 from the previous year, as the County's economic activity continues to trend upward. This incremental growth is reflected in revenue sources such as recordation, sales and use, meals, and business license taxes.
- Revenues: Revenues for Use of Money and Property increased approximately \$487,000 vs. FY05 due primarily to A) an increase in investment funds and B) an increase in rates of return.
- Revenues: Capital Gants and Contributions reflect program revenues of \$5,341,327 as a result of a receivable associated with a regional jail reimbursement grant from the Commonwealth of Virginia. This is a partial reimbursement figure, as this project is ongoing.
- Expenditures for Governmental Activities increased 3% vs. FY05. While most expense categories experienced some measure of an increase, Education expenditures increased 13% vs. FY05 due to County-funded support for a rise in instructional costs, facilities maintenance costs, and investment in technology program costs.
- Public Works expenditures reflect a credit of \$342,596 due to A) a \$2 million decrease in the accrual for landfill closure and post closure costs, and B) a \$230,000 reclassification of wages and benefits expense from Public Works to Enterprise Fund operational costs.
- Public Safety, Health and Welfare, and Parks, Recreation, and Cultural expenditures, which totaled a combined \$12.4 million, increased a nominal 3% vs. FY05. These expenditures accounted for approximately one-third of total expenses for governmental activities.
- Community Development expenditures decreased 45% vs. FY05. This is due to a non-recurrence of an FY05 pass-through of Governor's Opportunity Fund grants.

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## Management's Discussion and Analysis

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### Business-type Activities

Business-type activities increased the County's net assets by \$128,671. This activity is comprised of Water and Sewer revenues and expenditures. Key elements of FY06 water and sewer activity are as follows:

- Total revenues increased slightly (3%) vs. the prior year, as water connection activity resumed its normal pattern after an extraordinary year in FY05. Water and sewer usage charges increase a combined 7% vs. FY05.
- Total operating expenses increased 43% vs. the prior year due in large part to a) a \$230,000 reclassification of wages and benefits expense from Public Works, b) a bulk sewer rate increase charged by the regional authority, and c) increased activity for water and sewer extensions and relocations.
- While net assets increased slightly vs. the previous year, lower capital contributions and increased interest expense were factors in the \$128,671 (1.26%) increase in net assets for FY06.

### Financial Analysis of the Government's Funds

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

### Governmental funds

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

Exhibit #5 includes a column titled "County Capital Improvements", and this column is also reflected on Exhibit # 3. This column accounts for activity relating to the major renovation of James River High School, and provides greater insight as to the components of the change in fund balances for FY06.

In comparing unreserved fund balances as a percentage of governmental fund expenditures, it can be noted that FY06's figure of 32% reflects a reduction vs. FY05's figure of 42%. This is primarily due to the \$ 9.4 million increase in capital project costs. In addition, a \$ 2.2 million increase in education spending is also a factor in the increase in total expenditures, serving to drive down the unreserved fund balance percentage to governmental expenditures.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$48,909,553, an increase of \$32,593,503 over the prior year. Approximately 93% of this increase was generated by activity funded by net remaining proceeds for two major construction projects (the public safety building and the high school renovation). When the impact of these net proceeds is excluded, County operations resulted in an increase of approximately \$2.2 million in the fund balance vs. FY05. The unreserved portion (\$16,603,564) provides significant flexibility with respect to future discretionary spending.

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## **Management's Discussion and Analysis**

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As previously stated, the County's general fund balance increased by \$32,593,503 during the current fiscal year. Key factors in this growth are as follows:

- Steady growth in the general property tax base, coupled with A) revenues generated from the County's new emergency services cost recovery program, B) increased economic activity in the County, as evidenced by substantial growth in business license and recordation taxes and building permit revenues, C) a significant increase in investment income, and D) a \$618,000 increase in Federal funding.
- With the exclusion of capital projects, education costs, and retirement costs (increased due in large part to a mid-year adoption of LEOS benefits for Sheriff's deputies), County departmental discretionary costs were held in check. Increases in the aforementioned categorical costs were supported as deemed necessary.
- Utilization of preliminary cost and construction funding for two major projects: the regional public safety building, and the James River High School renovation.

### **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 \$1,401,069. 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 Primary Government totaled \$13,481,553. This difference was primarily due to supplemental appropriations. Major components of this difference were as follows:

- Appropriation of budgeted carryover funds from the fiscal year ended June 30, 2005 for programs and capital projects in the amount of \$1,460,937.
- Appropriation in the amount of \$230,000, which represents the supplemental allocation of funds requested for payment of mandated Comprehensive Service Act expenditures exceeding the initial pool allocation provided by the State Office of Comprehensive Services.
- Appropriation of \$285,795 of funds received in the form of state and federal grants and other monies used specifically to provide for expenses relating to these grants and related public safety operations.
- Appropriation of \$88,346 of funds received from the Commonwealth for support of expenditures incurred by Constitutional departments.
- An appropriation of \$6,964,482 received as expenditure reimbursements relating to a bond anticipation note, for financing construction costs associated with a new regional public safety building.

## **Management's Discussion and Analysis**

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- Appropriation of \$2,808,219 for capital projects expenditures specifically related to renovations for the James River High School.
- A supplemental appropriation of \$1,141,455 designated as contributions to the Component-unit School Board.

The above-mentioned appropriations for amended budget expenditures total \$12,979,234 or 96% of the difference between the original budgeted appropriation and the amended budget. The residual portion consists of appropriations due to unforeseen events, which could not have been anticipated at the time of the development of the FY06 budget.

With respect to FY06 amended budget vs. actual results, general fund revenues for the primary government were approximately 6% over budget for the year. This was principally due to a 7% positive variance in local revenues due in large part to strong results for investment income, as well as favorable variances vs. budget for real property and recordation taxes. With respect to non-local revenues, receipt of asset forfeiture funds of \$502,079 generated a 34% positive budget variance in federal funding. Revenue results for the Component-unit School Board yielded a negative variance of less than one percent.

Amended budget vs. actual results for general fund expenditures for FY06 reflected a 8% positive variance due to significant savings in several categories. Spending was deferred to the next fiscal year for public safety and capital project items totaling \$2,282,000. Other significant expenditure savings vs. budget were experienced in health and welfare and education categories.

When the impact of budget vs. actual expenditure results for the Component-unit School Board is included, governmental fund activity resulted in a 5% positive variance for FY06.

### **Capital Asset and Debt Administration**

#### **Capital assets**

The County's investment in capital assets for its governmental activities as of June 30, 2006 is \$41,770,344 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress.

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

- Construction in progress of \$8,024,645 for the regional public safety building.
- Construction in progress of \$698,204 for the Botetourt Sports Complex.
- Construction in progress of \$404,999 for the Buchanan Recreation Park.

## Management's Discussion and Analysis

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

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 11,929,848	\$ 11,929,848	\$ 43,010	\$ 43,010	\$ 11,972,858	\$ 11,972,858
Buildings	17,981,521	16,032,013	0	0	17,981,521	16,032,013
Machinery and equipment	2,542,024	2,642,254	5,416	10,831	2,547,440	2,653,085
Utility plant / equipment	0	0	14,315,218	14,654,187	14,315,218	14,654,187
Construction in progress	9,316,951	1,333,434	3,232,964	1,936,172	12,549,915	3,269,606
<b>Total</b>	<b>\$ 41,770,344</b>	<b>\$ 31,937,549</b>	<b>\$ 17,596,608</b>	<b>\$ 16,644,200</b>	<b>\$ 59,366,952</b>	<b>\$ 48,581,749</b>

Additional information on the County's capital assets can be found in the notes to the financial statements.

### Long-term debt

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

#### County of Botetourt's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 45,137,311	\$ 11,823,927	\$ 0	\$ 0	\$ 45,137,311	\$ 11,823,927
Literary Loans	9,822,453	10,595,583	0	0	9,822,453	10,595,583
Revenue Bonds	0	0	8,686,912	7,802,556	8,686,912	7,802,556
Grant						
Anticipation Note	6,166,948	825,621	0	0	6,166,948	825,621
Landfill closure / post-closure	3,639,067	5,644,000	0	0	3,639,067	5,644,000
Compensated absences	450,973	392,375	30,556	27,486	481,529	419,861
<b>Total</b>	<b>\$ 65,216,752</b>	<b>\$ 29,281,506</b>	<b>\$ 8,717,468</b>	<b>\$ 7,830,042</b>	<b>\$ 73,934,220</b>	<b>\$ 37,111,548</b>

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

Botetourt County's FY06 outstanding debt for governmental activities increased \$35,935,246 due to the issuance of general obligation bonds for the regional public safety building and the James River High School renovation. Previously existing general obligation and literary fund debt was reduced a combined \$1,898,541 in payments. Additional grant anticipation bonds were issued in the amount of \$5,341,327 that were used to pay preliminary design and construction costs for the public safety building, which will be paid from a reimbursement grant from the Commonwealth when received. With respect to landfill obligations, continued refinement of changes in estimates provided by an independent consulting firm resulted in a liability reduction of \$2,004,933. This reduction is a product of calculations pertaining to the remaining useful life of the landfill and

## **Management's Discussion and Analysis**

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projected future closure and post closure costs. For business-type activities, outstanding debt increased by a net \$887,426 due largely to the issuance of permanent financing relating to the County's participation in a regional wastewater treatment plant upgrade project.

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

- Net bonded debt-per-capita, limit \$2,000, actual \$1,863.
- Net bonded debt to assessed value, limit 4%, actual 2.17%.
- Ratio of debt service to general governmental expenditures, limit 10%, actual 3.70%.

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

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the County is currently 2.1 percent, which is a decrease from the rate of 2.5 percent a year ago. This compares favorably to the state's average unemployment rate of 2.7 percent and the national average rate of 4.1 percent.
- Funding from the Commonwealth of Virginia for the Component-unit School Board is expected to increase by approximately \$3 million in the next fiscal year. The FY07 budget includes additional funding for the Component-unit School Board from the County in the amount of \$1.4 million.
- The County's real estate values were reassessed in 2006 as part of a four-year cycle. Assessments increased an average of 26%, providing consideration for the Board of Supervisors to review the real estate tax rate; a \$.05 reduction was approved (\$0.70 to \$0.65 per \$100 of assessed value). General fund local revenues for FY07 are budgeted to increase 14% vs. the prior year budget. This equates to the same percentage increase for total general fund revenues. General fund expenditures are budgeted to increase 21% due primarily to a \$2 million increase in capital project expenditures. In addition, increases in costs associated with public safety services for police, fire and rescue are included in the FY07 budget. These activities account for a budgeted decrease in the general fund balance for FY06 of 6.6%. The general fund balance for the County has increased six consecutive years, which places the County in a favorable position to absorb the increase in capital projects with a minor impact on its current general fund balance level.
- For business-type activities, water and sewer revenues are anticipated to increase 13% from FY06 to FY07. This does not include potential one-time significant connection fees, which were not confirmed at the time of the budget.
- Construction will continue on a new regional public safety building, which will also house the Sheriff, Magistrate, G.I.S., and Emergency Services operations for the County. Completion of this project is targeted for December, 2007.
- Construction has begun on a new County sports complex, containing four softball fields and is expected to attract tournaments on a national basis. This \$3.9 million project will be eligible for \$200,000 in State funding. This project has an estimated completion date of June, 2007.

## Management's Discussion and Analysis

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All of these factors were considered in preparing the County's budget for the 2007 fiscal year.

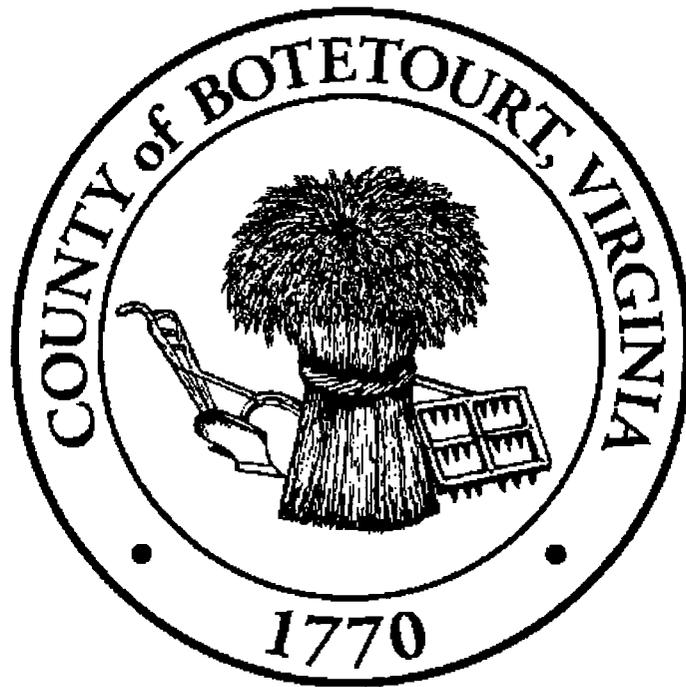
### **Contacting the County's Financial Management**

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](http://www.botetourt.org)

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## **Basic Financial Statements**

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County of Botetourt, Virginia  
Statement of Net Assets  
June 30, 2006

	Primary Government			Component Unit School Board	Component Unit IDA
	Governmental Activities	Business-type Activities	Total		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,058,244	\$ 1,584,028	\$ 19,642,272	\$ 3,243,756	\$ -
Cash in custody of others	33,101,032	-	33,101,032	-	1,635
Receivables (net of allowance for uncollectibles):					
Taxes receivable	580,929	-	580,929	-	-
Accounts receivable	237,576	138,413	375,989	-	-
Due from component unit	99,486	-	99,486	-	-
Due from other governmental units	7,221,583	-	7,221,583	826,573	-
Deferred charges	157,398	-	157,398	-	-
Restricted assets:					
Temporarily restricted:					
Investments (in custody of others)	-	-	-	-	392,904
Other assets:					
Unamortized discount on bonds	-	65,172	65,172	-	-
Capital assets (net of accumulated depreciation):					
Land	11,929,848	43,010	11,972,858	1,455,729	-
Buildings and system	17,981,521	-	17,981,521	20,374,157	4,605,263
Machinery and equipment	2,542,024	5,416	2,547,440	2,389,016	-
Infrastructure	-	14,315,218	14,315,218	-	-
Construction in progress	9,316,951	3,232,964	12,549,915	-	-
Total assets	<u>\$ 101,223,092</u>	<u>\$ 19,384,221</u>	<u>\$ 120,607,313</u>	<u>\$ 28,289,231</u>	<u>\$ 4,999,802</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,635,724	\$ 200,094	\$ 3,835,818	\$ 259,592	\$ -
Contracts payable	-	-	-	2,541,126	-
Customers' deposits	-	23,478	23,478	-	-
Accrued interest payable	570,012	132,416	702,428	-	-
Due to primary government	-	-	-	99,486	-
Deferred revenue	92,138	-	92,138	-	28,750
Deposits held in escrow	-	-	-	-	-
Long-term liabilities:					
Due within one year	2,212,787	323,242	2,536,029	359,958	182,534
Due in more than one year	63,003,965	8,394,226	71,398,191	119,986	3,695,901
Liabilities payable from restricted assets (interest payable)	-	-	-	-	7,608
Total liabilities	<u>\$ 69,514,626</u>	<u>\$ 9,073,456</u>	<u>\$ 78,588,082</u>	<u>\$ 3,380,148</u>	<u>\$ 3,914,793</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 12,273,356	\$ 8,909,696	\$ 21,183,052	\$ 24,218,902	\$ 726,828
Restricted for:					
Law library	27,011	-	27,011	-	-
Emergency 911	69,499	-	69,499	-	-
Cafeteria operations	-	-	-	386,532	-
Property seizure	530,682	-	530,682	-	-
Debt service	-	-	-	-	374,569
Van program	49,073	-	49,073	-	-
Unrestricted (deficit)	18,758,845	1,401,069	20,159,914	303,649	(16,388)
Total net assets	<u>\$ 31,708,466</u>	<u>\$ 10,310,765</u>	<u>\$ 42,019,231</u>	<u>\$ 24,909,083</u>	<u>\$ 1,085,009</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, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Business-type Activities	Component Unit	
			Operating Grants and Contributions	Capital Grants and Contributions			Total	School Board
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 2,623,963	\$ 2,220	\$ 239,801	\$ -	\$ (2,381,942)	\$ -	\$ (2,381,942)	\$ -
Judicial administration	1,007,505	337,141	631,557	-	(38,807)	-	(38,807)	-
Public safety	7,541,698	624,263	2,933,300	5,341,327	1,357,192	-	1,357,192	-
Public works	(342,596)	853,104	-	-	1,195,700	-	1,195,700	-
Health and welfare	3,078,876	-	1,877,328	-	(1,201,548)	-	(1,201,548)	-
Education	19,071,338	-	-	-	(19,071,338)	-	(19,071,338)	-
Parks, recreation, and cultural	1,756,571	30,786	202,774	-	(1,523,011)	-	(1,523,011)	-
Community development	564,789	-	-	-	(564,789)	-	(564,789)	-
Interest on long-term debt	1,081,456	-	-	-	(1,081,456)	-	(1,081,456)	-
Total government activities	\$ 36,383,600	\$ 1,847,514	\$ 5,884,760	\$ 5,341,327	\$ (23,309,999)	\$ -	\$ (23,309,999)	\$ -
Business-type activities:								
Water and sewer	\$ 2,035,296	\$ 1,903,624	\$ -	\$ 184,415	\$ -	\$ 52,743	\$ 52,743	\$ -
Total primary government	\$ 38,418,896	\$ 3,751,138	\$ 5,884,760	\$ 5,525,742	\$ (23,309,999)	\$ 52,743	\$ (23,257,256)	\$ -
<b>COMPONENT UNITS:</b>								
School Board	\$ 43,848,048	\$ 1,556,519	\$ 41,978,485	\$ -	\$ -	\$ -	\$ (313,044)	\$ -
Industrial Development Authority	460,035	345,000	-	-	-	-	-	(115,035)
Total component units	\$ 44,308,083	\$ 1,901,519	\$ 41,978,485	\$ -	\$ -	\$ -	\$ (313,044)	\$ (115,035)
General revenues:								
General property taxes					\$ 22,943,504	\$ -	\$ 22,943,504	\$ -
Other local taxes:								
Local sales and use taxes					2,043,136	-	2,043,136	-
Consumers' utility taxes					1,114,597	-	1,114,597	-
Business license taxes					761,213	-	761,213	-
Motor vehicle taxes					715,817	-	715,817	-
Restaurant food taxes					996,577	-	996,577	-
Other local taxes					1,443,484	-	1,443,484	-
Unrestricted revenues from the use of money and property					1,247,708	61,439	1,309,147	98,536
Miscellaneous					662,184	-	662,184	120,102
Grants and contributions not restricted to specific programs					3,330,507	-	3,330,507	643,149
Loss on disposal of capital assets					(33,795)	-	(33,795)	-
Transfers					(14,489)	14,489	-	-
Total general revenues					\$ 35,210,443	\$ 75,928	\$ 35,286,371	\$ 861,787
Change in net assets					\$ 11,900,444	\$ 128,671	\$ 12,029,115	\$ 548,743
Net assets - beginning, as restated					19,808,022	10,182,094	29,990,116	24,360,340
Net assets - ending					\$ 31,708,466	\$ 10,310,765	\$ 42,019,231	\$ 24,909,083

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

County of Botetourt, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2006

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,058,244	\$ -	\$ 18,058,244
Investments in the custody of others	17,934,053	15,166,979	33,101,032
Receivables (net of allowance for uncollectibles):			
Taxes receivable	580,929	-	580,929
Accounts receivable	234,076	-	234,076
Due from component unit	99,486	-	99,486
Due from other governmental units	7,221,583	-	7,221,583
Total assets	<u>\$ 44,128,371</u>	<u>\$ 15,166,979</u>	<u>\$ 59,295,350</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 2,164,416	\$ 1,471,308	\$ 3,635,724
Deferred revenue	583,125	-	583,125
Grant anticipation notes	6,166,948	-	6,166,948
Total liabilities	<u>\$ 8,914,489</u>	<u>\$ 1,471,308</u>	<u>\$ 10,385,797</u>
Fund balances:			
Reserved for:			
Law library	\$ 27,011	\$ -	\$ 27,011
Emergency 911	69,499	-	69,499
Construction	17,934,053	13,695,671	31,629,724
Property seizure	530,682	-	530,682
Van program	49,073	-	49,073
Unreserved, reported in:			
General fund	16,603,564	-	16,603,564
Total fund balances	<u>\$ 35,213,882</u>	<u>\$ 13,695,671</u>	<u>\$ 48,909,553</u>
Total liabilities and fund balances	<u>\$ 44,128,371</u>	<u>\$ 15,166,979</u>	<u>\$ 59,295,350</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, 2006

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 48,909,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,770,344
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	648,385
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(59,619,816)
Net assets of governmental activities	<u>\$ 31,708,466</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, 2006

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 22,902,166	\$ -	\$ 22,902,166
Other local taxes	7,074,824	-	7,074,824
Permits, privilege fees, and regulatory licenses	537,885	-	537,885
Fines and forfeitures	116,066	-	116,066
Revenue from the use of money and property	1,136,303	111,405	1,247,708
Charges for services	1,193,560	-	1,193,560
Miscellaneous	661,263	-	661,263
Recovered costs	1,079,791	-	1,079,791
Intergovernmental revenues:			
Commonwealth	13,444,276	-	13,444,276
Federal	1,112,318	-	1,112,318
Total revenues	<u>\$ 49,258,452</u>	<u>\$ 111,405</u>	<u>\$ 49,369,857</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 2,591,998	\$ -	\$ 2,591,998
Judicial administration	1,006,931	-	1,006,931
Public safety	8,199,518	-	8,199,518
Public works	1,571,094	-	1,571,094
Health and welfare	3,127,959	-	3,127,959
Education	18,428,189	-	18,428,189
Parks, recreation, and cultural	1,733,989	-	1,733,989
Community development	731,012	-	731,012
Capital projects	7,994,193	2,808,219	10,802,412
Debt service:			
Principal retirement	1,898,541	-	1,898,541
Bond issuance cost	125,630	31,768	157,398
Interest and other fiscal charges	951,619	-	951,619
Total expenditures	<u>\$ 48,360,673</u>	<u>\$ 2,839,987</u>	<u>\$ 51,200,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 897,779</u>	<u>\$ (2,728,582)</u>	<u>\$ (1,830,803)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	\$ (2,489)	\$ (12,000)	\$ (14,489)
Proceeds of general obligation bonds	17,570,000	15,890,000	33,460,000
Premium on bond issuances	432,542	546,253	978,795
Total other financing sources (uses)	<u>\$ 18,000,053</u>	<u>\$ 16,424,253</u>	<u>\$ 34,424,306</u>
Net change in fund balances	\$ 18,897,832	\$ 13,695,671	\$ 32,593,503
Fund balances - beginning	16,316,050	-	16,316,050
Fund balances - ending	<u>\$ 35,213,882</u>	<u>\$ 13,695,671</u>	<u>\$ 48,909,553</u>

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

County of Botetourt, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds	\$ 32,593,503
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.	9,832,794
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	41,338
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.	(30,377,923)
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.	(188,434)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(834)
Change in net assets of governmental activities	<u>\$ 11,900,444</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, 2006

	Enterprise Fund <u>Water and Sewer</u>	Internal Service <u>Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,584,028	\$ -
Accounts receivables, net of allowances for uncollectibles	138,413	-
Total current assets	<u>\$ 1,722,441</u>	<u>\$ -</u>
Noncurrent assets:		
Other assets:		
Unamortized bond issue costs	\$ 65,172	\$ -
Capital assets:		
Land	43,010	-
Utility plant in service	20,631,789	-
Machinery and equipment	35,062	-
Construction in progress	3,232,964	-
Less accumulated depreciation	(6,346,217)	
Total capital assets	<u>\$ 17,596,608</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 17,661,780</u>	<u>\$ -</u>
Total assets	<u>\$ 19,384,221</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 200,094	\$ -
Customers' deposits	23,478	-
Accrued interest payable	132,416	-
Compensated absences - current portion	22,917	-
Bonds payable - current portion	300,325	-
Total current liabilities	<u>\$ 679,230</u>	<u>\$ -</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 7,639	\$ -
Bonds payable - net of current portion	8,386,587	-
Total noncurrent liabilities	<u>\$ 8,394,226</u>	<u>\$ -</u>
Total liabilities	<u>\$ 9,073,456</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 8,909,696	\$ -
Unrestricted	1,401,069	-
Total net assets	<u>\$ 10,310,765</u>	<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 Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	Enterprise Fund <u>Water and Sewer</u>	Internal Service <u>Funds</u>
<b>OPERATING REVENUES</b>		
Charges for services:		
Water revenues pledged as security for revenue bonds	\$ 478,872	\$ -
Sewer revenues pledged as security for revenue bonds	1,231,515	-
Tap fees	167,938	-
Materials and supplies	-	921
Other revenues	25,299	-
Total operating revenues	<u>\$ 1,903,624</u>	<u>\$ 921</u>
<b>OPERATING EXPENSES</b>		
Personnel services	\$ 229,812	\$ -
Contractual services	67,503	-
Utilities and office expense	698,319	-
Repair and maintenance	169,953	-
Other supplies and expenses	-	1,755
Depreciation	544,606	-
Total operating expenses	<u>\$ 1,710,193</u>	<u>\$ 1,755</u>
Operating income (loss)	<u>\$ 193,431</u>	<u>\$ (834)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 61,439	\$ -
Interest expense	(325,103)	-
Total nonoperating revenues (expenses)	<u>\$ (263,664)</u>	<u>\$ -</u>
Income before contributions and transfers	<u>\$ (70,234)</u>	<u>\$ (834)</u>
Capital contributions and construction grants	184,415	-
Transfers	14,489	-
Change in net assets	<u>\$ 128,671</u>	<u>\$ (834)</u>
Total net assets - beginning	10,182,094	834
Total net assets - ending	<u>\$ 10,310,765</u>	<u>\$ -</u>

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

County of Botetourt, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2006

	Enterprise Fund <u>Water and Sewer</u>	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,871,245	\$ -
Receipts from interfund services	-	921
Payments to suppliers	(1,007,032)	-
Payments to employees	(229,812)	-
Payments for interfund services used	-	(1,755)
Net cash provided (used by) operating activities	<u>\$ 634,401</u>	<u>\$ (834)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	\$ 14,489	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ 14,489</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	\$ (1,497,014)	\$ -
Principal payments on bonds	(179,807)	-
Contributions in aid of construction	184,415	-
Proceeds from indebtedness	1,037,975	-
Interest payments	(194,610)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (649,041)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	\$ 61,439	\$ -
Net cash provided (used) by investing activities	<u>\$ 61,439</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 61,288	\$ (834)
Cash and cash equivalents - beginning	1,522,740	834
Cash and cash equivalents - ending	<u>\$ 1,584,028</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 193,431	\$ (834)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$ 544,606	\$ -
(Increase) decrease in accounts receivable	(55,857)	-
Increase (decrease) in customer deposits	23,478	-
Increase (decrease) in operating payables	(74,327)	-
Increase (decrease) accrued leave	3,070	-
Total adjustments	<u>\$ 440,970</u>	<u>\$ -</u>
Net cash provided (used) by operating activities	<u>\$ 634,401</u>	<u>\$ (834)</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, 2006**

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 729,639
Total assets	\$ 729,639
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 26,764
Amounts held for employees	39,139
Amounts held for the Roanoke Valley Regional Board	577,670
Amounts held for performance bond	41,989
Amounts held for inmates	44,077
Total liabilities	\$ 729,639

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

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

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**Note 1-Summary of Significant Accounting Policies:**

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

**A. Reporting Entity**

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

Blended component units - None

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

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

The Botetourt County Industrial Development Authority encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County. The Industrial Development Authority is presented as an enterprise fund type. Complete financial statements for the Industrial Development Authority may be obtained at the County's administrative offices: 1 West Main Street, Fincastle, VA 24090.

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

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge Library and the Blue Ridge Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$196,919 for operations to the Blue Ridge Library, and \$34,760 to the Blue Ridge Community Services Board. The County does not have any ongoing financial responsibilities for these organizations.

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

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

*Internal service funds* account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The internal service fund consists of the Central Stores Fund. The County closed the Central Stores Fund during the fiscal year.

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

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

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

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.

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

2. Receivables and payables

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

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

3. Property Taxes

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

4. Allowance for Un-collectible Accounts

The County calculates its allowance for un-collectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$110,375 at June 30, 2006. The allowance consists of delinquent taxes in the amount of \$19,657 and delinquent water and sewer bills of \$90,718.

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 \$389,530. Of this amount, \$64,427 was included as part of the cost of capital assets under construction in connection with the wastewater treatment facility construction project.

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

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

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government 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.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(59,619,816) and \$(479,944) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Bonds and notes payable	\$ (44,158,516)	\$ -
Premium on bond issuance	(978,795)	-
Literary loans payable	(9,822,453)	-
Accrued interest payable	(570,012)	-
Landfill accrued closure and post-closure monitoring costs	(3,639,067)	-
Compensated absences	<u>(450,973)</u>	<u>(479,944)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (59,619,816)</u>	<u>\$ (479,944)</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 \$9,832,794 and \$151,727 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlays	\$ 11,358,602	\$ 1,416,955
Loss on sale of capital asset	(33,795)	-
Depreciation expenses	<u>(1,492,013)</u>	<u>(1,265,228)</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>\$ 9,832,794</u>	<u>\$ 151,727</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 \$(30,377,923) difference in the primary government are as follows:

Debt Issued or incurred:	
Proceeds from bond and note issuances	\$ (33,460,000)
Premiums and issuance costs	
Premium on bond issuance	(978,795)
Bond issuance costs	157,398
Decrease in estimated liability	
Accrued landfill closure/postclosure	2,004,933
Principal repayments:	
General obligation debt	1,125,411
Literary loans	<u>773,130</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ (30,377,923)</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, "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 \$(188,434) and \$248,561 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) decrease in compensated absences	\$ (58,598)	\$ 248,561
(Increase) decrease in accrued interest	(129,836)	-
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>\$ (188,434)</u>	<u>\$ 248,561</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.

**Note 3-Stewardship, Compliance, and Accountability: (Continued)**

A. Budgetary information (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to 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, 2006.

C. Deficit fund equity

At June 30, 2006, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

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

Investments:

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

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**Note 4-Deposits and Investments: (Continued)**

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component units have an investment policy for custodial credit risk. The County's investments at June 30, 2006 were held in the County's name by the County's custodial bank; except \$3,961,960 of commercial paper and \$3,343,305 of government bonds where the underlying securities were uninsured and held by the investment's counterparty's trust department or agent but not in the name of the County. The Local Government Investment (LGIP) and State Non-Arbitrage (SNAP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk.

The County's rated debt investments as of June 30, 2006 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

**County's Rated Debt Investments' Values**

Rated Debt Investments	Fair Quality Ratings		
	AAA	AAAm	A-1+
LGIP	\$ -	\$ 14,262,597	\$ -
SNAP	-	33,101,032	-
Commercial Paper	-	-	3,961,960
U.S. Agencies	3,343,305	-	-

Concentration of Credit Risk

The County had investments at June 30, 2006, with more than 5 percent of the total in securities of General Electric Cap. Corp. Disc. Commercial Paper. These investments represented 7 percent of total investments. The County does not have a policy to address concentration of credit risk.

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**Note 4-Deposits and Investments: (Continued)**

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk.

Investment Type	Fair Value	Maturity Date	Call Options
Government Bonds (U.S. Agencies):			
FHLB	\$ 966,880	12/30/2008	9/30/06 @100%
FHLMC	2,376,425	12/15/2010	6/15/04 @100%
Commercial Paper:			
General Electric Cap. Corp.Disc.	1,997,960	7/10/2006	None
General Electric Cap. Corp.Disc.	1,964,000	7/21/2006	None

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

**Note 5-Due from Other Governmental Units:**

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

	Primary Government	Component Unit-School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 365,008	\$ -
Categorical aid-State sales tax	-	816,832
Categorical aid-Other	260,565	-
Non-categorical aid	187,682	-
Categorical aid-Jail Construction Grant	6,166,948	-
Categorical aid-Virginia Public Assistance	28,431	-
Categorical aid-Comprehensive Services Act	142,990	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	69,959	-
Categorical aid-Other	-	9,741
Totals	\$ 7,221,583	\$ 826,573

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 6-Interfund/Component-Unit Obligations:**

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 99,486
Component Unit - School Board:		
School Fund	\$ 99,486	\$ -

**Note 7-Interfund Transfers/Component Unit Contributions:**

Interfund transfers for the year ended June 30, 2006, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 2,489
Capital Projects Fund	-	12,000
Water and Sewer Fund	14,489	-
Total	<u>\$ 14,489</u>	<u>\$ 14,489</u>

Primary government contributions to component units for the year ended June 30, 2006, consisted of the following:

Component Unit:	
School Board	\$ 18,423,549

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 8-Long-Term Debt:**

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans		Grant Anticipation Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,125,757	\$ 1,790,269	\$ 773,130	\$ 294,674	\$ -	\$ 239,770
2008	1,604,561	2,059,528	773,130	271,480	-	239,770
2009	2,003,860	1,971,889	758,530	248,286	6,166,948	69,962
2010	2,048,682	1,877,148	749,342	225,530	-	-
2011	2,089,059	1,779,703	695,161	203,050	-	-
2012-2016	10,451,597	7,319,107	3,259,650	715,395	-	-
2017-2021	7,355,000	5,182,692	2,759,650	233,948	-	-
2022-2026	9,085,000	3,207,756	53,860	2,424	-	-
2027-2031	6,080,000	1,237,289	-	-	-	-
2032-2033	2,315,000	117,018	-	-	-	-
Totals	\$ 44,158,516	\$ 26,542,399	\$ 9,822,453	\$ 2,194,785	\$ 6,166,948	\$ 549,502

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2006.

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2006
General Obligation Bonds	\$ 11,823,927	\$ 33,460,000	\$ (1,125,411)	\$ 44,158,516
Unamortized Premium	-	978,795	-	978,795
Literary Loans	10,595,583	-	(773,130)	9,822,453
Grant anticipation note	825,621	5,341,327	-	6,166,948
Landfill closure/ postclosure liability	5,644,000	-	(2,004,933)	3,639,067
Compensated absences	392,375	294,281	(235,683)	450,973
Total	\$ 29,281,506	\$ 40,074,403	\$ (4,139,157)	\$ 65,216,752

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

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

**Note 8-Long-Term Debt: (Continued)**

**Primary Government - Governmental Activity Indebtedness: (Continued)**

Details of long-term indebtedness:

Type/ Project	Interest Rates	Issue Date	Maturity Date	Original Issue	Governmental Activities	Due Within One Year
General Obligation Bonds:						
General projects	3.65% - 5%	3/1/1998	2015	\$ 6,660,000	\$ 4,685,000	\$ 545,000
General projects	5.1% - 6.1%	12/21/1995	2016	\$ 8,385,372	\$ 4,554,208	\$ 420,970
School construction	4.1% - 5.225%	4/30/1998	2019	\$ 1,545,000	\$ 985,000	\$ 80,000
School construction	4.85% - 6.6%	Aug. 1991	2012	\$ 1,267,416	\$ 454,308	\$ 69,787
School construction	6.075% - 7.0875%	12/15/1993	2008	\$ 320,000	\$ 20,000	\$ 10,000
School construction	4.1% - 5.1%	5/11/2006	2026	\$ 15,890,000	\$ 15,890,000	\$ -
Jail Construction	3.6325% - 4.9866%	6/8/2006	2032	\$ 17,570,000	\$ 17,570,000	\$ -
Total GO Bonds					\$ 44,158,516	\$ 1,125,757
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	\$ 978,795	\$ -
Net GO Bonds					\$ 45,137,311	\$ 1,125,757
Other Long-term Debt: (Literary Fund Loans)						
School construction	3.00%	12/1/1989	2010	\$ 180,064	\$ 36,064	\$ 9,000
School construction	3.00%	12/1/1989	2010	\$ 121,883	\$ 24,283	\$ 6,100
School construction	3.00%	3/1/1990	2010	\$ 300,000	\$ 60,000	\$ 15,000
School construction	3.00%	12/1/1990	2011	\$ 97,255	\$ 22,255	\$ 5,000
School construction	3.00%	7/15/1990	2011	\$ 1,180,976	\$ 280,976	\$ 60,000
School construction	3.00%	5/1/1990	2010	\$ 220,865	\$ 36,865	\$ 11,500
School construction	3.00%	12/1/2000	2021	\$ 7,500,000	\$ 5,625,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	\$ 5,000,000	\$ 3,250,000	\$ 250,000
School construction	3.00%	1/15/2003	2023	\$ 538,600	\$ 457,810	\$ 26,930
School construction	3.00%	1/15/2003	2008	\$ 73,000	\$ 29,200	\$ 14,600
Total Literary Fund Loans					\$ 9,822,453	\$ 773,130
Grant Anticipation Note						
Jail Construction	68% LIBOR + .40%	5/17/2005	2009	\$ 6,166,948	\$ 6,166,948	\$ -
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 450,973	\$ 313,900
Landfill closure/post-closure monitoring	n/a	n/a	n/a	n/a	\$ 3,639,067	\$ -
Total Other Obligations					\$ 4,090,040	\$ 313,900
Total Long-term debt					\$ 65,216,752	\$ 2,212,787

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 8-Long-Term Debt: (Continued)**

Primary Government - Enterprise Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2007	\$ 300,325	\$ 406,244
2008	443,206	333,208
2009	458,264	316,883
2010	473,739	299,511
2011	489,648	281,367
2012-2016	2,748,471	1,103,332
2017-2021	2,919,613	481,072
2022-2023	1,011,374	39,896
Totals	\$ 8,844,640	\$ 3,261,515

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2006.

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2006
Revenue Bonds	\$ 7,986,472	\$ 1,037,975	\$ (179,807)	\$ 8,844,640
Unamortized Premium	63,687	-	(9,068)	54,619
Deferred amount on refunding	(247,603)	-	35,256	(212,347)
Compensated absences	27,486	20,615	(17,545)	30,556
Total	\$ 7,830,042	\$ 1,058,590	\$ (171,164)	\$ 8,717,468

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 8-Long-Term Debt: (Continued)**

**Primary Government - Enterprise Activity Indebtedness: (Continued)**

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
<b>Revenue Bonds:</b>						
VRA Refunding Bond	3.1% - 4.9269%	5/17/2005	2023	\$ 4,250,000	\$ 4,185,000	\$ 180,000
VRA Bond	4.75%	7/31/1997	2019	\$ 8,385,372	\$ 2,105,257	\$ 120,325
VRA Bond	3.10%	8/1/2004	2027	\$ 4,032,975	\$ 2,554,383	\$ -
<b>Total Revenue Bonds</b>					<b>\$ 8,844,640</b>	<b>\$ 300,325</b>
<b>Add:</b>						
Unamortized premium					\$ 54,619	\$ -
Deferred amount on refunding					\$ (212,347)	\$ -
<b>Net Revenue Bonds</b>					<b>\$ 8,686,912</b>	<b>\$ 300,325</b>
<b>Other Obligations:</b>						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 30,556	\$ 22,917
<b>Total Long-term debt</b>					<b>\$ 8,717,468</b>	<b>\$ 323,242</b>

**Note 9-Long-Term Debt-Component Units:**

Discretely Presented Component Unit - School Board Indebtedness:

The following is a summary of long-term debt transactions of the Component Unit-School Board for the year ended June 30, 2006.

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2006
Compensated absences	\$ 728,505	\$ 546,379	\$ (794,940)	\$ 479,944
<b>Total</b>	<b>\$ 728,505</b>	<b>\$ 546,379</b>	<b>\$ (794,940)</b>	<b>\$ 479,944</b>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>Other Obligations:</b>						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 479,944	\$ 359,958

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

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

Discretely Presented Component Unit - Industrial Development Authority Indebtedness:

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

Year Ending June 30,	Lease Revenue Bond	
	Principal	Interest
2007	182,534	179,400
2008	191,177	170,757
2009	200,228	161,706
2010	209,709	152,225
2011	219,638	142,296
2012-2016	1,264,384	545,286
2017-2020	1,610,765	203,137
Totals	<u>\$ 3,878,435</u>	<u>\$ 1,554,807</u>

The following is a summary of long-term debt transactions of the Component Unit-Industrial Development Authority for the year ended June 30, 2006.

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2005
Lease Revenue Bond	<u>\$ 4,052,717</u>	<u>\$ -</u>	<u>\$ (174,282)</u>	<u>\$ 3,878,435</u>
Total	<u>\$ 4,052,717</u>	<u>\$ -</u>	<u>\$ (174,282)</u>	<u>\$ 3,878,435</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Lease Revenue Bonds:						
Lease Revenue Bond	4.68%	5/1/1999	2020	\$ 4,812,833	<u>\$ 3,878,435</u>	<u>\$ 182,534</u>

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**Note 10-Employee Retirement System and Pension Plans:**

A. Plan Description

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's required contribution rate for the fiscal year ended June 30, 2006 was 11.41% of annual covered payroll, not including the 5% member contribution.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's required contribution rate for the fiscal year ended June 30, 2006 was 6.5% of the annual covered payroll, not including the 5% member contribution.

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

C. Annual Pension Cost

	Primary Government	Discretely Presented Component Unit
	County Retirement Plan	School Board Non-Professional Retirement Plan
Contribution rates for fiscal year ended 6/30/05:		
Employer	11.41%	6.50%
Plan members <sup>1</sup>	5.00%	5.00%
Annual pension cost (required)	\$609,406	\$180,670
Contributions made	\$609,406	\$180,670
Actuarial valuation date	6/30/2004	6/30/2004
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent, Open	Level Percent, Open
Payroll growth rate	3.00%	3.00%
Remaining amortization period (open)	21 Years	21 Years
Asset valuation method	Modified Market	Modified Market
Actuarial assumptions:		
Investment rate of return <sup>2</sup>	7.50%	7.50%
Projected salary increases <sup>2</sup>		
Non-LEO employees	3.50% to 5.73%	3.50% to 5.73%
LEO employees	3.50% to 4.71%	3.50% to 4.71%
Cost-of-living adjustments	2.50%	2.50%

<sup>1</sup> This member contribution has been assumed by the employer.

<sup>2</sup> Includes inflation at 2.50%.

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

C. Annual Pension Cost (Continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2006	\$ 609,406	100.00%	\$ -
	6/30/2005	342,124	100.00%	-
	6/30/2004	96,395	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2006	\$ 180,670	100.00%	\$ -
	6/30/2005	169,828	100.00%	-
	6/30/2004	72,235	100.00%	-

<sup>1</sup> Employer portion only

D. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Botetourt County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2005AnnuRept.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 \$1,465,628, \$1,250,174, and \$746,614 for the fiscal years ended 2006, 2005, and 2004, respectively. Required employer contributions represented 6.62%, 6.03%, and 3.77% of covered payroll for the fiscal years ended 2006, 2005, and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 11-Deferred Revenue:**

Deferred 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. Deferred revenue totaling \$92,138 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2006, but paid in advance by the taxpayers totaled \$92,138 at June 30, 2006.

**Note 12-Capital Assets:**

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,929,848	\$ -	\$ -	\$ 11,929,848
Construction in progress	1,333,434	7,983,517	-	9,316,951
Total capital assets not being depreciated	<u>\$ 13,263,282</u>	<u>\$ 7,983,517</u>	<u>\$ -</u>	<u>\$ 21,246,799</u>
Capital assets, being depreciated:				
Buildings	\$ 22,959,776	\$ 2,808,219	\$ -	\$ 25,767,995
Machinery and equipment	5,872,899	566,867	(271,327)	6,168,439
Total capital assets being depreciated	<u>\$ 28,832,675</u>	<u>\$ 3,375,086</u>	<u>\$ (271,327)</u>	<u>\$ 31,936,434</u>
Less: accumulated depreciation for:				
Buildings	\$ (6,927,763)	\$ (858,711)	\$ -	\$ (7,786,474)
Machinery and equipment	(3,230,645)	(633,302)	237,532	(3,626,415)
Total accumulated depreciation	<u>\$ (10,158,408)</u>	<u>\$ (1,492,013)</u>	<u>\$ 237,532</u>	<u>\$ (11,412,889)</u>
Total capital assets being depreciated, net	<u>\$ 18,674,267</u>	<u>\$ 1,883,073</u>	<u>\$ (33,795)</u>	<u>\$ 20,523,545</u>
Governmental activities capital assets, net	<u>\$ 31,937,549</u>	<u>\$ 9,866,590</u>	<u>\$ (33,795)</u>	<u>\$ 41,770,344</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 12-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 43,010	\$ -	\$ -	\$ 43,010
Construction in progress	1,936,172	1,296,792	-	3,232,964
<b>Total capital assets not being depreciated</b>	<b>\$ 1,979,182</b>	<b>\$ 1,296,792</b>	<b>\$ -</b>	<b>\$ 3,275,974</b>
<b>Capital assets, being depreciated:</b>				
Utility plant and equipment	\$ 20,431,567	\$ 200,222	\$ -	\$ 20,631,789
Machinery and equipment	35,062	-	-	35,062
<b>Total capital assets being depreciated</b>	<b>20,466,629</b>	<b>200,222</b>	<b>-</b>	<b>20,666,851</b>
<b>Less: accumulated depreciation for:</b>				
Utility plant and equipment	\$ (5,777,380)	\$ (539,191)	\$ -	\$ (6,316,571)
Machinery and equipment	(24,231)	(5,415)	-	(29,646)
<b>Total accumulated depreciation</b>	<b>(5,801,611)</b>	<b>(544,606)</b>	<b>-</b>	<b>(6,346,217)</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 14,665,018</b>	<b>\$ (344,384)</b>	<b>\$ -</b>	<b>\$ 14,320,634</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 16,644,200</b>	<b>\$ 952,408</b>	<b>\$ -</b>	<b>\$ 17,596,608</b>

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

<b>Governmental activities:</b>	
General government	\$ 171,676
Judicial administration	15,964
Public safety	430,267
Public works	159,832
Education	643,149
Parks, recreation, and culture	71,111
Community development	14
<b>Total depreciation expense-governmental activities</b>	<b>\$ 1,492,013</b>
<b>Business type activities:</b>	
Service authority	\$ 544,606

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 12-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2006 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,455,729	\$ -	\$ -	\$ 1,455,729
Capital assets, being depreciated:				
Buildings	\$ 32,696,703	\$ 1,002,746	\$ -	\$ 33,699,449
Machinery and equipment	4,856,697	414,209	-	5,270,906
Total capital assets being depreciated	<u>\$ 37,553,400</u>	<u>\$ 1,416,955</u>	<u>\$ -</u>	<u>\$ 38,970,355</u>
Less: accumulated depreciation for:				
Buildings	\$ (12,506,415)	\$ (818,877)	\$ -	\$ (13,325,292)
Machinery and equipment	(2,435,539)	(446,351)	-	(2,881,890)
Total accumulated depreciation	<u>\$ (14,941,954)</u>	<u>\$ (1,265,228)</u>	<u>\$ -</u>	<u>\$ (16,207,182)</u>
Total capital assets being depreciated, net	<u>\$ 22,611,446</u>	<u>\$ 151,727</u>	<u>\$ -</u>	<u>\$ 22,763,173</u>
Governmental activities capital assets, net	<u>\$ 24,067,175</u>	<u>\$ 151,727</u>	<u>\$ -</u>	<u>\$ 24,218,902</u>

**Note 13-Risk Management:**

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 13-Risk Management: (continued)**

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

**Note 14-Contingent Liabilities:**

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

**Note 15-Surety Bonds:**

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Tommy Moore, Clerk of the Circuit Court	\$ 270,000
Benton Bolton, Treasurer	400,000
John L. Etzler, Commissioner of the Revenue	3,000
Ronald N. Sprinkle, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000

Selective Insurance Company of America:

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

United States Fidelity and Guaranty Company-Surety:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

**Note 15-Surety Bonds: (Continued)**

Component Unit - School Board:

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

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County's landfill has reached 86% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$4,232,148 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2006. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, 86% of the aforementioned amount has been recognized as a liability in the financial statements (\$3,639,067). The remaining amount to be recognized, \$593,081, will be recognized over the landfill's remaining life based on usage. As of June 30, 2006, the landfill's remaining life is estimated to be 2.2 years. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

**Note 17 - Commitments and Contingencies:**

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

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount</u>		<u>Funding Source</u>
		<u>Outstanding at</u>		
		<u>June 30, 2006</u>		
Fincastle Waste Water Treatment Plant	2,184,036.00	1,122,109.90		Revenue bonds
James River High School - Improvements	14,968,801.00	12,187,615.20		GO bonds
Botetourt-Craig Public Safety Facility & Regional Jail	20,205,347.00	14,755,359.00		GO bonds/State Grant
Botetourt Sports Complex	3,920,000.00	3,473,170.60		General Fund

**Note 18 - Arbitrage Rebate Compliance:**

As of June 30, 2006 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2006

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**Note 19-New Accounting Standard:**

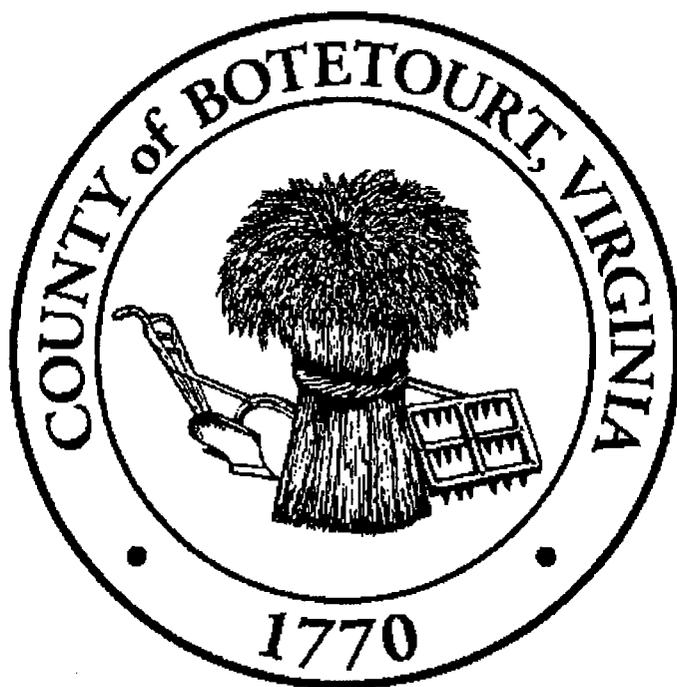
The Government Accounting Standards Board (GASB) has issued its Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other than Pensions*. The statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities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

**Note 20-Restatement of Beginning Fund Balance:**

Net Assets, as previously reported, July 1, 2005	\$ 18,982,401
Report jail construction grant receivable	<u>825,621</u>
General fund balance, as restated July 1, 2005	<u>\$ 19,808,022</u>

**Note 21-Change in Accounting Estimate:**

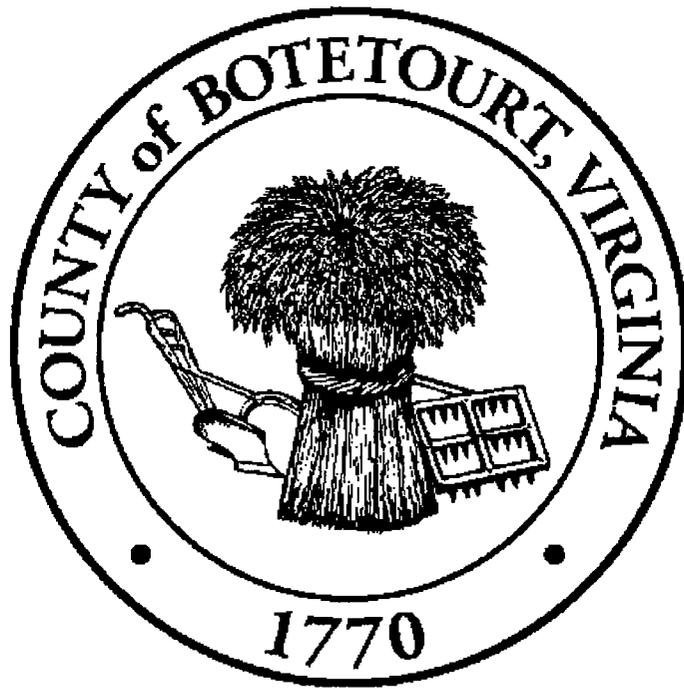
During the 2005-2006 fiscal year, the County's landfill engineers revised their final closure design which resulted in a decrease in the anticipated cost related to closure and post closure care. The change in total estimated liability from \$7,224,320 to \$4,232,148 is treated as a change in accounting estimate in the financial statements and reduced expenditures in exhibit 2 (public works function) by \$2,343,505.



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## Required Supplementary Information

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County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 22,465,500	\$ 22,447,665	\$ 22,902,166	\$ 454,501
Other local taxes	6,472,500	6,472,500	7,074,824	602,324
Permits, privilege fees, and regulatory licenses	417,100	417,100	537,885	120,785
Fines and forfeitures	122,500	122,500	116,066	(6,434)
Revenue from the use of money and property	390,000	418,615	1,136,303	717,688
Charges for services	1,188,700	1,188,700	1,193,560	4,860
Miscellaneous	51,500	51,500	661,263	609,763
Recovered costs	599,800	975,819	1,079,791	103,972
Intergovernmental revenues:				
Commonwealth	8,018,800	13,496,357	13,444,276	(52,081)
Federal	1,047,200	1,151,000	1,112,318	(38,682)
Total revenues	\$ 40,773,600	\$ 46,741,756	\$ 49,258,452	\$ 2,516,696
<b>EXPENDITURES</b>				
General government administration:				
Board of supervisors	\$ 166,975	\$ 169,679	\$ 169,679	\$ -
County administrator	288,900	287,499	284,152	3,347
Deputy administrators	335,451	335,120	329,590	5,530
Central garage	63,126	63,039	53,180	9,859
Commissioner of revenue	336,621	336,047	305,353	30,694
Assessor	187,000	186,807	164,065	22,742
Equilization Board	10,000	10,000	8,174	1,826
Central purchasing	125,798	136,322	131,476	4,846
Treasurer	388,159	393,112	359,878	33,234
Management information systems	416,935	416,935	390,788	26,147
Financial services	246,236	265,056	250,303	14,753
Total general and financial administration	2,398,226	2,429,937	2,276,959	152,978
Electoral board/registrar	163,689	173,379	145,360	28,019
Total board of elections	163,689	173,379	145,360	28,019
Total general government administration	\$ 2,728,890	\$ 2,772,995	\$ 2,591,998	\$ 180,997
Judicial administration:				
Circuit court	\$ 46,915	\$ 46,915	\$ 46,472	\$ 443
General district court	29,516	29,516	25,724	3,792
Magistrate	1,000	951	678	273
Clerk of the circuit court	493,243	525,497	487,733	37,764
Commonwealth's attorney	423,341	449,494	446,324	3,170
Total judicial administration	\$ 994,015	\$ 1,052,373	\$ 1,006,931	\$ 45,442
Public safety:				
Sheriff	\$ 3,504,671	\$ 3,660,504	\$ 3,591,877	\$ 68,627
GIS communications	138,418	138,162	127,816	10,346
Volunteer fire department	541,000	541,000	241,325	299,675
Reed Mountain Fire Department	336,435	336,435	332,690	3,745
Supplemental rescue	266,028	364,083	333,594	30,489
Ambulance and rescue services	372,000	398,738	253,716	145,022
Public safety: (continued)				

County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Western Virginia EMS	\$ 6,111	\$ 6,111	\$ 6,111	\$ -
County operated institutions - jail	1,424,189	1,438,808	1,421,416	17,392
Probation office	7,750	48,426	47,850	576
Building	320,275	319,971	314,089	5,882
Animal control	288,227	292,616	290,700	1,916
Emergency services	325,181	611,047	609,438	1,609
Dispatch	560,770	567,925	555,066	12,859
SPCA contributions	61,711	61,711	61,711	-
Street signs	17,500	17,500	12,119	5,381
Total public safety	<u>\$ 8,170,266</u>	<u>\$ 8,803,037</u>	<u>\$ 8,199,518</u>	<u>\$ 603,519</u>
Public works:				
Refuse collection and disposal	\$ 609,579	\$ 647,872	\$ 647,872	\$ -
County engineer	278,897	284,387	262,682	21,705
Public works	169,047	168,999	164,922	4,077
General properties	480,824	495,910	495,618	292
Total public works	<u>\$ 1,538,347</u>	<u>\$ 1,597,168</u>	<u>\$ 1,571,094</u>	<u>\$ 26,074</u>
Health and welfare:				
Supplement of local health department	\$ 295,785	\$ 295,785	\$ 295,785	\$ -
State and local hospitalization	13,500	13,500	11,364	2,136
Mental health contribution	34,760	34,760	34,760	-
Welfare administration and programs	1,582,671	1,582,671	1,358,188	224,483
Comprehensive services act	1,223,132	1,478,422	1,324,136	154,286
Senior van program	57,478	57,778	57,778	-
Other welfare programs	45,948	45,948	45,948	-
Total health and welfare	<u>\$ 3,253,274</u>	<u>\$ 3,508,864</u>	<u>\$ 3,127,959</u>	<u>\$ 380,905</u>
Education:				
Contributions to Community Colleges	\$ 4,640	\$ 4,640	\$ 4,640	\$ -
Contribution to County School Board	18,200,242	19,341,697	18,423,549	918,148
Total education	<u>\$ 18,204,882</u>	<u>\$ 19,346,337</u>	<u>\$ 18,428,189</u>	<u>\$ 918,148</u>
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 854,321	\$ 873,304	\$ 845,385	\$ 27,919
North County Park	10,000	10,000	400	9,600
Tourism	47,523	47,498	41,930	5,568
Community recreation incentive	50,000	89,733	58,669	31,064
Contributions to cultural organizations	49,064	49,064	49,064	-
Library expenses	553,663	554,124	541,622	12,502
Regional library	201,751	203,199	196,919	6,280
Total parks, recreation, and cultural	<u>\$ 1,766,322</u>	<u>\$ 1,826,922</u>	<u>\$ 1,733,989</u>	<u>\$ 92,933</u>
Community development:				
Planning and Zoning	\$ 224,138	\$ 225,424	\$ 221,794	\$ 3,630
Planning commission	18,720	18,720	18,720	-
Community development: (Continued)				
Road development (VDOT)	\$ 250,000	\$ 250,000	\$ 187,828	\$ 62,172

County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Industrial development	75,545	116,758	98,177	18,581
Industrial site development	50,000	133,652	132,601	1,051
Other environmental management	15,906	15,906	15,905	1
Extension office	79,421	81,347	55,987	25,360
Total community development	\$ 713,730	\$ 841,807	\$ 731,012	\$ 110,795
<b>Capital projects:</b>				
Courthouse improvements	\$ 62,000	\$ 62,000	\$ 5,391	\$ 56,609
Landfill expansion	200,000	202,063	143,791	58,272
Landfill lifecycle extension	50,000	160,000	39,921	120,079
Public safety building	-	6,964,482	6,964,482	-
Buchanan Park	185,000	367,097	327,097	40,000
Recreation facility (Greenfield park)	1,700,000	2,440,517	503,091	1,937,426
Other capital projects	-	12,000	10,420	1,580
Total capital projects	\$ 2,197,000	\$ 10,208,159	\$ 7,994,193	\$ 2,213,966
<b>Debt service:</b>				
Principal retirement	\$ 1,836,830	\$ 1,961,830	\$ 1,898,541	\$ 63,289
Bond issuance costs	-	125,630	125,630	-
Interest and other fiscal charges	991,860	991,860	951,619	40,241
Total debt service	\$ 2,828,690	\$ 3,079,320	\$ 2,975,790	\$ 103,530
Total expenditures	\$ 42,395,416	\$ 53,036,982	\$ 48,360,673	\$ 4,676,309
Excess (deficiency) of revenues over (under) expenditures	\$ (1,621,816)	\$ (6,295,226)	\$ 897,779	\$ 7,193,005
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (100,000)	\$ (305,709)	\$ (2,489)	\$ 303,220
Proceeds of bond issuances	-	17,570,000	17,570,000	-
Premium on bond issuance	-	432,542	432,542	-
Total other financing sources and uses	\$ (100,000)	\$ 17,696,833	\$ 18,000,053	\$ 303,220
Net change in fund balances	\$ (1,721,816)	\$ 11,401,607	\$ 18,897,832	\$ 7,496,225
Fund balances - beginning	1,721,816	-	16,316,050	16,316,050
Fund balances - ending	\$ -	\$ 11,401,607	\$ 35,213,882	\$ 23,812,275

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia  
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plan  
For the Year Ended June 30, 2006

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, 2005	\$ 16,939,621	\$ 20,916,098	\$ 3,976,477	80.99%	\$ 6,944,688	57.26%
June 30, 2004	16,151,371	16,616,315	464,944	97.20%	6,550,681	7.10%
June 30, 2003	15,816,605	15,315,315	(501,290)	103.27%	5,687,721	-8.81%
June 30, 2002	15,516,976	14,276,389	(1,240,587)	108.69%	5,949,347	-20.85%
June 30, 2001	14,654,140	12,691,412	(1,962,728)	115.47%	5,555,208	-35.33%

Discretely Presented Component Unit:

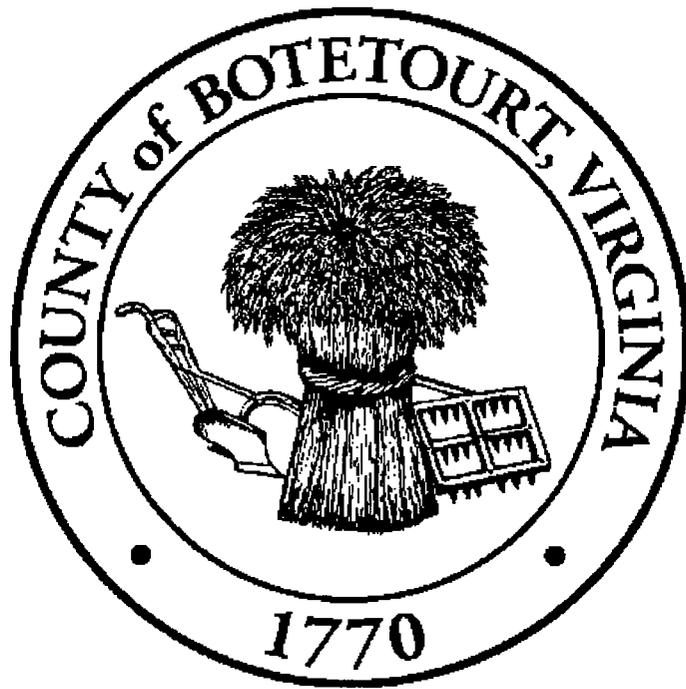
School Board Non-Professional Retirement Plan

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, 2005	\$ 7,103,263	\$ 9,019,673	\$ 1,916,410	78.75%	\$ 2,631,751	72.82%
June 30, 2004	6,972,140	7,751,080	778,940	89.95%	2,416,992	32.23%
June 30, 2003	6,946,309	7,125,109	178,800	97.49%	2,299,045	7.78%
June 30, 2002	7,006,806	6,776,950	(229,856)	103.39%	2,242,825	-10.25%
June 30, 2001	6,811,481	6,218,517	(592,964)	109.54%	2,040,825	-29.06%

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## Other Supplementary Information

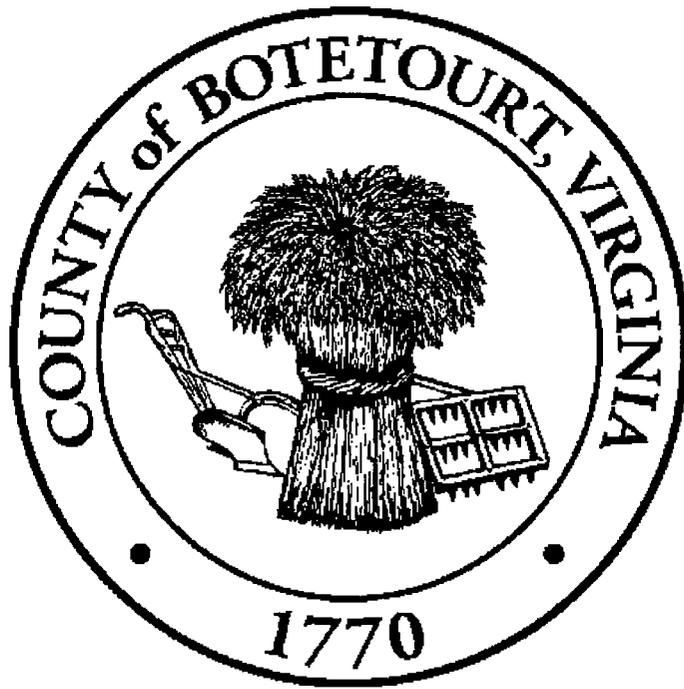
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## **CAPITAL PROJECTS FUNDS**

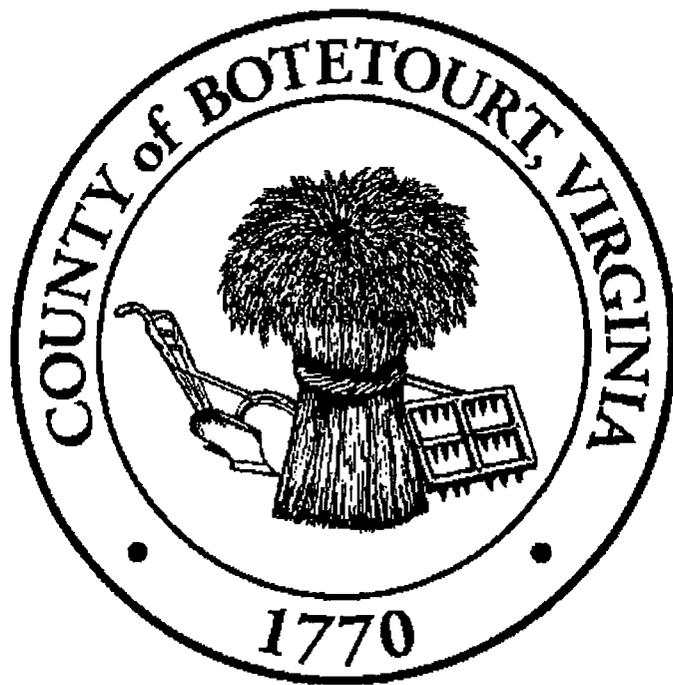
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Capital Projects Fund - The Capital Projects Fund accounts for School Capital Projects that are financed, constructed and owned by the Primary Government.



County of Botetourt, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 111,405	\$ 111,405
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,405</u>	<u>\$ 111,405</u>
<b>EXPENDITURES</b>				
Current:				
Capital projects	\$ -	\$ 2,808,219	\$ 2,808,219	\$ -
Debt service:				
Bond issuance costs	-	31,768	31,768	-
Total expenditures	<u>\$ -</u>	<u>\$ 2,839,987</u>	<u>\$ 2,839,987</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (2,839,987)</u>	<u>\$ (2,728,582)</u>	<u>\$ 111,405</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (12,000)	\$ (12,000)
Proceeds of general obligation bonds	-	15,890,000	15,890,000	-
Premium on bond issuance	-	546,253	546,253	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ 16,436,253</u>	<u>\$ 16,424,253</u>	<u>\$ (12,000)</u>
Net change in fund balances	\$ -	\$ 13,596,266	\$ 13,695,671	\$ 99,405
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 13,596,266</u>	<u>\$ 13,695,671</u>	<u>\$ 99,405</u>



## **FIDUCIARY FUNDS - AGENCY FUNDS**

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

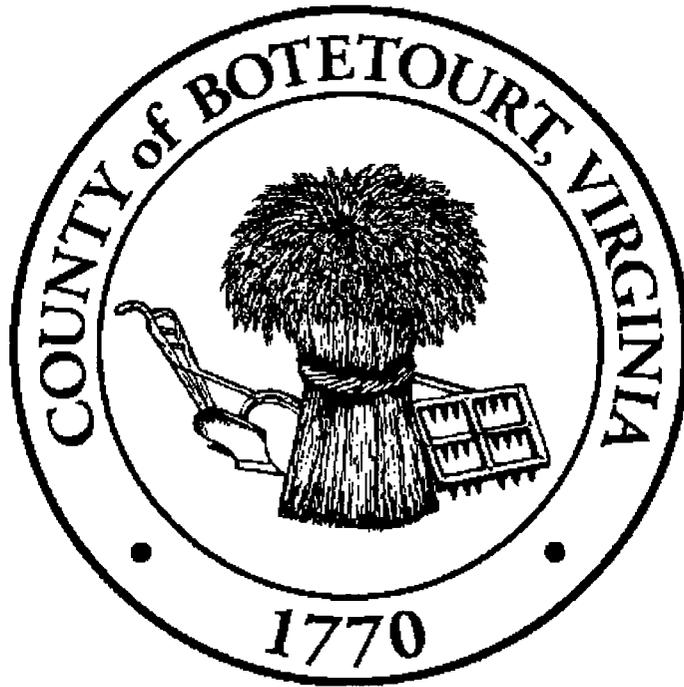
Cafeteria Plan - The cafeteria plan fund accounts for those funds belonging to County employees as participants in the County's cafeteria plan.

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

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

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

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



County of Botetourt, Virginia  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

	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>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 26,764	\$ 34,324	\$ 44,077	\$ 4,815	\$ 41,989	\$ 577,670	\$ 729,639
Total assets	<u>\$ 26,764</u>	<u>\$ 34,324</u>	<u>\$ 44,077</u>	<u>\$ 4,815</u>	<u>\$ 41,989</u>	<u>\$ 577,670</u>	<u>\$ 729,639</u>
<b>LIABILITIES</b>							
Amounts held for social services clients	\$ 26,764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,764
Amounts held for employees	-	34,324	-	4,815	-	-	39,139
Amounts held for other agencies	-	-	-	-	-	577,670	577,670
Amounts held for performance bond	-	-	-	-	41,989	-	41,989
Amounts held for inmates	-	-	44,077	-	-	-	44,077
Total liabilities	<u>\$ 26,764</u>	<u>\$ 34,324</u>	<u>\$ 44,077</u>	<u>\$ 4,815</u>	<u>\$ 41,989</u>	<u>\$ 577,670</u>	<u>\$ 729,639</u>

County of Botetourt, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
For the Year Ended June 30, 2006

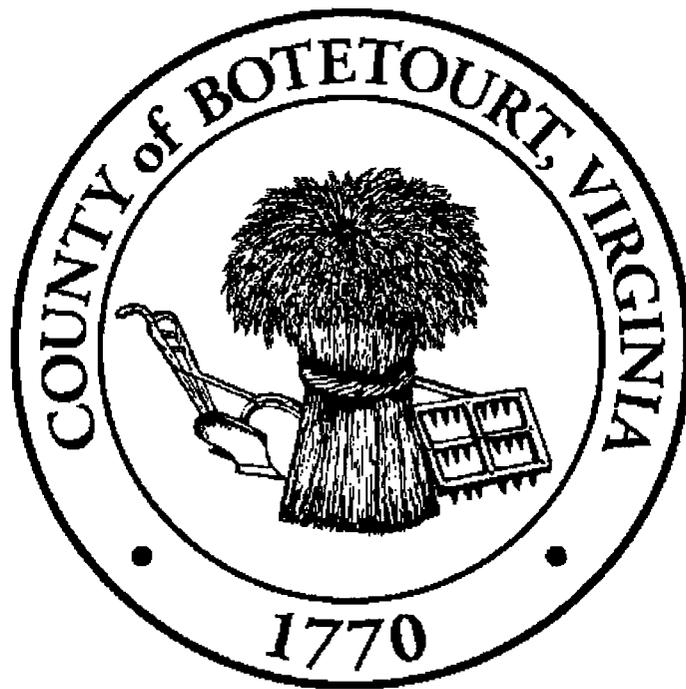
	Agency Funds						
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	<u>Total</u>
<b>ASSETS</b>							
Balance, June 30, 2005	\$ 23,839	\$ 28,132	\$ 44,281	\$ 4,134	\$ 285,844	\$ -	\$ 386,230
Additions	97,947	164,643	171,330	27,748	54,912	3,319,297	3,835,877
Deductions	(95,022)	(158,451)	(171,534)	(27,067)	(298,767)	(2,741,627)	(3,492,468)
Balance, June 30, 2006	<u>\$ 26,764</u>	<u>\$ 34,324</u>	<u>\$ 44,077</u>	<u>\$ 4,815</u>	<u>\$ 41,989</u>	<u>\$ 577,670</u>	<u>\$ 729,639</u>
<b>LIABILITIES</b>							
Balance, June 30, 2005	\$ 23,839	\$ 28,132	\$ 44,281	\$ 4,134	\$ 285,844	\$ -	\$ 386,230
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Deductions	(95,022)	(158,451)	(171,534)	(27,067)	(298,767)	(2,741,627)	(3,492,468)
Balance, June 30, 2006	<u>\$ 26,764</u>	<u>\$ 34,324</u>	<u>\$ 44,077</u>	<u>\$ 4,815</u>	<u>\$ 41,989</u>	<u>\$ 577,670</u>	<u>\$ 729,639</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL  
BOARD**

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**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, 2006

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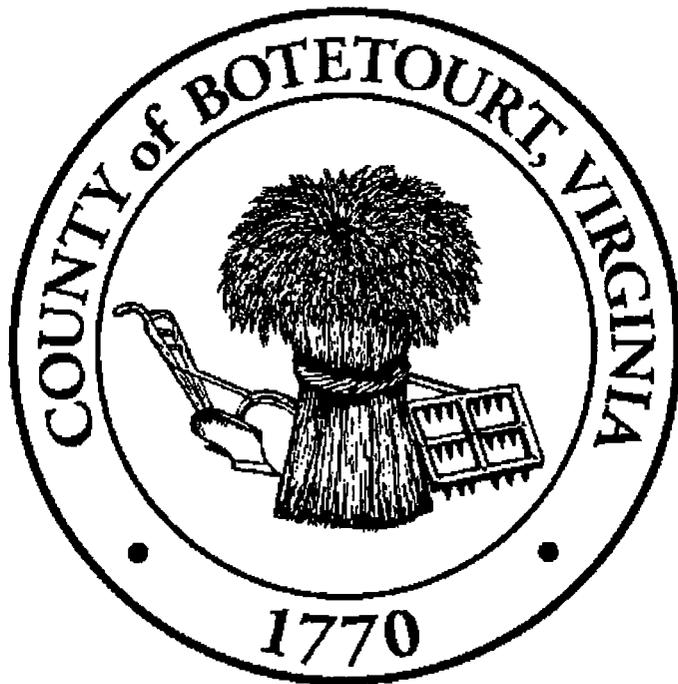
	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,243,756
Due from other governmental units	826,573
Total assets	<u>\$ 4,070,329</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 259,592
Salaries payable	2,541,126
Due to primary government	99,486
Total liabilities	<u>\$ 2,900,204</u>
Fund balances:	
Reserved for:	
School cafeterias	\$ 386,532
Unreserved:	
Undesignated	783,593
Total fund balances	<u>\$ 1,170,125</u>
Total liabilities and fund balances	<u>\$ 4,070,329</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,170,125
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,218,902
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(479,944)
Net assets of governmental activities	<u>\$ 24,909,083</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, 2006**

	<b>Total Governmental Funds</b>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 98,536
Charges for services	1,556,519
Miscellaneous	120,102
Recovered costs	468,144
Intergovernmental revenues:	
Local government	18,423,549
Commonwealth	21,408,140
Federal	2,146,796
Total revenues	<u>\$ 44,221,786</u>
<b>EXPENDITURES</b>	
Current:	
Education	\$ 44,073,331
Total expenditures	<u>\$ 44,073,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 148,455</u>
Net change in fund balances	\$ 148,455
Fund balances - beginning	1,021,670
Fund balances - ending	<u>\$ 1,170,125</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	\$ 148,455
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.	151,727
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.	248,561
Change in net assets of governmental activities	<u>\$ 548,743</u>

County of Botetourt, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2006

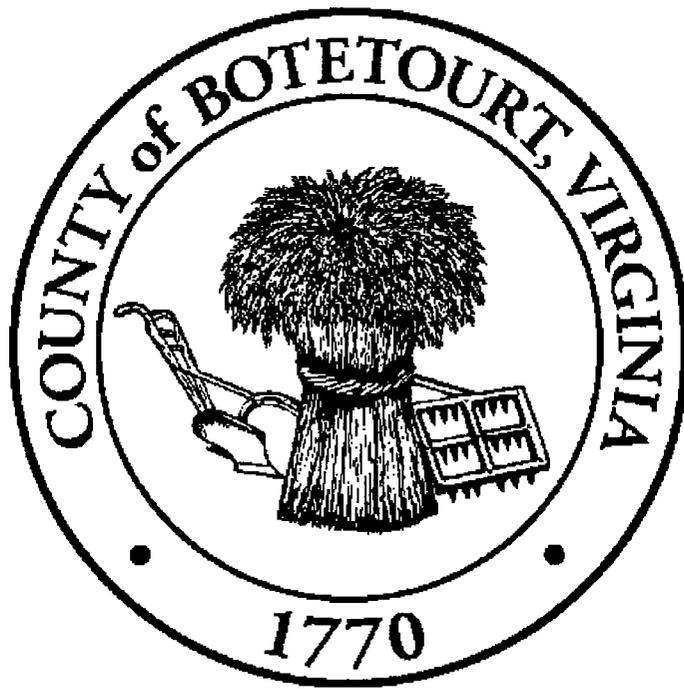
	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 17,600	\$ 17,600	\$ 98,536	\$ 80,936
Charges for services	1,627,232	1,627,232	1,556,519	(70,713)
Miscellaneous	206,751	206,751	120,102	(86,649)
Recovered costs	798,227	798,227	468,144	(330,083)
Intergovernmental revenues:				
Local government	18,250,697	18,250,697	18,423,549	172,852
Commonwealth	21,369,844	21,369,844	21,408,140	38,296
Federal	2,328,661	2,328,661	2,146,796	(181,865)
Total revenues	<u>\$ 44,599,012</u>	<u>\$ 44,599,012</u>	<u>\$ 44,221,786</u>	<u>\$ (377,226)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 44,599,012	\$ 44,599,012	\$ 44,073,331	\$ 525,681
Total expenditures	<u>\$ 44,599,012</u>	<u>\$ 44,599,012</u>	<u>\$ 44,073,331</u>	<u>\$ 525,681</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 148,455	\$ 148,455
Net change in fund balances	\$ -	\$ -	\$ 148,455	\$ 148,455
Fund balances - beginning	-	-	1,021,670	1,021,670
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,170,125</u>	<u>\$ 1,170,125</u>



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## **Supporting Schedules**

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County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 14,863,000	\$ 14,863,000	\$ 15,255,852	\$ 392,852
Real and personal public service corporation taxes	1,142,500	1,142,500	952,950	(189,550)
Personal property taxes	3,435,000	3,417,165	3,645,464	228,299
Mobile home taxes	55,000	55,000	53,652	(1,348)
Machinery and tools taxes	2,700,000	2,700,000	2,765,495	65,495
Penalties	200,000	200,000	165,737	(34,263)
Interest	70,000	70,000	63,016	(6,984)
Total general property taxes	<u>\$ 22,465,500</u>	<u>\$ 22,447,665</u>	<u>\$ 22,902,166</u>	<u>\$ 454,501</u>
Other local taxes:				
Local sales and use taxes	\$ 1,990,000	\$ 1,990,000	\$ 2,043,136	\$ 53,136
Consumers' utility taxes	935,000	935,000	959,263	24,263
Local consumption tax	160,000	160,000	155,334	(4,666)
E-911 telephone taxes	265,000	265,000	285,681	20,681
Business license taxes	623,000	623,000	761,213	138,213
Franchise license tax	135,000	135,000	158,290	23,290
Motor vehicle licenses	710,000	710,000	715,817	5,817
Bank stock taxes	88,500	88,500	103,155	14,655
Taxes on recordation and wills	291,000	291,000	610,881	319,881
Hotel and motel room taxes	300,000	300,000	285,477	(14,523)
Restaurant food taxes	975,000	975,000	996,577	21,577
Total other local taxes	<u>\$ 6,472,500</u>	<u>\$ 6,472,500</u>	<u>\$ 7,074,824</u>	<u>\$ 602,324</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 20,633	\$ 5,633
Land use application fees	3,000	3,000	2,497	(503)
Transfer fees	1,600	1,600	1,526	(74)
Building permits and other licenses	364,500	364,500	476,531	112,031
Zoning fees	33,000	33,000	36,698	3,698
Total permits, privilege fees, and regulatory licenses	<u>\$ 417,100</u>	<u>\$ 417,100</u>	<u>\$ 537,885</u>	<u>\$ 120,785</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 122,500	\$ 122,500	\$ 116,066	\$ (6,434)
Total fines and forfeitures	<u>\$ 122,500</u>	<u>\$ 122,500</u>	<u>\$ 116,066</u>	<u>\$ (6,434)</u>

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 221,000	\$ 249,615	\$ 909,201	\$ 659,586
Revenue from use of property	169,000	169,000	227,102	58,102
Total revenue from use of money and property	<u>\$ 390,000</u>	<u>\$ 418,615</u>	<u>\$ 1,136,303</u>	<u>\$ 717,688</u>
Charges for services:				
Excess fees of clerk	\$ 60,000	\$ 60,000	\$ 71,315	\$ 11,315
Charges for law enforcement and traffic control	46,700	46,700	33,896	(12,804)
Charges for courthouse maintenance	25,000	25,000	22,105	(2,895)
Charges for courtroom security	60,000	60,000	59,290	(710)
Court appointed attorneys	-	-	313	313
Miscellaneous jail and inmate fees	33,000	33,000	35,619	2,619
Jail processing fees	6,500	6,500	6,278	(222)
Charges for Commonwealth's Attorney	66,500	66,500	82,899	16,399
Charges for board and care of animals	6,000	6,000	11,936	5,936
Charges for sanitation and waste removal	855,000	855,000	830,999	(24,001)
Charges for parks and recreation	18,000	18,000	13,709	(4,291)
Charges for false alarms	-	-	175	175
Other charges for services	2,000	2,000	2,217	217
Charges for law library	-	-	5,732	5,732
Charges for library	10,000	10,000	17,077	7,077
Total charges for services	<u>\$ 1,188,700</u>	<u>\$ 1,188,700</u>	<u>\$ 1,193,560</u>	<u>\$ 4,860</u>
Miscellaneous revenue:				
Miscellaneous	\$ 6,500	\$ 6,500	\$ 114,128	\$ 107,628
Sale of salvage	7,500	7,500	4,706	(2,794)
Telephone commissions	30,000	30,000	26,959	(3,041)
Forfeiture funds	-	-	502,079	502,079
Donations	7,500	7,500	13,391	5,891
Total miscellaneous revenue	<u>\$ 51,500</u>	<u>\$ 51,500</u>	<u>\$ 661,263</u>	<u>\$ 609,763</u>
Recovered costs:				
Local jails	\$ 190,000	\$ 190,000	\$ 248,829	\$ 58,829
Joint Library	45,000	45,000	48,427	3,427
Medical co-pay	3,000	3,000	4,677	1,677
CSA refunds	86,500	86,500	46,476	(40,024)
Revenue sharing payments	102,500	102,500	170,141	67,641
Social services refunds	4,000	4,000	19,039	15,039
Other recovered costs	168,800	544,819	542,202	(2,617)
Total recovered costs	<u>\$ 599,800</u>	<u>\$ 975,819</u>	<u>\$ 1,079,791</u>	<u>\$ 103,972</u>
Total revenue from local sources	<u>\$ 31,707,600</u>	<u>\$ 32,094,399</u>	<u>\$ 34,701,858</u>	<u>\$ 2,607,459</u>

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund: (Continued)</b>				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 35,000	\$ 35,000	\$ 16,691	\$ (18,309)
Wine taxes	35,000	35,000	17,497	(17,503)
Rolling Stock Tax	148,000	148,000	131,436	(16,564)
Motor vehicle carriers' tax	5,200	5,200	4,137	(1,063)
Mobile home titling tax	44,000	44,000	34,347	(9,653)
Grantor's tax	195,000	195,000	101,003	(93,997)
Personal property tax relief funds	3,250,000	3,250,000	3,434,469	184,469
Total noncategorical aid	<u>\$ 3,712,200</u>	<u>\$ 3,712,200</u>	<u>\$ 3,739,580</u>	<u>\$ 27,380</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 259,000	\$ 259,000	\$ 287,620	\$ 28,620
Sheriff	2,088,000	2,088,000	2,131,926	43,926
Commissioner of revenue	114,000	114,000	114,101	101
Treasurer	128,000	128,000	125,007	(2,993)
Medical examiner	300	300	270	(30)
Registrar/electoral board	51,500	51,500	51,472	(28)
Clerk of the Circuit Court	251,000	283,254	287,648	4,394
Total shared expenses	<u>\$ 2,891,800</u>	<u>\$ 2,924,054</u>	<u>\$ 2,998,044</u>	<u>\$ 73,990</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 403,800	\$ 403,800	\$ 349,241	\$ (54,559)
Comprehensive services act	713,000	713,000	745,315	32,315
Emergency medical services	115,000	115,000	41,238	(73,762)
Library grant	133,000	133,000	135,498	2,498
Property seizure	-	-	12,979	12,979
VJCCCA grant	5,000	5,000	18,360	13,360
Bulletproof vest program	-	-	2,875	2,875
Fire program	45,000	45,000	-	(45,000)
Records preservation grant	-	-	4,817	4,817
Recreation grant	-	67,276	54,309	(12,967)
Jail construction grant	-	5,378,027	5,341,327	(36,700)
Other categorical aid	-	-	693	693
Total other categorical aid	<u>\$ 1,414,800</u>	<u>\$ 6,860,103</u>	<u>\$ 6,706,652</u>	<u>\$ (153,451)</u>
Total categorical aid	<u>\$ 4,306,600</u>	<u>\$ 9,784,157</u>	<u>\$ 9,704,696</u>	<u>\$ (79,461)</u>
Total revenue from the Commonwealth	<u>\$ 8,018,800</u>	<u>\$ 13,496,357</u>	<u>\$ 13,444,276</u>	<u>\$ (52,081)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 95,000	\$ 95,000	\$ 93,006	\$ (1,994)

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 942,200	\$ 942,200	\$ 782,772	\$ (159,428)
State homeland security grant program	-	-	113,025	113,025
COPS fast grant	-	103,800	103,800	-
National recreational trails	-	-	12,967	12,967
State and community highway safety	10,000	10,000	6,748	(3,252)
Total categorical aid	<u>\$ 952,200</u>	<u>\$ 1,056,000</u>	<u>\$ 1,019,312</u>	<u>\$ (36,688)</u>
Total revenue from the federal government	<u>\$ 1,047,200</u>	<u>\$ 1,151,000</u>	<u>\$ 1,112,318</u>	<u>\$ (38,682)</u>
Total General Fund	<u><u>\$ 40,773,600</u></u>	<u><u>\$ 46,741,756</u></u>	<u><u>\$ 49,258,452</u></u>	<u><u>\$ 2,516,696</u></u>
<b>Capital Projects Fund:</b>				
<b>Capital Projects Fund</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 111,405	\$ 111,405
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,405</u>	<u>\$ 111,405</u>
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>111,405</u>	<u>111,405</u>
Total School Capital Projects Fund	<u>-</u>	<u>-</u>	<u>111,405</u>	<u>111,405</u>
Total Primary Government	<u><u>\$ 40,773,600</u></u>	<u><u>\$ 46,741,756</u></u>	<u><u>\$ 49,369,857</u></u>	<u><u>\$ 2,628,101</u></u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 600	\$ 600	\$ 8,926	\$ 8,326
Revenue from the use of property	17,000	17,000	89,610	72,610
Total revenue from use of money and property	<u>\$ 17,600</u>	<u>\$ 17,600</u>	<u>\$ 98,536</u>	<u>\$ 80,936</u>
Charges for services:				
Cafeteria sales	\$ 1,449,130	\$ 1,449,130	\$ 1,368,867	\$ (80,263)
Tuition and payments from other divisions	178,102	178,102	187,652	9,550
Total charges for services	<u>\$ 1,627,232</u>	<u>\$ 1,627,232</u>	<u>\$ 1,556,519</u>	<u>\$ (70,713)</u>

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous revenue	\$ 206,751	\$ 206,751	\$ 120,102	\$ (86,649)
Total miscellaneous revenue	<u>\$ 206,751</u>	<u>\$ 206,751</u>	<u>\$ 120,102</u>	<u>\$ (86,649)</u>
Recovered costs:				
Regional program	\$ 719,273	\$ 719,273	\$ 356,834	\$ (362,439)
Other recovered costs	78,954	78,954	111,310	32,356
Total recovered costs	<u>\$ 798,227</u>	<u>\$ 798,227</u>	<u>\$ 468,144</u>	<u>\$ (330,083)</u>
Total revenue from local sources	<u>\$ 2,649,810</u>	<u>\$ 2,649,810</u>	<u>\$ 2,243,301</u>	<u>\$ (406,509)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 18,250,697	\$ 18,250,697	\$ 18,423,549	\$ 172,852
Total revenues from local governments	<u>\$ 18,250,697</u>	<u>\$ 18,250,697</u>	<u>\$ 18,423,549</u>	<u>\$ 172,852</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,549,535	\$ 4,549,535	\$ 4,609,581	\$ 60,046
Basic school aid	11,002,571	11,002,571	11,072,091	69,520
Remedial summer education	55,066	55,066	25,051	(30,015)
Regular foster care	31,054	31,054	47,197	16,143
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	107,199	107,199	108,717	1,518
Remedial education	93,094	93,094	94,412	1,318
School construction	159,456	159,456	159,313	(143)
School food	51,246	51,246	25,947	(25,299)
Special education	1,670,047	1,670,047	1,693,695	23,648
Textbook payment	178,063	178,063	180,584	2,521
Standards of Learning algebra readiness	12,687	12,687	11,145	(1,542)
Vocational education SOQ payments	52,396	52,396	11,217	(41,179)
Social security fringe benefits	669,994	669,994	629,414	(40,580)
Share of fringe benefits	623,681	623,681	589,360	(34,321)
State lottery payments	691,828	691,828	689,265	(2,563)
Early reading intervention	27,767	27,767	35,480	7,713
Homebound education	17,369	17,369	10,913	(6,456)

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education	451,364	451,364	503,715	52,351
Special education - foster children	54,499	54,499	42,865	(11,634)
Special education - regional programs	137,012	137,012	128,735	(8,277)
At risk payments	37,524	37,524	38,118	594
Maintenance supplement	228,503	228,503	231,739	3,236
Reduced K-3	89,702	89,702	92,261	2,559
Technology	362,000	362,000	362,000	-
English as a second language	8,328	8,328	7,466	(862)
Total categorical aid	<u>\$ 21,369,844</u>	<u>\$ 21,369,844</u>	<u>\$ 21,408,140</u>	<u>\$ 38,296</u>
Total revenue from the Commonwealth	<u>\$ 21,369,844</u>	<u>\$ 21,369,844</u>	<u>\$ 21,408,140</u>	<u>\$ 38,296</u>
Revenue from the federal government:				
Categorical aid:				
Schools and roads grant	34,000	34,000	44,548	\$ 10,548
School lunch program	619,490	619,490	372,265	(247,225)
State assessment program	-	-	2,228	2,228
Title I	364,096	364,096	353,401	(10,695)
Title VI-B, special education flow-through	1,022,799	1,022,799	1,054,127	31,328
Vocational education	47,598	47,598	53,664	6,066
Title VI-B, special education pre-school	56,900	56,900	34,894	(22,006)
Drug free schools	18,125	18,125	17,432	(693)
Title II	8,938	8,938	8,910	(28)
Adult basic education	17,500	17,500	24,918	7,418
Emergency impact aid	0	0	4,950	4,950
Title VI	9,985	9,985	10,330	345
Improving teacher quality	129,230	129,230	165,129	35,899
Total categorical aid	<u>\$ 2,328,661</u>	<u>\$ 2,328,661</u>	<u>\$ 2,146,796</u>	<u>\$ (181,865)</u>
Total revenue from the federal government	<u>\$ 2,328,661</u>	<u>\$ 2,328,661</u>	<u>\$ 2,146,796</u>	<u>\$ (181,865)</u>
Total School Operating Fund	<u>\$ 44,599,012</u>	<u>\$ 44,599,012</u>	<u>\$ 44,221,786</u>	<u>\$ (377,226)</u>
Total Component-Unit School Board	<u>\$ 44,599,012</u>	<u>\$ 44,599,012</u>	<u>\$ 44,221,786</u>	<u>\$ (377,226)</u>

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 166,975	\$ 169,679	\$ 169,679	\$ -
General and financial administration:				
County administrator	\$ 288,900	\$ 287,499	\$ 284,152	\$ 3,347
Deputy administrators	335,451	335,120	329,590	5,530
Central garage	63,126	63,039	53,180	9,859
Commissioner of revenue	336,621	336,047	305,353	30,694
Assessor	187,000	186,807	164,065	22,742
Equilization Board	10,000	10,000	8,174	1,826
Central purchasing	125,798	136,322	131,476	4,846
Treasurer	388,159	393,112	359,878	33,234
Management information systems	416,935	416,935	390,788	26,147
Financial services	246,236	265,056	250,303	14,753
Total general and financial administration	\$ 2,398,226	\$ 2,429,937	\$ 2,276,959	\$ 152,978
Board of elections:				
Electoral board/registrar	\$ 163,689	\$ 173,379	\$ 145,360	\$ 28,019
Total general government administration	\$ 2,728,890	\$ 2,772,995	\$ 2,591,998	\$ 180,997
Judicial administration:				
Courts:				
Circuit court	\$ 46,915	\$ 46,915	\$ 46,472	\$ 443
General district court	29,516	29,516	25,724	3,792
Magistrate	1,000	951	678	273
Clerk of the circuit court	493,243	525,497	487,733	37,764
Total courts	\$ 570,674	\$ 602,879	\$ 560,607	\$ 42,272
Commonwealth's attorney:				
Commonwealth's attorney	\$ 423,341	\$ 449,494	\$ 446,324	\$ 3,170
Total judicial administration	\$ 994,015	\$ 1,052,373	\$ 1,006,931	\$ 45,442
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,504,671	\$ 3,660,504	\$ 3,591,877	\$ 68,627
GIS communications	138,418	138,162	127,816	10,346
Total law enforcement and traffic control	\$ 3,643,089	\$ 3,798,666	\$ 3,719,693	\$ 78,973

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund: (Continued)</b>				
<b>Public safety: (Continued)</b>				
Fire and rescue services:				
Volunteer fire department	\$ 541,000	\$ 541,000	\$ 241,325	\$ 299,675
Reed Mountain Fire Department	336,435	336,435	332,690	3,745
Supplemental rescue	266,028	364,083	333,594	30,489
Ambulance and rescue services	372,000	398,738	253,716	145,022
Western Virginia EMS	6,111	6,111	6,111	-
Total fire and rescue services	<u>\$ 1,521,574</u>	<u>\$ 1,646,367</u>	<u>\$ 1,167,436</u>	<u>\$ 478,931</u>
Correction and detention:				
County operated institutions - jail	\$ 1,424,189	\$ 1,438,808	\$ 1,421,416	\$ 17,392
Probation office	7,750	48,426	47,850	576
Total correction and detention	<u>\$ 1,431,939</u>	<u>\$ 1,487,234</u>	<u>\$ 1,469,266</u>	<u>\$ 17,968</u>
Inspections:				
Building	\$ 320,275	\$ 319,971	\$ 314,089	\$ 5,882
Other protection:				
Animal control	\$ 288,227	\$ 292,616	\$ 290,700	\$ 1,916
Emergency services	325,181	611,047	609,438	1,609
Dispatch	560,770	567,925	555,066	12,859
SPCA contributions	61,711	61,711	61,711	-
Street signs	17,500	17,500	12,119	5,381
Total other protection	<u>\$ 1,253,389</u>	<u>\$ 1,550,799</u>	<u>\$ 1,529,034</u>	<u>\$ 21,765</u>
Total public safety	<u>\$ 8,170,266</u>	<u>\$ 8,803,037</u>	<u>\$ 8,199,518</u>	<u>\$ 603,519</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 609,579	\$ 647,872	\$ 647,872	\$ -
County engineer	278,897	284,387	262,682	21,705
Public works	169,047	168,999	164,922	4,077
Total sanitation and waste removal	<u>\$ 1,057,523</u>	<u>\$ 1,101,258</u>	<u>\$ 1,075,476</u>	<u>\$ 25,782</u>
Maintenance of general buildings and grounds:				
General properties	\$ 480,824	\$ 495,910	\$ 495,618	\$ 292
Total public works	<u>\$ 1,538,347</u>	<u>\$ 1,597,168</u>	<u>\$ 1,571,094</u>	<u>\$ 26,074</u>

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund: (Continued)</b>				
Health and welfare:				
Health:				
Supplement of local health department	\$ 295,785	\$ 295,785	\$ 295,785	\$ -
Mental health and mental retardation:				
State and local hospitalization	\$ 13,500	\$ 13,500	\$ 11,364	\$ 2,136
Mental health contribution	34,760	34,760	34,760	-
Total mental health and mental retardation	<u>\$ 48,260</u>	<u>\$ 48,260</u>	<u>\$ 46,124</u>	<u>\$ 2,136</u>
Welfare:				
Welfare administration and programs	\$ 1,582,671	\$ 1,582,671	\$ 1,358,188	\$ 224,483
Comprehensive services act	1,223,132	1,478,422	1,324,136	154,286
Senior van program	57,478	57,778	57,778	-
Other welfare programs	45,948	45,948	45,948	-
Total welfare	<u>\$ 2,909,229</u>	<u>\$ 3,164,819</u>	<u>\$ 2,786,050</u>	<u>\$ 378,769</u>
Total health and welfare	<u>\$ 3,253,274</u>	<u>\$ 3,508,864</u>	<u>\$ 3,127,959</u>	<u>\$ 380,905</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 4,640	\$ 4,640	\$ 4,640	\$ -
Contribution to County School Board	18,200,242	19,341,697	18,423,549	918,148
Total education	<u>\$ 18,204,882</u>	<u>\$ 19,346,337</u>	<u>\$ 18,428,189</u>	<u>\$ 918,148</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 854,321	\$ 873,304	\$ 845,385	\$ 27,919
North County Park	10,000	10,000	400	9,600
Tourism	47,523	47,498	41,930	5,568
Community recreation incentive	50,000	89,733	58,669	31,064
Total parks and recreation	<u>\$ 961,844</u>	<u>\$ 1,020,535</u>	<u>\$ 946,384</u>	<u>\$ 74,151</u>
Cultural enrichment:				
Contributions to cultural organizations	\$ 49,064	\$ 49,064	\$ 49,064	\$ -

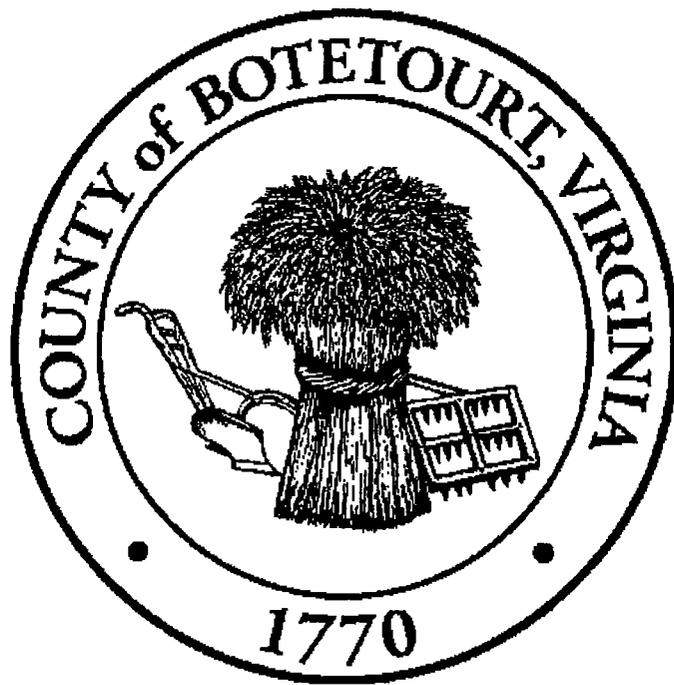
County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural: (Continued)				
Library:				
Library expenses	\$ 553,663	\$ 554,124	\$ 541,622	\$ 12,502
Regional library	201,751	203,199	196,919	6,280
Total library	<u>\$ 755,414</u>	<u>\$ 757,323</u>	<u>\$ 738,541</u>	<u>\$ 18,782</u>
Total parks, recreation, and cultural	<u>\$ 1,766,322</u>	<u>\$ 1,826,922</u>	<u>\$ 1,733,989</u>	<u>\$ 92,933</u>
Community development:				
Planning and community development:				
Planning and Zoning	\$ 224,138	\$ 225,424	\$ 221,794	\$ 3,630
Planning commission	18,720	18,720	18,720	-
Road development (VDOT)	250,000	250,000	187,828	62,172
Industrial development	75,545	116,758	98,177	18,581
Industrial site development	50,000	133,652	132,601	1,051
Total planning and community development	<u>\$ 618,403</u>	<u>\$ 744,554</u>	<u>\$ 659,120</u>	<u>\$ 85,434</u>
Environmental management:				
Other environmental management	\$ 15,906	\$ 15,906	\$ 15,905	\$ 1
Cooperative extension program:				
Extension office	\$ 79,421	\$ 81,347	\$ 55,987	\$ 25,360
Total community development	<u>\$ 713,730</u>	<u>\$ 841,807</u>	<u>\$ 731,012</u>	<u>\$ 110,795</u>
Capital projects:				
Courthouse improvements	\$ 62,000	\$ 62,000	\$ 5,391	\$ 56,609
Landfill expansion	200,000	202,063	143,791	58,272
Landfill lifecycle extension	50,000	160,000	39,921	120,079
Public safety building	-	6,964,482	6,964,482	-
Buchanan Park	185,000	367,097	327,097	40,000
Recreation facility (Greenfield park)	1,700,000	2,440,517	503,091	1,937,426
Other capital projects	-	12,000	10,420	1,580
Total capital projects	<u>\$ 2,197,000</u>	<u>\$ 10,208,159</u>	<u>\$ 7,994,193</u>	<u>\$ 2,213,966</u>
Debt service:				
Principal retirement	\$ 1,836,830	\$ 1,961,830	\$ 1,898,541	\$ 63,289
Bond issuance costs	-	125,630	125,630	-
Interest and other fiscal charges	991,860	991,860	951,619	40,241
Total debt service	<u>\$ 2,828,690</u>	<u>\$ 3,079,320</u>	<u>\$ 2,975,790</u>	<u>\$ 103,530</u>
Total General Fund	<u>\$ 42,395,416</u>	<u>\$ 53,036,982</u>	<u>\$ 48,360,673</u>	<u>\$ 4,676,309</u>

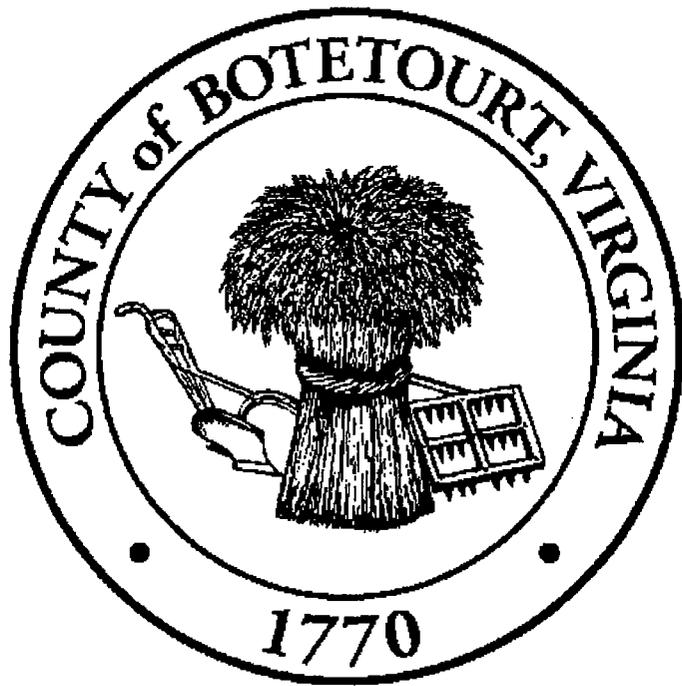
County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

<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>
<b>Capital Projects Fund:</b>				
<b>Capital Projects Fund</b>				
Capital projects expenditures:				
Acquisition and improvement of schools	\$ -	\$ 2,808,219	\$ 2,808,219	\$ -
Total capital projects	<u>\$ -</u>	<u>\$ 2,808,219</u>	<u>\$ 2,808,219</u>	<u>\$ -</u>
Debt service:				
Bond issuance costs	\$ -	\$ 31,768	\$ 31,768	\$ -
Total debt service	<u>\$ -</u>	<u>\$ 31,768</u>	<u>\$ 31,768</u>	<u>\$ -</u>
 Total Capital Projects Fund	 <u>\$ -</u>	 <u>\$ 2,839,987</u>	 <u>\$ 2,839,987</u>	 <u>\$ -</u>
 Total Primary Government	 <u>\$ 42,395,416</u>	 <u>\$ 55,876,969</u>	 <u>\$ 51,200,660</u>	 <u>\$ 4,676,309</u>
 <b>Discretely Presented Component Unit - School Board</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration and health services	\$ 1,843,079	\$ 1,843,079	\$ 1,558,709	\$ 284,370
Instruction costs:				
Instructional costs	\$ 31,644,582	\$ 31,644,582	\$ 31,581,410	\$ 63,172
Operating costs:				
Pupil transportation	\$ 2,565,182	\$ 2,565,182	\$ 2,540,733	\$ 24,449
Operation and maintenance of school plant	3,904,266	3,904,266	4,215,731	(311,465)
School food service(1)	2,311,484	2,311,484	1,903,511	407,973
Facilities	993,246	993,246	997,094	(3,848)
Technology	1,337,173	1,337,173	1,276,143	61,030
Total operating costs	<u>\$ 11,111,351</u>	<u>\$ 11,111,351</u>	<u>\$ 10,933,212</u>	<u>\$ 178,139</u>
 Total education	 <u>\$ 44,599,012</u>	 <u>\$ 44,599,012</u>	 <u>\$ 44,073,331</u>	 <u>\$ 525,681</u>
 Total School Fund	 <u>\$ 44,599,012</u>	 <u>\$ 44,599,012</u>	 <u>\$ 44,073,331</u>	 <u>\$ 525,681</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 44,599,012</u>	 <u>\$ 44,599,012</u>	 <u>\$ 44,073,331</u>	 <u>\$ 525,681</u>

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



## **STATISTICAL SECTION**

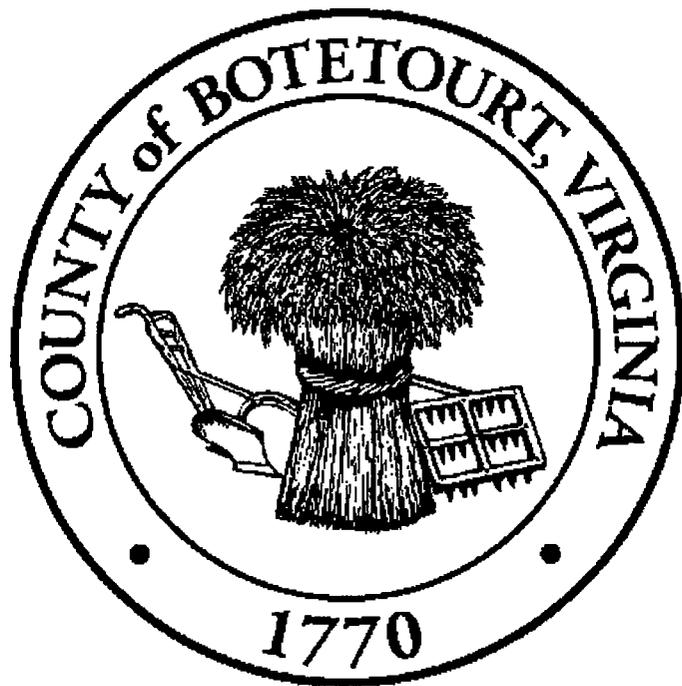


## Statistical Section

This part of the County of Botetourt's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	84
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	92
<b>Debt Capacity</b> 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.	96
<b>Demographic and Economic Information</b> 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.	101
<b>Operating Information</b> 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.	102

*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.



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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 6,195,850	\$ 7,141,095	\$ 8,692,418	\$ 12,273,356
Restricted	118,523	144,886	116,975	676,265
Unrestricted	3,966,387	6,463,347	10,998,629	18,758,845
Total governmental activities net assets	<u>\$ 10,280,760</u>	<u>\$ 13,749,328</u>	<u>\$ 19,808,022</u>	<u>\$ 31,708,466</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 7,853,689	\$ 7,519,539	\$ 8,841,644	\$ 8,909,696
Restricted	-	-	-	-
Unrestricted	1,393,862	2,035,410	1,340,450	1,401,069
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>
Primary government				
Invested in capital assets, net of related debt	\$ 14,049,539	\$ 14,660,634	\$ 17,534,062	\$ 21,183,052
Restricted	118,523	144,886	116,975	676,265
Unrestricted	5,360,249	8,498,757	12,339,079	20,159,914
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>

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

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,012,402	\$ 2,230,461	\$ 2,396,259	\$ 2,623,963
Judicial administration	606,205	850,225	898,610	1,007,505
Public safety	6,460,243	6,800,812	7,214,325	7,541,698
Public works	2,196,276	1,634,166	1,087,768	(342,596)
Health and welfare	2,550,130	2,964,610	3,089,866	3,078,876
Education	16,570,067	17,302,062	16,869,552	19,071,338
Parks, recreation and cultural	1,324,480	1,349,839	1,708,618	1,756,571
Community development	466,355	802,821	1,022,648	564,789
Interest on long-term debt	1,075,768	1,014,329	949,361	1,081,456
Total governmental activities expenses	\$ 33,261,926	\$ 34,949,325	\$ 35,237,007	\$ 36,383,600
Business-type activities:				
Water	\$ 1,691,872	\$ 1,490,662	\$ 1,524,165	\$ 2,035,296
Total primary government expenses	\$ 34,953,798	\$ 36,439,987	\$ 36,761,172	\$ 38,418,896
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 801	\$ 10,104	\$ -	\$ 2,220
Judicial administration	209,353	336,028	222,281	337,141
Public safety	111,999	687,202	574,937	624,263
Public works	763,073	670,364	874,485	853,104
Parks, recreation and cultural	16,524	9,007	28,141	30,786
Operating grants and contributions	4,485,440	4,844,407	5,527,195	5,884,760
Capital grants and contributions	-	-	825,621	5,341,327
Total governmental activities program revenues	\$ 5,587,190	\$ 6,557,112	\$ 8,052,660	\$ 13,073,601
<b>Program Revenues (continued)</b>				
Business-type activities:				
Charges for services:				
Water	\$ 1,299,743	\$ 1,730,084	\$ 1,844,364	\$ 1,903,624
Operating grants and contributions	-	123,452	-	-
Capital grants and contributions	-	-	242,320	184,415
Total business-type activities program revenues	\$ 1,299,743	\$ 1,853,536	\$ 2,086,684	\$ 2,088,039
Total primary government program revenues	\$ 6,886,933	\$ 8,410,648	\$ 10,139,344	\$ 15,161,640
<b>Net (expense) / revenue</b>				
Governmental activities	\$ (27,674,736)	\$ (28,392,213)	\$ (27,184,347)	\$ (23,309,999)
Business-type activities	(392,129)	362,874	562,519	52,743
Total primary government net expense	\$ (28,066,865)	\$ (28,029,339)	\$ (26,621,828)	\$ (23,257,256)
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 21,118,883	\$ 21,511,158	\$ 21,959,664	\$ 22,943,504
Local sales and use taxes	1,627,979	1,902,149	1,907,016	2,043,136
Taxes on recordation and wills	226,569	269,075	345,583	610,881
Motor vehicle licenses taxes	654,769	672,656	694,280	715,817
Consumer utility taxes	496,838	722,673	1,097,302	1,114,597

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

	Fiscal Year			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets (continued)</b>				
Governmental activities: (continued)				
Taxes (continued)				
Business licenses taxes	\$ 479,334	\$ 591,582	\$ 717,265	\$ 761,213
Other local taxes	2,004,431	1,743,015	1,648,434	1,829,180
Unrestricted grants and contributions	3,598,245	3,815,309	3,684,929	3,330,507
Unrestricted revenues from use of money and property	331,740	270,904	760,822	1,247,708
Miscellaneous	446,480	283,959	270,663	628,389
Transfers	(271,103)	78,302	(30,875)	(14,489)
<b>Total governmental activities</b>	<b>\$ 30,714,165</b>	<b>\$ 31,860,782</b>	<b>\$ 33,055,083</b>	<b>\$ 35,210,443</b>
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 19,199	\$ 16,950	\$ 33,751	\$ 61,439
Miscellaneous	2,107	5,876		
Transfers	271,103	(78,302)	30,875	14,489
<b>Total business-type activities</b>	<b>\$ 292,409</b>	<b>\$ (55,476)</b>	<b>\$ 64,626</b>	<b>\$ 75,928</b>
<b>Total primary government</b>	<b>\$ 31,006,574</b>	<b>\$ 31,805,306</b>	<b>\$ 33,119,709</b>	<b>\$ 35,286,371</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 3,039,429	\$ 3,468,569	\$ 5,870,736	\$ 11,900,444
Business-type activities	(99,720)	307,398	627,145	128,671
<b>Total primary government</b>	<b>\$ 2,939,709</b>	<b>\$ 3,775,967</b>	<b>\$ 6,497,881</b>	<b>\$ 12,029,115</b>

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

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

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

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

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,523	\$ 144,886	\$ 116,975	\$ 18,610,318
Unreserved	14,264,298	12,508,622	11,141,787	5,389,261	5,464,978	7,990,176	10,429,369	13,076,070	16,199,075	16,603,564
Total general fund	\$ 14,264,298	\$ 12,508,622	\$ 11,141,787	\$ 5,389,261	\$ 5,464,978	\$ 7,990,176	\$ 10,547,892	\$ 13,220,956	\$ 16,316,050	\$ 35,213,882
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,695,671
Unreserved, reported in:										
Special revenue funds	346,439	49,460	101,995	47,316	45,945	100,452	-	-	-	-
Capital projects funds	3,421,778	1,814,615	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 3,768,217	\$ 1,864,075	\$ 101,995	\$ 47,316	\$ 45,945	\$ 100,452	\$ -	\$ -	\$ -	\$ 13,695,671

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
General property taxes	\$ 14,105,202	\$ 15,300,418	\$ 18,350,128	\$ 17,921,721	\$ 18,158,809	\$ 18,529,587	\$ 21,108,596	\$ 21,469,051	\$ 21,996,002	\$ 22,902,166
Other local taxes	4,125,024	4,095,901	4,423,004	4,626,717	4,944,374	5,012,489	5,188,186	5,901,150	6,409,880	7,074,824
Permits, privilege fees and regulatory licenses	245,973	258,831	287,655	301,536	266,197	243,482	301,734	543,063	436,836	537,885
Fines and forfeitures	73,711	92,532	112,931	129,340	194,520	174,778	169,024	170,769	213,182	116,066
Revenue from use of money and property	1,153,906	1,108,036	981,628	817,301	754,602	342,864	331,740	270,904	760,822	1,247,708
Charges for services	432,690	435,573	465,449	521,900	548,034	549,659	932,726	998,873	1,049,826	1,193,560
Miscellaneous	85,042	260,460	145,038	167,787	274,327	159,766	446,480	309,235	270,663	661,263
Recovered costs	391,941	450,738	396,349	411,315	562,933	583,765	309,381	329,355	441,512	1,079,791
Intergovernmental:										
Commonwealth	3,479,643	2,952,886	3,370,195	5,478,991	6,294,798	7,607,499	7,211,333	7,663,789	9,041,764	13,444,276
Federal	1,230,677	670,605	734,734	1,124,784	784,031	1,000,360	872,352	995,927	995,981	1,112,318
<b>Total revenues</b>	<b>\$ 25,323,809</b>	<b>\$ 25,625,980</b>	<b>\$ 29,267,111</b>	<b>\$ 31,501,392</b>	<b>\$ 32,782,625</b>	<b>\$ 34,204,249</b>	<b>\$ 36,871,552</b>	<b>\$ 38,652,116</b>	<b>\$ 41,616,468</b>	<b>\$ 49,369,857</b>
<b>Expenditures</b>										
General government administration	\$ 1,462,019	\$ 1,639,978	\$ 1,446,035	\$ 1,548,460	\$ 2,057,108	\$ 2,018,660	\$ 1,889,219	\$ 2,060,828	\$ 2,350,299	\$ 2,591,998
Judicial administration	664,308	443,077	438,885	518,527	547,335	567,154	601,548	843,482	891,129	1,006,931
Public safety	4,119,830	4,286,861	5,075,585	5,444,336	5,917,742	6,578,673	6,691,120	7,003,462	7,382,662	8,199,518
Public works	1,591,831	1,198,205	937,690	1,274,190	1,057,466	1,376,391	1,590,427	1,435,431	1,677,815	1,571,094
Health and welfare	1,872,383	1,754,560	2,005,697	2,067,878	2,089,337	2,565,915	2,548,996	2,957,939	3,135,064	3,127,959
Education	31,100	14,445	3,075	2,665	10,125	10,830	15,901,919	16,194,823	16,226,404	18,428,189
Parks, recreation and cultural	1,008,907	1,066,773	967,275	1,109,682	1,244,587	1,326,099	1,414,061	1,563,106	1,685,404	1,733,989
Community development	287,409	474,581	491,363	1,752,468	296,125	355,147	467,517	799,379	1,020,840	731,012
Capital projects	2,158,203	5,126,094	7,763,156	7,513,370	1,244,312	808,094	744,708	239,276	1,429,944	10,802,412
Debt service										
Principal	867,055	875,805	964,556	933,504	937,659	-	1,905,688	1,905,711	1,891,773	1,898,541
Bond issuance cost	-	-	-	-	-	-	-	-	-	157,398
Interest and other fiscal charges	1,055,222	1,121,396	815,910	801,663	919,066	57,194	1,113,506	1,050,735	987,125	951,619
<b>Total expenditures</b>	<b>\$ 15,118,267</b>	<b>\$ 18,001,775</b>	<b>\$ 20,909,227</b>	<b>\$ 22,966,743</b>	<b>\$ 16,320,862</b>	<b>\$ 15,664,157</b>	<b>\$ 34,868,709</b>	<b>\$ 36,054,172</b>	<b>\$ 38,678,459</b>	<b>\$ 51,200,660</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 10,205,542</b>	<b>\$ 7,624,205</b>	<b>\$ 8,357,884</b>	<b>\$ 8,534,649</b>	<b>\$ 16,461,763</b>	<b>\$ 18,540,092</b>	<b>\$ 2,002,843</b>	<b>\$ 2,597,944</b>	<b>\$ 2,938,009</b>	<b>\$ (1,830,803)</b>

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other financing sources (uses)										
Transfers in	\$ 170	\$ 70,157	\$ 814,275	\$ -	\$ -	\$ 843,413	\$ 250	\$ 175,020	\$ -	\$ -
Transfers out	(11,226,453)	(11,483,784)	(12,301,074)	(14,471,874)	(16,387,417)	(16,803,800)	(271,103)	(99,900)	(30,875)	(14,489)
Proceeds of general obligation bonds	-	-	-	-	-	-	-	-	-	33,460,000
Proceeds of literary loans	-	-	-	-	-	-	611,600	-	-	-
Refunding bonds issued	-	6,660,000	-	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	(6,530,396)	-	-	-	-	-	-	-	978,795
Sale of capital assets	-	-	-	130,020	-	-	-	-	-	-
Total other financing sources (uses)	\$ (11,226,283)	\$ (11,284,023)	\$ (11,486,799)	\$ (14,341,854)	\$ (16,387,417)	\$ (15,960,387)	\$ 340,747	\$ 75,120	\$ (30,875)	\$ 34,424,306
Net change in fund balances	\$ (1,020,741)	\$ (3,659,818)	\$ (3,128,915)	\$ (5,807,205)	\$ 74,346	\$ 2,579,705	\$ 2,343,590	\$ 2,673,064	\$ 2,907,134	\$ 32,593,503
Debt service as a percentage of noncapital expenditures	14.83%	15.51%	13.54%	11.23%	12.32%	0.38%	8.85%	8.25%	7.73%	7.06%

**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
				License	Tax			Local	Taxes	
2006	\$ 22,902,166	\$ 2,043,136	\$ 959,263	\$ 715,817	\$ 610,881	\$ 761,213	\$ 1,984,514	\$ 29,976,990		
2005	21,996,002	1,907,016	948,046	694,280	345,583	717,265	1,797,690	28,405,882		
2004	21,469,051	1,902,149	722,673	672,656	269,075	591,582	1,743,015	27,370,201		
2003	21,108,596	1,627,979	496,838	654,769	226,569	479,334	1,702,697	26,296,782		
2002	18,529,587	1,649,981	483,091	651,120	210,008	502,783	1,236,424	23,262,994		
2001	18,158,809	1,626,643	528,702	639,114	152,697	528,038	1,248,683	22,882,686		
2000	17,921,721	1,530,491	458,539	626,418	145,485	482,533	1,127,707	22,292,894		
1999	18,350,128	1,405,261	470,819	601,296	156,981	418,980	1,070,901	22,474,366		
1998	15,300,418	1,224,480	464,663	579,198	187,301	401,011	951,422	19,108,493		
1997	14,105,202	1,238,909	426,686	560,763	165,124	378,213	1,027,343	17,902,240		

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 Taxable		Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
							Assessed Value	Value			
2006	\$ 2,186,686,112	\$ 289,638,810	\$ 8,033,414	\$ 153,638,605	n/a	\$ 135,301,326	\$ 2,773,298,267	\$	0.95	\$ 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	2,694,664,128		0.93	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	2,641,421,893		0.94	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	2,616,074,217		0.92	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	2,219,987,139		0.95	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	2,126,824,081		0.94	2,126,824,081	100.00%
2000	1,565,997,892	223,546,051	10,904,797	98,166,878	n/a	135,186,550	2,033,802,168		0.94	2,033,802,168	100.00%
1999	1,552,387,876	312,285,079	n/a	n/a	n/a	134,173,857	1,998,846,812		0.90	1,998,846,812	100.00%
1998	1,151,125,979	275,901,956	n/a	n/a	n/a	105,024,830	1,532,052,765		1.00	1,532,052,765	100.00%
1997	1,094,044,004	329,622,673	n/a	n/a	n/a	106,284,333	1,529,951,010		0.92	1,529,951,010	100.00%

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

Source: Commissioner of Revenue

**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	Real Estate	Personal Property
2006	\$ 0.70	\$ 2.55	\$ 0.70	\$ 1.80	n/a	\$ 0.19	\$ 0.32
2005	0.70	2.55	0.70	1.80	n/a	0.19	0.32
2004	0.70	2.55	0.70	1.80	n/a	0.19	0.32
2003	0.70	2.55	0.70	1.80	n/a	0.19	0.32
2002	0.70	2.55	0.70	1.80	n/a	0.19	0.32
2001	0.70	2.55	0.70	1.80	n/a	0.19	0.32
2000	0.70	2.55	0.70	1.80	n/a	0.19	0.32
1999	0.70	2.55	0.70	1.80	n/a	0.19	0.32
1998	0.75	1.80	0.75	1.80	n/a	0.19	0.32
1997	0.75	1.80	0.75	1.80	n/a	0.19	0.32

(1) Per \$100 of assessed value

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

Taxpayer	Type Business	Fiscal Year 2006		Fiscal Year 2000	
		2005 Assessed Valuation	% of Total Assessed Valuation	1999 Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$ 52.8	2.29%	\$ 55.2	3.40%
Roanoke Cement	Manufacturing	44.6	1.93%	35.1	2.10%
Ntelos/R&B	Communications	25.4	1.10%	21.3	1.30%
Metalsa Roanoke	Manufacturing	15.8	0.68%	-	0.00%
JTEKT Automotive Virginia	Manufacturing	11.8	0.51%	-	0.00%
A.R. Overbay	Real Estate	10.1	0.44%	6.6	0.40%
Dynax America Corporation	Manufacturing	9.7	0.42%	8.4	0.51%
Carlton Medical	Health Care	9.1	0.39%	1.3	0.08%
Altec Industries	Manufacturing	8.5	0.37%	-	0.00%
Harris Holdings	Real Estate	8.3	0.36%	-	0.00%
		<u>\$ 196.1</u>	<u>8.49%</u>	<u>\$ 127.9</u>	<u>7.79%</u>

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

Source: Commissioner of Revenue

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 26,240,340	\$ 25,797,014	98.31%	\$ 310,868	\$ 26,107,882	99.50%
2005	25,088,385	24,619,868	98.13%	290,798	24,910,666	99.29%
2004	24,770,764	24,144,733	97.47%	353,584	24,498,317	98.90%
2003	24,046,201	23,438,251	97.47%	496,176	23,934,427	99.54%
2002	21,153,271	20,783,318	98.25%	487,910	21,271,228	100.56%
2001	20,083,992	19,606,432	97.62%	336,828	19,943,260	99.30%
2000	19,156,700	18,592,375	97.05%	268,371	18,860,746	98.46%
1999	17,974,143	17,971,187	99.98%	175,117	18,146,304	100.96%
1998	15,266,910	14,981,941	98.13%	167,237	15,149,178	99.23%
1997	14,025,328	13,711,584	97.76%	277,888	13,989,472	99.74%

Source: Commissioner of Revenue, County Treasurer's office

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		Other		Revenue		Capital				
	Obligation Bonds	Literary Fund Loans	Notes/Bonds	Capital Leases	Bonds	Leases	Bonds	Leases			
2006	\$ 45,137,311	\$ 9,822,453	\$ 6,166,948	\$ -	\$ 8,686,912	-	\$ 69,813,624	6.94%	\$ 2,162		
2005	11,823,927	10,595,583	825,621	-	7,986,472	-	31,231,603	3.13%	975		
2004	12,942,570	11,368,713	-	-	7,834,606	-	32,145,889	3.42%	1,012		
2003	14,075,151	12,141,843	-	-	7,385,311	-	33,602,305	3.60%	1,067		
2002	13,079,762	12,311,843	-	-	7,611,356	-	33,002,961	3.48%	1,059		
2001	14,026,793	13,093,443	-	-	7,847,877	-	34,968,113	3.95%	1,140		
2000	14,964,452	6,046,243	-	7,500,000	8,076,239	-	36,586,934	4.39%	1,197		
1999	15,897,956	6,512,443	-	7,500,000	8,021,649	-	37,932,048	4.79%	1,259		
1998	16,862,512	1,741,143	-	5,000,000	6,858,544	-	30,462,199	4.23%	1,033		
1997	17,198,317	1,969,843	-	-	5,560,000	-	24,728,160	3.73%	854		

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

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

**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)
2006	\$ 60,147,917	\$ -	\$ 60,147,917	2.17%	\$ 1,863
2005	23,245,131	-	23,245,131	0.86%	726
2004	24,311,283	-	24,311,283	0.92%	765
2003	26,216,994	-	26,216,994	1.00%	833
2002	27,511,082	-	27,511,082	1.24%	883
2001	29,410,700	-	29,410,700	1.38%	959
2000	23,575,827	-	23,575,827	1.16%	771
1999	25,254,019	-	25,254,019	1.26%	838
1998	19,898,567	-	19,898,567	1.30%	675
1997	20,855,689	-	20,855,689	1.36%	720

(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, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Troutville	\$ -	100%	\$ -
Debt repaid with property taxes: Town of Fincastle (2)	21,692	100%	21,692
Debt repaid with property taxes: Town of Buchanan (3)	-	100%	-
Subtotal, overlapping debt			<u>\$ 21,692</u>
County of Botetourt, direct debt			<u>\$ 61,126,712</u>
Total direct and overlapping debt			<u><u>\$ 61,148,404</u></u>

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

- (1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the Town's total taxable assessed value.
- (2) Debt outstanding as of June 30, 2005 - Financial Report for 2006 not yet available
- (3) Debt outstanding as of June 30, 2004 - Financial Report for 2006 not yet available

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 154,133,931	\$ 154,345,671	\$ 201,270,582	\$ 217,481,617	\$ 226,803,478	\$ 238,506,624	\$ 281,445,247	\$ 284,258,374	\$ 289,726,978	\$ 297,731,822
Total net debt applicable to limit	20,855,689	19,898,567	25,254,019	23,575,827	29,410,700	27,511,082	26,216,994	24,311,283	23,245,131	60,147,917
Legal debt margin	\$ 133,278,242	\$ 134,447,104	\$ 176,016,563	\$ 193,905,790	\$ 197,392,778	\$ 210,995,542	\$ 255,228,253	\$ 259,947,091	\$ 266,481,847	\$ 237,583,905
Total net debt applicable to the limit as a percentage of debt limit	13.53%	12.89%	12.55%	10.84%	12.97%	11.53%	9.32%	8.55%	8.02%	20.20%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 2,773,298,267
Add back: exempt real property	204,019,950
Total assessed value	\$ 2,977,318,217
Debt limit (10% of total assessed value)	\$ 297,731,822
Net debt applicable to limit	60,147,917
Legal debt margin	\$ 237,583,905

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

Fiscal Year	Sewer Revenue Bonds			Sewer Revenue Bonds			Special Assessment Bonds			
	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Principal	Interest	Coverage
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
2000	3,293,606	655,039	2,638,567	178,316	531,320	3.72	n/a	n/a	n/a	n/a
1999	3,599,590	604,372	2,995,218	149,225	277,767	7.01	n/a	n/a	n/a	n/a
1998	6,364,677	562,032	5,802,645	-	296,515	19.57	n/a	n/a	n/a	n/a
1997	3,223,867	616,257	2,607,610	-	121,812	21.41	n/a	n/a	n/a	n/a

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2006	32,285	\$ 1,006,679	\$ 31,181	44.8	4,819	2.60%
2005	32,027	998,634	31,181	44.8	4,767	3.00%
2004	31,777	940,377	29,593	44.0	4,742	2.90%
2003	31,482	934,228	29,675	43.2	4,701	3.40%
2002	31,167	948,848	30,444	42.3	4,695	3.30%
2001	30,671	884,552	28,840	41.5	4,612	2.00%
2000	30,570	832,910	27,246	40.7	4,551	1.70%
1999	30,138	792,418	26,293	40.4	4,611	2.10%
1998	29,497	720,966	24,442	40.0	4,623	2.30%
1997	28,949	663,511	22,920	39.6	4,562	3.00%

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

**COUNTY OF BOTETOURT, VIRGINIA**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	Fiscal Year 2006			Fiscal Year 1997	
	Employees	Rank	% of Total County Employment	Employees	% of Total County Employment
Botetourt County Public Schools	731	1	7.98%	624	9.29%
Dynax America Corporation	278	2	3.03%	3	0.04%
JTEKT Automotive Virginia, Inc.	272	3	2.97%	0	0.00%
Lanford Brothers	270	4	2.95%	270	4.02%
Metalsa Roanoke	258	5	2.82%	65	0.97%
Botetourt County Government	240	6	2.62%	158	2.35%
Pepsi Cola Bottling Company	219	7	2.39%	161	2.40%
Altec Industries	214	8	2.34%	0	0.00%
Roanoke Cement	201	9	2.19%	189	2.82%
O'Neal Steel, Inc.	191	10	2.08%	125	1.86%
Gala Industries	187	11	2.04%	125	1.86%
nTelos	165	12	1.80%	73	1.09%
Lawrence Transportation System	160	13	1.75%	131	1.95%
Arkay Packaging	160	14	1.75%	40	0.60%
General Shale Products	150	15	1.64%	120	1.79%
Virginia Truck Center	150	16	1.64%	80	1.19%
Tread Corporation	103	17	1.12%	0	0.00%
O-N Minerals James River	72	18	0.79%	90	1.34%
Groendyk Manufacturing, Inc.	69	19	0.75%	80	1.19%
Virginia Forge	60	20	0.65%	4	0.06%
<b>Totals</b>	<b>4,150</b>		<b>45.29%</b>	<b>2,164</b>	<b>32.23%</b>

Source: Individual companies. Total number employed in County supplied by Virginia Employment Commission.

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

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General government</b>	23	23	23	25	25	25	25	26	26	26
<b>Judicial administration</b>	6	7	7	7	7	7	7	12	12	13
<b>Public safety:</b>										
Sheriffs department	61	65	72	81	82	83	87	87	87	87
Fire & rescue	-	-	-	-	-	2	2	4	4	5
Building inspections	4	5	5	6	6	6	6	6	6	6
Animal control	1	1	2	2	2	2	2	2	3	3
GIS / Communications	1	1	1	1	1	1	1	2	2	2
<b>Public works:</b>										
Utilities	4	4	4	5	5	6	7	7	8	8
General maintenance	3	3	4	4	4	4	5	5	5	5
Landfill	6	6	6	6	6	6	6	6	6	6
Engineering	2	3	3	3	3	3	3	4	4	4
<b>Health and welfare:</b>										
Department of social services	16	16	18	18	18	18	18	18	18	18
Comprehensive Services	-	-	-	-	-	-	-	-	1	1
<b>Culture and recreation:</b>										
Parks and recreation	5	6	6	7	10	10	11	12	13	13
Library	9	10	11	11	11	11	11	12	12	12
Tourism / Marketing	-	-	-	-	-	-	-	-	-	1
<b>Community development:</b>										
Planning	3	3	3	3	3	3	3	3	3	4
<b>Totals</b>	<b>144</b>	<b>153</b>	<b>165</b>	<b>179</b>	<b>183</b>	<b>187</b>	<b>194</b>	<b>206</b>	<b>211</b>	<b>218</b>

Source: Individual county departments

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

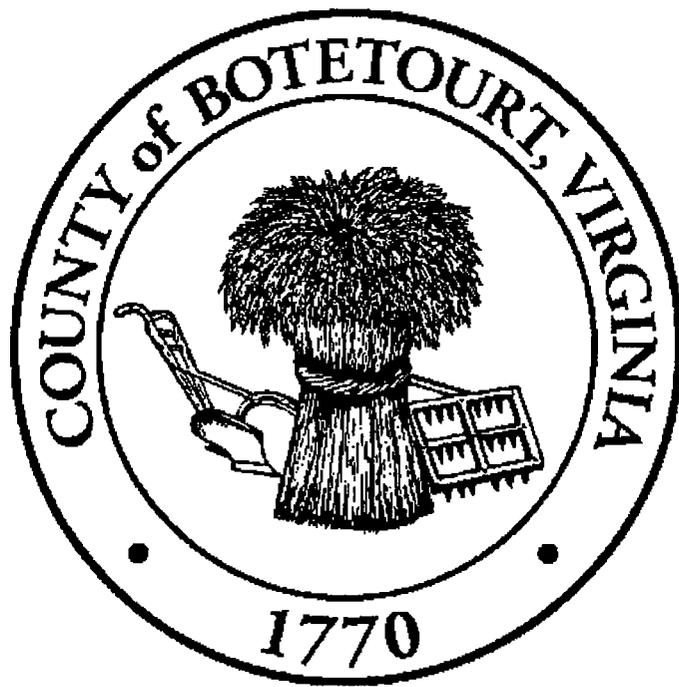
Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Sheriffs department:										
Physical arrests	1,012	1,283	1,685	1,870	1,929	1,880	1,887	2,162	2,565	2,756
Traffic violations	n/a	n/a	n/a	n/a	n/a	3,183	2,838	3,082	3,582	3,494
Civil papers	6,126	6,346	6,709	7,070	7,681	7,871	8,057	8,244	7,906	7,770
Fire and rescue:										
Number of calls answered	n/a	n/a	n/a	n/a	n/a	n/a	4,211	4,673	4,186	4,582
Building inspections:										
Permits issued (same as Planning)	927	925	896	865	623	663	634	789	627	740
Animal control:										
Number of calls answered	n/a	n/a	1,127	1,129	1,371	1,634	1,815	2,507	3,079	3,118
Public works										
General maintenance:										
Trucks/vehicles	2	2	3	3	3	3	3	3	3	3
Landfill:										
Refuse collected (tons/day)	83	82	83	91	94	95	90	95	99	107
Recycling (tons/day)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29	33
Health and welfare										
Department of Social Services:										
Caseload	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,786	2,300	2,585
Culture and recreation										
Parks and recreation:										
Recreation permits issued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70	71
Youth sports participants	2,900	2,925	2,945	2,972	2,765	2,976	2,898	2,924	2,717	2,953
Community development										
Planning:										
Zoning permits issued	927	925	896	865	623	663	634	789	627	740
Component Unit - School Board										
Education:										
School age population (per census)	n/a	n/a	5,956	n/a	n/a	6,028	n/a	n/a	6,224	n/a
Number of teachers	340	344	347	362	367	371	371	376	375	387
Local expenditures per pupil	2,865	3,863	4,512	4,698	5,438	3,766	3,535	3,860	3,779	4,258

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

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Administration buildings	2	2	2	2	3	3	3	3	3	3
Vehicles	3	3	3	3	3	4	4	3	3	4
Public safety										
Sheriffs department:										
Patrol units	n/a	n/a	n/a	n/a	n/a	49	48	48	48	48
Other vehicles	n/a	n/a	n/a	n/a	n/a	8	11	12	10	12
Building inspections:										
Vehicles	3	3	3	4	4	4	4	4	4	4
Animal control:										
Vehicles	2	2	2	2	2	2	2	3	3	3
Public works										
General maintenance:										
Trucks/vehicles	2	2	3	3	3	3	3	3	3	3
Landfill:										
Vehicles	11	11	12	12	12	12	12	12	12	12
Equipment	6	6	7	7	7	7	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Culture and recreation										
Parks and recreation:										
Community centers	3	3	0	3	3	3	3	2	2	2
Vehicles	9	9	9	9	10	11	11	11	12	12
Parks acreage	20	20	20	20	20	20	20	20	20	158
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community development										
Planning:										
Vehicles	2	2	2	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	11	11	11	11	12	12	12	12	12	12
School buses	72	73	78	74	74	75	75	74	79	77

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

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## 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*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the County of Botetourt, Virginia's basic financial statements and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audit 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County of Botetourt, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we reported to management of the County of Botetourt, Virginia in a separate letter dated September 22, 2006.

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

*Robinson Farmer, Co. Associates*

Christiansburg, Virginia  
September 22, 2006

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### COMPLIANCE

We have audited the compliance of the County of Botetourt, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. 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 on 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### INTERNAL CONTROL OVER COMPLIANCE

The management of the County of Botetourt, Virginia is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Robinson, James, Co. Associates*

Christiansburg, Virginia  
September 22, 2006

## COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
<b>DEPARTMENT OF AGRICULTURE:</b>		
Pass Through Payments:		
<i>State Department of Agriculture:</i>		
Food Distribution-Schools (Note 2)	10.555	\$ 106,959
<i>Department of Social Services:</i>		
State Administrative Matching Grants for Food Stamp Program	10.561	111,197
<i>Department of Education:</i>		
School Breakfast Program	10.553	60,417
National School Lunch Program	10.555	311,848
Forest Reserve Funds	10.665	44,548
Total Department of Agriculture		<u>\$ 634,969</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Support Services	93.556	\$ 11,095
Temporary Assistance to Needy Families	93.558	68,480
Refugee and Entrant Assistance	93.566	102
Low Income Energy Assistance	93.568	6,415
Payments to States for Child Care Assistance	93.575	121,255
Child Care and Development Fund	93.596	60,127
Foster Care	93.658	148,822
Adoption Assistance	93.659	18,770
Social Services Block Grant	93.667	141,564
Chafee Foster Care Independence Fund	93.674	4,151
State Children's Insurance Program	93.767	89
Medical Assistance Program	93.778	90,705
Total Department of Health and Human Services		<u>\$ 671,575</u>

## COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
<b>U. S. DEPARTMENT OF HOMELAND SECURITY:</b>		
Pass Through Payments:		
<i>Department of Emergency Management:</i>		
State Homeland Security Grant Program	97.004	\$ 113,025
Total U. S. Department of Homeland Security		<u>\$ 113,025</u>
<b>DEPARTMENT OF JUSTICE:</b>		
Pass Through Payments:		
<i>Department of Criminal Justice Services:</i>		
Public Safety Partnership and Community Policing Grant	16.710	\$ 103,800
<b>DEPARTMENT OF TRANSPORTATION:</b>		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
State and Community Highway Safety	20.600	\$ 3,748
Alcohol Open Container Requirements	20.607	3,000
<i>State Department of Conservation and Recreation:</i>		
National Recreation Trails Funding Program	20.219	12,967
Total Department of Transportation		<u>\$ 19,715</u>
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>		
Pass Through Payments:		
Virginia Resources Authority:		
Capitalization Grants for State Revolving Funds	66.458	\$ 864,979
<b>DEPARTMENT OF EDUCATION:</b>		
Pass Through Payments:		
<i>Department of Education:</i>		
Adult Basic Education	84.002	\$ 24,918
Title I Grants to Local Educational Agencies	84.010	353,401
Special Education-Grants to States (Title VI-B)	84.027	1,054,127
Vocational Education-Basic Grants to States	84.048	53,664
Special Education-Preschool Grant to States	84.173	34,894
Drug-Free Schools and Communities-State Grants	84.186	17,432
Emergency Impact Aid	84.938	4,950
Innovative Education Program Strategies	84.298	10,330
NCLB - Title II Part D - Enhancing Education Through Technol	84.318	8,910

## COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
<b>DEPARTMENT OF EDUCATION: (Continued)</b>		
Pass Through Payments: (Continued)		
<i>Department of Education: (Continued)</i>		
Improving Teacher Quality	84.367	165,129
State Assessment and Related Activities NCLB	84.369	2,228
Total Department of Education		<u>\$ 1,729,983</u>
Total Federal Financial Assistance		<u><u>\$ 4,138,046</u></u>

## NOTE 1--BASIS OF PRESENTATION:

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

## Note 2 -- Food Distribution

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

## Note 3 -- Relationship to the Financial Statements:

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

## Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,019,312
Utility Fund-VRA loan proceeds	<u>864,979</u>
Total primary government	<u>\$ 1,884,291</u>
Component Unit Schools:	
School Operating Fund	\$ 2,146,796
Add: Non-cash expenditures - value of donated commodities	<u>106,959</u>
Total Component Unit Schools	<u>\$ 2,253,755</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 4,138,046</u></u>

**COUNTY OF BOTETOURT, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any findings disclosed that are required to be reported in accordance with section 310(a) of Circular A-133 \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for State Revolving Fund
10.553/10.555	Child Nutrition Cluster
84.010	Title 1

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**Section II - Financial Statement Findings**  
None

**Section III - Federal Award Findings and Questioned Costs**  
None