

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

Prepared By:
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1-5
GFOA Certificate of Achievement	6
Organizational Chart	7
List of Elected and Appointed Officials.....	8

FINANCIAL SECTION

Independent Auditors' Report	9-10
Management's Discussion and Analysis	11-23

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	1	24
Statement of Activities.....	2	25
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ...	6	29
Statement of Net Assets - Proprietary Funds	7	30
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	8	31
Statement of Cash Flows - Proprietary Funds	9	32
Statement of Fiduciary Net Assets - Fiduciary Funds.....	10	33
Notes to Financial Statements		34-61

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	62-64
Schedule of Funding Progress Defined Benefit Plan	12	65

COUNTY OF BOTETOURT, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS (CONTINUED)

OTHER SUPPLEMENTARY INFORMATION SECTION

	<u>Exhibit</u>	<u>Page</u>
Supplementary Financial Statements:		
Schedule of Revenues, Expenditures and Changes in Fund Balances -		
Budget and Actual - Capital Projects Fund.....	13	66
Combining Statement of Fiduciary Net Assets - Fiduciary Funds	14	67
Combining Statement of Changes in Assets and Liabilities - Fiduciary Funds.....	15	68
Discretely Presented Component Unit - School Board:		
Balance Sheet	16	69
Statement of Revenues, Expenditures, and Changes in Fund Balances		
Governmental Funds.....	17	70
Schedule of Revenues, Expenditures, and Changes in Fund Balances -		
Budget and Actual	18	71

	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	72-77
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	78-82

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Net Assets by Component.....	1	83
Changes in Net Assets	2	84-85
Governmental Activities Tax Revenue By Source	3	86
Fund Balances of Governmental Funds	4	87
Changes in Fund Balances of Governmental Funds	5	88
General Government Tax Revenues by Source	6	89
Assessed Value and Estimated Actual Value of Taxable Property	7	90
Property Tax Rates - Direct and Overlapping Governments	8	91
Principal Property Taxpayers	9	92
Property Tax Levies and Collections	10	93
Ratios of Outstanding Debt by Type.....	11	94
Ratios of Net General Bonded Debt to Assessed Value and Net		
Bonded Debt per Capital.....	12	95
Direct and Overlapping Governmental Activities Debt	13	96
Legal Debt Margin Information	14	97
Pledged - Revenue Coverage	15	98
Demographic and Economic Statistics	16	99
Principal Employers.....	17	100

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION (CONTINUED)

	<u>Table</u>	<u>Page</u>
Full-Time Equivalent County Government Employees by Functions.....	18	101
Operating Indicators by Function.....	19	102
Capital Asset Statistics by Function.....	20	103

COMPLIANCE SECTION

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	104-105
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	106-107
Schedule of Expenditures of Federal Awards.....	108-110
Schedule of Findings, Responses and Questioned Costs.....	111-112

INTRODUCTORY SECTION



Botetourt County, Virginia
Office of the County Administrator

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

December 19, 2008

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

Board of Supervisors

Don A. Assaid
Chairman

Donald L. Meredith
Vice Chairman

Terry L. Austin

Stephen P. Clinton

Billy W. Martin, Sr.

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, 2008. 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 three fiscal years.

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

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

Robinson, Farmer, Cox Associates, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2008. 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, within easy access to Interstate 64, in the west central

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

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

Local Economics and Demographics

Based upon a U. S. Census Bureau estimate, Botetourt County's 2007 population was 33,141, representing a 9% 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 21%, trade 21%, government 13%, construction 9%, and all others 2%. The civilian labor force totals approximately 17,800, with 18% working for the County's top ten employers. Unemployment remains well below the State average.

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

Botetourt County compares favorably to most Virginia localities economically in the area of fiscal stress, as reported by the Virginia Commission on Local Government. This agency has developed a composite fiscal stress index, which takes into consideration each locality's revenue capacity per capita, the revenue effort, and the magnitude of median adjusted gross income for individuals and married couples. The County's composite index falls into the classification "Below Average Stress" and within a short reach of "Low Stress" for the most recent period reported (2004/2005). The County's ranking was 99 out of 134 localities, placing Botetourt in the lower 26% range. This is an indication that on a comparable basis, Botetourt County and its residents are experiencing a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.

While FY08 construction starts were less than in recent previous years, Botetourt County continues to experience economic growth in its residential, commercial, and manufacturing segments. The

County's Comprehensive Plan was updated in 2004 (this process has begun again in 2008) and provides the framework for managing growth, along with proper zoning and subdivision ordinances. Residential construction starts include expansions in existing subdivisions as well as development plans for new subdivisions. The dollar value of residential starts in the County for FY08 represents a 31% decrease vs. the prior year. Despite this decrease and the recent country-wide downturn in housing activity, new subdivision development plans and other typical permit activity are in progress, as builders continue to recognize the value of investing in Botetourt County.

Manufacturing growth has recently been primarily in the form of strategic expansions for several of the County's key manufacturing concerns. Expansions in the last few years have resulted in significant investment on their part as well as new jobs, yielding an increased tax base for the County. FY08 contained positive results, as commercial construction value increased 15% over the average for the last two years. This is very promising results, as new commercial development and continuing expansion of existing facilities represents opportunities for increases in the employment and tax base. As has been the trend in the County, foreign-owned companies are continuing to invest in Botetourt County; manufacturing jobs are being created as opposed to being transplanted to other countries. An Australian manufacturing company recently completed its initial \$ 35 investment in its new operation in the County. Along with applying its own resources to its recruiting efforts, the County is a member of regional alliance and economic development agencies seeking to attract quality organizations, and has strong ties to state economic development resources.

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

In summary, although there was a slowing of residential construction activity in FY08, local economic activity and a continuing increase in the real estate tax base have resulted in local revenue growth. Botetourt County made additional investments in public safety and recreational resources and services in FY08, and will likely continue to do so. These additional resources for its citizens serve to add value for residents, which in turn will provide a foundation for future consistent economic growth in the County.

Public School System

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. One of the high schools has recently completed 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 4,869, with steady but relatively small increases

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

Higher Education

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

Major Initiatives and Goals

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

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

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

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

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

Current and Future Initiatives

The County has developed a comprehensive recreation park development plan in consideration of meeting citizens’ needs throughout the County. Three existing parks have recently seen enhancements and/ or expansions, and will be joined by a fourth park to form a system of convenient recreational facilities. Additionally, the Botetourt Sports Complex has completed its first full season of operation, and has already attracted a desirable representation of regional and national baseball and softball tournaments. The Complex has recently received an award for best new facility (population category 25,001 to 50,000) from the State Association. The County has experienced a positive economic impact from the Complex, which allowed local hotel and meal tax levels to remain fairly constant despite the recent economic downturn experienced by most

localities in 2008. In addition, continued investment in the County's tourism program will also provide leverage for enhanced economic benefits for the County in the future. 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.

With the completion of the construction of the regional public safety facility (occupied November, 2007) and the James River High School renovation, the County looks toward the future in an effort to continue to invest in itself with projects that add value for its citizens. The largest current project underway is the planning, design, and construction of the \$ 1.2 million Eagle Rock Library. This new branch library will be situated in the northern portion of the County, where there is a continuing growth pattern, and the future need for this facility.

The County recently made a decision to ultimately discontinue its landfill operations and utilize the transfer station of a nearby locality, an agreement, which provided significant savings by avoiding the construction of a new transfer station in the County. The resulting agreement addresses near-term solid waste disposal needs, and provides an opportunity for addressing long-term needs as well. In addition, the County has begun construction of a citizen convenience center on the landfill site, which will provide the citizens with a drop off point for solid waste, which will then be collected and sent to a non-County transfer station along with the commercial waste, which is transported by a privatized hauler system.

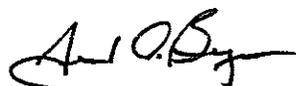
With respect to enterprise activity, the County's recent acquisitions of four (4) private water systems has significantly expanded the customer base. The County continues to effect water and wastewater improvements in accordance with the County's master plan. An independent study is currently in progress,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

Finally, as is the case for most localities, Botetourt County is currently contending with a slowdown in the local and regional economies, which mirrors the national picture. State reductions in revenue provided to localities will take effect in FY09 and FY10. The County is preparing for this negative impact by monitoring expenditures in FY09 and will strongly consider reducing discretionary spending and deferring certain capital improvement projects, if necessary. These management measures will also require proactive planning as the County prepares for its FY10 budget process.

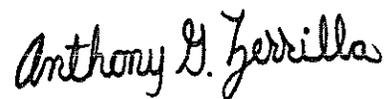
Acknowledgements

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, 2007

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.



Chae S. Cox

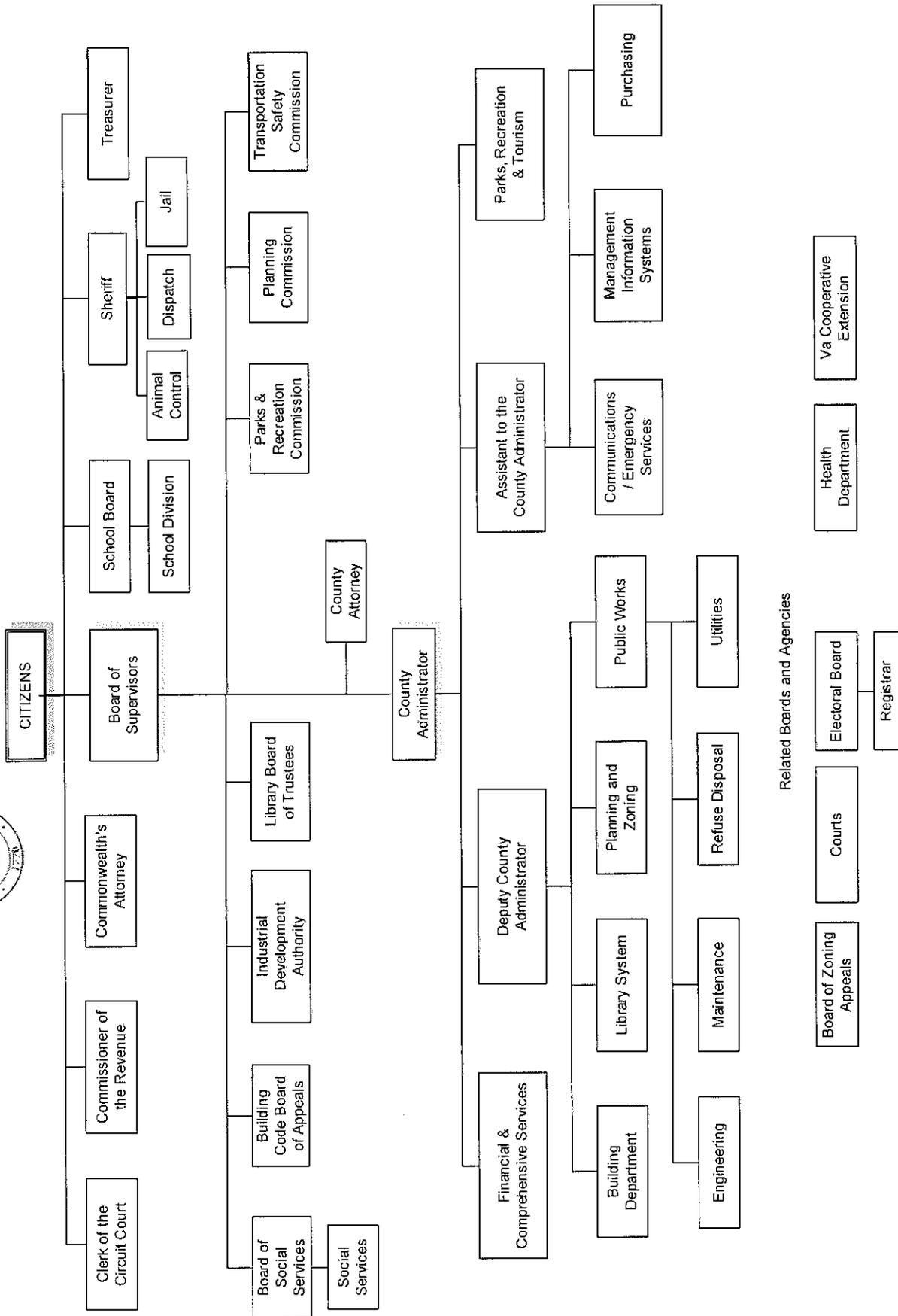
President

Jeffrey R. Emer

Executive Director



County of Botetourt, Virginia



COUNTY OF BOTETOURT, VIRGINIA

BOARD OF SUPERVISORS

Don A. Assaid, Chair
Don L. Meredith, Vice Chair
Stephen P. Clinton
Terry L. Austin
Billy W. martin, Sr.

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Botetourt, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Botetourt, Virginia, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, 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 important for assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Christiansburg, Virginia
October 24, 2008

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Botetourt, Virginia for the fiscal year ended June 30, 2008. 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, 2009.

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 \$42,090,270 (net assets). Of this amount, \$17,062,750 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$26,178,397; a significant amount (94%) of these net assets are invested in capital assets. (See Exhibit 1).

The Government's net assets for governmental activities increased by \$3,257,214 while the School Board's net assets increased by \$189,866. (See Exhibit 2)

Fund Financial Statements

At the end of the current fiscal year, unreserved fund balance for the general fund was \$21,465,706 or 39 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes, and accounts receivable reflected in the fiscal year 2008 budget as well as funds allocated to the School Board and County Capital Improvement Projects for fiscal year 2008.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,708,953, which is a decrease of \$2,286,501. However, it should be noted that FY07's fund balance (\$23,995,454) included \$ 5.7 million of financing funds reserved for construction. Excluding those funds, the general fund balance increased \$3,372,672, due primarily to \$ 3.1 million of recognized revenues in FY08 from a state reimbursement grant for the regional jail. As for FY08 standard results of operation, the County experienced reduced revenues based on a) a decision to curtail landfill activity from private haulers and b) the elimination of vehicle decals, which pushed associated fee revenues into the next fiscal year (FY09). In terms of increased expenditures, startup costs relating to a new regional jail resulted in increased costs in Public Safety, which also served to reduce fund balance. However, since FY05, the County's governmental fund balance (excluding capital projects fund activity) has increased by \$5.4 million. Of the total fund balance amount, \$21,465,706 is unrestricted and available for spending at the government's discretion (unreserved fund balance). (See Exhibit 3.) This represents a \$ 3.8 million (21%) increase in unreserved fund balance vs. FY07.

Overview of the Financial Statements

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

Management's Discussion and Analysis

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

Government-wide Financial Statements

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

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

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

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

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

Management's Discussion and Analysis

Fund Financial Statements

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

Governmental funds

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

Proprietary funds

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

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

Fiduciary funds

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

Notes to the financial statements

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

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the County of Botetourt, assets exceeded liabilities by \$42,090,270 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 23,436,612	\$ 34,929,902	\$ 1,115,739	\$ 635,425	\$ 24,552,351	\$ 35,565,327
Capital assets	75,414,398	72,329,667	18,616,235	18,731,674	94,030,633	91,061,341
Total assets	<u>\$ 98,851,010</u>	<u>\$ 107,259,569</u>	<u>\$ 19,731,974</u>	<u>\$ 19,367,099</u>	<u>\$ 118,582,984</u>	<u>\$ 126,626,668</u>
Long-term liabilities	\$ 54,850,051	\$ 64,329,636	\$ 8,450,138	\$ 8,792,110	\$ 63,300,189	\$ 73,121,746
Other liabilities	1,910,689	4,096,877	186,645	247,989	2,097,334	4,344,866
Total liabilities	<u>\$ 56,760,740</u>	<u>\$ 68,426,513</u>	<u>\$ 8,636,783</u>	<u>\$ 9,040,099</u>	<u>\$ 65,397,523</u>	<u>\$ 77,466,612</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 24,784,273	\$ 18,097,591	\$ 10,207,082	\$ 10,031,502	\$ 34,991,355	\$ 28,129,093
Restricted	243,247	666,969	0	0	243,247	666,969
Unrestricted	17,062,750	20,068,496	888,109	295,498	17,950,859	20,363,994
Total net assets	<u>\$ 42,090,270</u>	<u>\$ 38,833,056</u>	<u>\$ 11,095,191</u>	<u>\$ 10,327,000</u>	<u>\$ 53,185,461</u>	<u>\$ 49,160,056</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 59 percent of total net assets. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. For governmental activities, these assets represent 1% of total net assets.

The remaining balance of unrestricted net assets, which is \$17,062,750 or 40% 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 \$3,257,214. The primary reason for the increase relates to activity for the Public Safety Building, a \$ 25 million asset for which construction was completed in FY08, and a \$ 7 million payoff of debt for the preliminary design and construction costs for the building. A receipt of state reimbursement grant funds in FY08 (for which a large portion was carried as a receivable in previous years) was used for the debt payoff. With respect to other CIP activity, Courthouse renovations of \$780,000 for two projects also increased the net asset base.

Management's Discussion and Analysis

Changes in Net Assets:

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

County of Botetourt's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,946,467	\$ 2,203,957	\$ 2,788,894	\$ 1,965,855	\$ 4,735,361	\$ 4,169,812
Operating grants & contributions	6,804,623	5,813,858	0	14,270	6,804,623	5,828,128
Capital grants and contributions	3,141,221	833,052	0	0	3,141,221	833,052
General revenues:						
General property taxes	27,293,853	26,540,984	0	0	27,293,853	26,540,984
Other local taxes	6,494,878	7,153,384	0	0	6,494,878	7,153,384
Use of money and property	1,631,765	2,661,235	17,849	61,541	1,649,614	2,722,776
Other	126,545	334,911	0	0	126,545	334,911
Grants and contributions not restricted to specific programs	3,879,675	3,990,504	0	0	3,879,675	3,990,504
Total revenues	\$ 51,319,027	\$ 49,531,885	\$ 2,806,743	\$ 2,041,666	\$ 54,125,770	\$ 51,573,551

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

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Expenses:						
General government	\$ 2,425,324	\$ 2,474,879	\$ 0	\$ 0	\$ 2,425,324	\$ 2,474,879
Judicial administration	1,315,699	1,247,810	0	0	1,315,699	1,247,810
Public safety	11,408,457	9,005,396	0	0	11,408,457	9,005,396
Public works	1,645,071	2,094,816	0	0	1,645,071	2,094,816
Health and welfare	3,522,298	3,155,210	0	0	3,522,298	3,155,210
Education	20,021,134	18,891,746	0	0	20,021,134	18,891,746
Parks, recreation and cultural	2,801,151	2,172,778	0	0	2,801,151	2,172,778
Community development	2,012,043	582,609	0	0	2,012,043	582,609
Interest on long-term debt	2,566,987	2,712,171	0	0	2,566,987	2,712,171
Water and sewer	0	0	2,382,201	2,095,311	2,382,201	2,095,311
Total expense	\$ 47,718,164	\$ 42,337,415	\$ 2,382,201	\$ 2,095,311	\$ 50,100,365	\$ 44,432,726
Excess (deficiency) of revenues over (under) expenses	\$ 3,600,863	\$ 7,194,470	\$ 424,542	\$ (53,645)	\$ 4,025,405	\$ 7,140,825
Transfers in (out)	\$ (343,649)	\$ (69,880)	\$ 343,649	\$ 69,880	\$ 0	\$ 0
Increase in net assets	\$ 3,257,214	\$ 7,124,590	\$ 768,191	\$ 16,235	\$ 4,025,405	\$ 7,140,825
Net assets, July 1, 2007	38,833,056	31,708,466	10,327,000	10,310,765	49,160,056	42,019,231
Net assets, June 30, 2008	\$ 42,090,270	\$ 38,833,056	\$ 11,095,191	\$ 10,327,000	\$ 53,185,461	\$ 49,160,056

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the County's net assets by \$3,257,214. Key elements of this increase are as follows:

- Revenues: Charges for Services decreased 12% due primarily to reduced revenues from landfill operations, as the County began a planned diversion of waste to a non-County location. Operating Grants and Contributions includes a significant increase in revenues from the County's Emergency Services Cost Recovery Program, which generated approximately \$836,000 in revenues for FY08.
- Revenues: Capital grants and contributions reflect the County's successful attempt to request and obtain additional reimbursement grant funds (due to increased construction costs) from the State. Capital contributions totaled \$3.1 million for the current fiscal year.

Other Local Taxes decreased \$ 659,000 (9%) as a decision was made to eliminate motor vehicle decals and defer the associated fee (to be billed with personal property tax by approximately nine months).

Also, with respect to General Property Taxes, these taxes increased \$753,000 (3%) due to a 15% increase in machinery & tools taxes, and a continued increase (2%) in real property tax revenues.

- Revenues: Revenues for Use of Money and Property decreased significantly (39%), as rates of return on investments experienced significant decreases when compared to rates of return received during FY07.
- Revenues: Miscellaneous Revenues decreased \$ 208,366 (62%) due primarily to the non-recurrence of real estate sales in FY07.
- Expenses: Public Works expense decreased approximately \$ 450,000 due in part to a decrease in the accrual for landfill closure and post closure costs estimate. In addition, wage and benefit allocations for this area decreased while allocations increased for the Enterprise fund for shared personnel.
- Expenses: Public Safety costs increased approximately \$ 2.4 million (27%) vs. FY07. The majority of this increase is reflected in startup and permanent new costs relating to the operation of the new regional jail, including additional staff, benefits and other direct costs. The regional jail opened in November, 2007. Also, the County continues to make an investment in supplemental rescue services (which is subsidized in large part by the emergency services cost recovery program), as additional personnel resources (paramedics) were added to the department.
- Expenses: Parks, Recreation, and Cultural expenses increased by approximately \$ 628,000 (29%). A first full year of expenses for the Botetourt Sports Complex, increased support for tourism activity, and additional resources in parks and recreation for expanding programs and projects contributed to the increase in expense in this area.
- Expenses: Community development activity resulted in a \$ 1.4 million increase (3.5 times the previous year's costs) in expense. These costs are primarily for road extensions in the County's Greenfield business park site. These extensions will provide enhanced access to areas of the business park, which will provide leverage in attracting new industrial and commercial prospects.

Management's Discussion and Analysis

Business-type Activities

Business-type activities increased the County's net assets by \$ 768,191. This activity is comprised of Water and Sewer revenues and expenses. Key elements of FY08 water and sewer activity are as follows:

- Total charges for services increased \$ 823,000 (42%) vs. the prior year. This is due to a) an increase in water customers resulting from recent acquisitions of private water systems, b) an increase in sewer customers, c) an increase in connection fee revenue, and d) December 1, 2007 increases in water and sewer rates.
- Total operating expenses increased approximately \$ 287,000 (14%) vs. the prior year, due to an increase in personnel and contractual services, due in large part to the need to service additional customers and planned improvements to the County's water & sewer systems.
- In summary, Net assets for FY08 increased \$ 768,191 vs. \$ 16,235 for FY07 due to the net impact of incremental revenues, additional service expenses supporting newly acquired water systems, and investment in existing systems.

Financial Analysis of the Government's Funds

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

Governmental funds

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

Exhibit #5 includes a column titled "Capital Projects Fund". This column accounts for activity relating to the major renovation of James River High School, which was substantially completed in FY08, and provides greater insight as to the components of the change in fund balances for the fiscal year

In comparing unreserved fund balances as a percentage of governmental fund expenditures, it can be noted that FY08's figure of 39% reflects an increase vs. FY07's figure of 23%. This is primarily due to the \$ 26.6 million decrease in capital project costs as a result of a) the completion of the public safety building, which includes the regional jail, and b) the near completion of the James River High School renovation project. This reduction in capital projects served to decrease total governmental expenditures and drive up 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 \$21,708,953, a decrease of \$ 2,286,501 versus the prior year. FY07 contained a construction fund balance of \$ 5,659,173, which has since been utilized. FY08 revenues increased 4%, but expenditures were 4% greater than revenues (Exhibit 5), with transfers contributing approximately \$ 344,000 to the net decrease in fund balance. Still, when compared to FY07, the unreserved portion (\$21,465,706) of the ending fund balance represents a \$ 3.8 million increase in unreserved fund balance, and provides significant flexibility with respect to future discretionary spending.

Management's Discussion and Analysis

As previously stated, the County's governmental fund balance decreased by \$ 2,286,501. Fiscal Year 2008 Operational highlights include the following:

- Revenues: (A) Steady growth in the general property tax base. (B) A 15% increase in Machinery & Tool Tax revenues. (C) A slight increase in combined local sales taxes, hotel and restaurant taxes despite a downturn in national, regional, and local economic activity. (D) A \$ 355,000 (67%) increase in reclaimed costs from the County's emergency services cost recovery program. (E) A \$ 900,000 increase in state compensation board reimbursements. (F) A \$ 2.3 million increase in recognized reimbursement grant funds (please see below for additional comments regarding this item).
- Expenditures: As previously stated, public safety, parks and recreation, and community development expenditures represented significant FY08 increases, as was the case for the judicial administration area as well. The expenditures relating to the new regional jail included startup costs and an increase in personnel in order to properly staff the facility. Some of these costs were offset as a result of incremental state compensation board reimbursements. The significant increases in these itemized areas were supported by the Botetourt County Board of Supervisors and deemed as necessary.
- Use of Funding and Regional Jail Reimbursement Grant: The County utilized previous year construction funding balances for two major projects: the regional public safety building, and the James River High School renovation. With respect to the state reimbursement grant, the County applied for and received \$ 10,141,221 in funds, which represented an increase of \$ 2,836,221 from the original approved grant. These funds were partially used to payoff a \$ 7 million short-term note relating to financing for the project.

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 \$888,109, which is a marked increase versus FY07's figure of \$295,498. Other factors concerning the finances of this fund were discussed in the County's business-type activities section of this letter.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$10,060,389. 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, 2007 for programs and capital projects in the amount of \$3,568,352. In addition, there was an appropriation of property seizure funds for the Sheriff's department of \$432,000, and a \$200,000 appropriation of funds from FY07 to FY08 for school operations.
- Appropriation in the amount of \$425,000, 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.

Management's Discussion and Analysis

- Appropriations totaling \$175,000 for receipt of Governor's Opportunity Funds (\$ 125,000) and local matching funds (\$50,000).
- An appropriation of \$223,000 for renovations to the Old District Courthouse building.
- Appropriation of \$669,000 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.
- Appropriations of \$140,000 representing reimbursed costs.
- Appropriations of \$3,901,488 received as expenditure reimbursements for financing construction costs associated with the new regional public safety building, and \$58,000 in reimbursed funds relating to the new facility.
- Appropriation of \$97,000 to provide for adequate coverage of extraordinary operational costs.

The above-mentioned appropriations for amended budget expenditures total \$9,888,840 or 98% 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 FY08 budget. With regard to Capital Project Fund activity \$2,395,000 was appropriated as an FY07 budget carryover for the James River High School renovation project.

With respect to FY08 amended budget vs. actual results, general fund revenues for the primary government were approximately 2% over budget for the year. Revenues from local sources were approximately the same as budget, as positive variances in machinery & tools taxes, revenue from the use of money, and emergency services cost recoveries offset reduced revenues versus budget for sales and use taxes, motor vehicle licenses, building permits, and landfill revenues and other recovered costs. With respect to non-local revenues, state revenues were 3% over budget due to a) compensation board reimbursements b) comprehensive services act reimbursements, and c) emergency services grants exceeding budget. Revenue results for the federal government (12% negative variance), is a product of receiving less welfare funding than budgeted. Revenue results for the Component-unit School Board yielded a 1% negative variance, as the School component required less locality funding than budgeted.

Amended budget vs. actual results for general fund government expenditures for FY08 reflected a 13% (\$8.4 million) positive variance due to significant savings in several categories. Most notably, spending was deferred to the next fiscal year for capital project and capital project fund items totaling \$4.6 million. Other significant expenditure savings vs. budget were experienced in fire and rescue, public safety, health and welfare, and parks and recreation categories. Capital Project Fund results reflected a 75% (\$1.8 million) positive variance, as this project continued into FY09.

When the impact of budget vs. actual expenditure results for the Component-unit School Board is included, governmental fund activity resulted in a 10% positive variance for FY08.

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2008 is \$75,414,398 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress. The total represents a 4% increase, as construction in progress decreased \$ 22 million due primarily to the completion of the public safety building, which houses the regional jail, sheriff's department, and emergency services.

Major capital asset events for governmental activities during the current fiscal year included the following:

- Completion of the Public Safety Building (Gross cost of \$ 25.4 million).
- Old District Courthouse Renovation (Gross cost of \$ 520,000).
- Improvements to the Circuit Courthouse Complex (Gross cost of \$260,000).

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

	Governmental activities		Business-type activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 11,979,101	\$ 11,979,101	\$ 43,010	\$ 43,010	\$ 12,022,111	\$ 12,022,111
Buildings	59,407,928	34,466,360	0	0	59,407,928	34,466,360
Machinery and equipment	2,603,296	2,491,437	0	0	2,603,296	2,491,437
Infrastructure	0	0	18,573,225	15,181,831	18,573,225	15,181,831
Construction in progress	1,424,073	23,392,769	0	3,506,833	1,424,073	26,899,602
Total	\$ 75,414,398	\$ 72,329,667	\$ 18,616,235	\$ 18,731,674	\$ 94,030,633	\$ 91,061,341

The results for Business-type activities (Enterprise Fund) includes the completion of a \$ 3 million regional wastewater treatment plant upgrade project for which Botetourt County is granted a guaranteed level of total capacity. This item was included in construction in progress for FY07. Additional information on the County's capital assets can be found in the notes to the financial statements.

This space left blank intentionally

Management's Discussion and Analysis

Long-term debt

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

	County of Botetourt's Outstanding Debt					
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 42,353,932	\$ 43,993,111	\$ 0	\$ 0	\$ 42,353,932	\$ 43,993,111
Literary Loans	8,276,193	9,049,323	0	0	8,276,193	9,049,23
Revenue Bonds	0	0	8,409,153	8,758,931	8,409,153	8,758,931
Grant						
Anticipation Note	0	7,000,000	0	0	0	7,000,000
Landfill closure / post-closure	3,633,095	3,805,147	0	0	3,633,095	3,805,147
Compensated absences	586,831	482,055	40,985	33,179	627,816	515,234
Total	<u>\$ 54,850,051</u>	<u>\$ 64,329,636</u>	<u>\$ 8,450,138</u>	<u>\$ 8,792,110</u>	<u>\$ 63,300,189</u>	<u>\$ 73,121,746</u>

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

Botetourt County's FY08 outstanding debt for governmental activities decreased \$9,479,585 due primarily to a) the \$ 7 million payment of short-term debt for the public safety building, and b) principal payments for general obligation and literary fund debt. As previously mentioned, state reimbursement grant funds were used to pay the \$ 7 million note. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in a 5% decrease in the liability. For business-type activities, outstanding debt decreased by \$341,972 due to principal payments for revenue bonds.

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

- Net bonded debt-per-capita, limit \$2,000, actual \$1,478.
- Net bonded debt to assessed value, limit 4%, actual (1.40%).
- Ratio of debt service to general governmental expenditures, limit 10%, actual 5.93%.

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

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 3.2 percent, which is an increase from the rate of 2.5 percent a year ago. This compares favorably to the state's average unemployment rate of 4.2 percent and the national average rate of 6.0 percent.
- Funding from the Commonwealth of Virginia for the Component-unit School Board is expected to increase by approximately \$2.6 million (10%) in the next fiscal year. The FY09 budget includes additional funding for the Component-unit School Board from the County in the amount of \$206,000 (1%)
- General fund revenues for FY09 are expected to increase (excluding the FY08 state reimbursement grant and the FY09 reduction in state aid to localities) \$1 million, which reflects 2% increases in local and state revenues. Federal revenues are expected to decrease \$37,000 (11%) as a result of welfare activity. Local tax revenues are expected to increase in the areas of real estate taxes, personal property taxes, and machinery & tool taxes, with slight increases expected in transient occupancy, meals, and local sales taxes. Despite the recent economic downturn, these increases are anticipated due to a) the attraction of the Botetourt Sports Complex in hosting regional and national tournaments and b) focused efforts and investment in tourism activity offerings. Increases in the aforementioned revenues will serve to offset anticipated reductions in building permit and landfill revenues. The reduction in landfill revenues is planned, as the County winds down its landfill operations and diverts its solid waste stream to another locality's transfer station, thus avoiding a significant capital investment.
- General fund expenditures (excluding education funding, mentioned above) are budgeted to increase by approximately \$700,000 (3%), as cost increases are partially offset by a) a reduction in the VRS retirement percentage applied to eligible wages, and b) a reduction in planned capital projects. FY09 expenditures include the first full year of activity for the new regional jail, and assessor expenditures associated with the next real estate tax reassessment, which will be completed in FY10. The general fund balance for the County relating to the FY09 budget anticipates a reduction of \$ 3.1 million. However, County administration is taking into account the potential need to reduce and minimize expenditures in FY09, with the added option of deferral of capital projects and other significant planned spending.
- For business-type activities, water and sewer revenues are anticipated to increase 26% from FY08 to FY09. This is due to a) water and sewer revenues generated from an increased customer base, and b) a full year impact of water and sewer rate increases which became effective in December, 2007.
- Construction of a landfill convenience center has begun and will serve to provide disposal services to citizens. Refuse collections at this center will then be sent out of County. Estimated cost for the project is \$ 1.2 million, which will be funded from FY08 budget rollover monies. Completion of this project is targeted for spring, 2009.
- Design and preliminary planning has begun for the construction of the Eagle Rock Library, which will be situated in the northern part of the County. This \$ 1.2 million project will more than likely be completed in FY10.
- The County will continue to expand its recreational and cultural resources, with several projects (\$ 200,000 or less each) included in the FY09 budget. While some of these projects have already begun, other projects will be prioritized in the event that it is necessary to reduce FY09 spending relative to budget.

Management's Discussion and Analysis

All of these factors were considered in preparing the County's budget for the 2009 fiscal year.

Contacting the County's Financial Management

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

Basic Financial Statements

County of Botetourt, Virginia
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 20,477,294	\$ 839,444	\$ 21,316,738	\$ 5,054,173	\$ -
Cash in custody of others	-	-	-	-	1,363
Receivables (net of allowance for uncollectibles):					
Taxes receivable	827,559	-	827,559	-	-
Accounts receivable	13,328	373,461	386,789	27,783	-
Internal balances	150,000	(150,000)	-	-	-
Due from component unit	138,160	-	138,160	-	-
Due from other governmental units	1,400,351	-	1,400,351	1,191,169	-
Prepaid expenses	41,651	-	41,651	146,155	-
Deferred charges	145,022	52,834	197,856	-	-
Restricted assets:					
Temporarily restricted:					
Investments (in custody of others)	-	-	-	-	456,928
Cash and cash equivalents	243,247	-	243,247	148,625	-
Capital assets (net of accumulated depreciation):					
Land	11,979,101	43,010	12,022,111	1,455,729	-
Buildings and improvements	59,407,928	-	59,407,928	20,673,499	4,469,814
Machinery and equipment	2,603,296	-	2,603,296	2,355,671	-
Infrastructure	-	18,573,225	18,573,225	-	-
Construction in progress	1,424,073	-	1,424,073	-	-
Total assets	<u>\$ 98,851,010</u>	<u>\$ 19,731,974</u>	<u>\$ 118,582,984</u>	<u>\$ 31,052,804</u>	<u>\$ 4,928,105</u>
LIABILITIES					
Accounts payable	\$ 942,965	\$ 81,849	\$ 1,024,814	\$ 65,040	\$ -
Contracts payable	-	-	-	3,766,633	-
Customers' deposits	-	30,390	30,390	-	-
Accrued interest payable	881,633	74,406	956,039	-	6,722
Due to primary government	-	-	-	138,160	-
Unearned revenue	86,091	-	86,091	-	-
Long-term liabilities:					
Due within one year	3,202,513	485,538	3,688,051	678,431	200,228
Due in more than one year	51,647,538	7,964,600	59,612,138	226,143	3,304,496
Total liabilities	<u>\$ 56,760,740</u>	<u>\$ 8,636,783</u>	<u>\$ 65,397,523</u>	<u>\$ 4,874,407</u>	<u>\$ 3,511,446</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 24,784,273	\$ 10,207,082	\$ 34,991,355	\$ 24,484,899	\$ 965,090
Restricted for:					
Law library	40,299	-	40,299	-	-
Emergency 911	14,470	-	14,470	-	-
Cafeteria operations	-	-	-	148,625	-
Property seizure	152,667	-	152,667	-	-
Debt service	-	-	-	-	450,206
Van program	35,811	-	35,811	-	-
Unrestricted	17,062,750	888,109	17,950,859	1,544,873	1,363
Total net assets	<u>\$ 42,090,270</u>	<u>\$ 11,095,191</u>	<u>\$ 53,185,461</u>	<u>\$ 26,178,397</u>	<u>\$ 1,416,659</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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	Total	Component Units	
			Grants and Contributions	Grants and Contributions				School Board	IDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,425,324	\$ 1,202	\$ 341,669	\$ -	\$ (2,082,453)	\$ -	\$ (2,082,453)	\$ -	\$ -
Judicial administration	1,315,699	293,937	717,002	-	(304,760)	-	(304,760)	-	-
Public safety	11,408,457	584,434	3,492,551	3,141,221	(4,190,251)	-	(4,190,251)	-	-
Public works	1,645,071	936,821	-	-	(708,250)	-	(708,250)	-	-
Health and welfare	3,522,298	-	2,098,309	-	(1,423,989)	-	(1,423,989)	-	-
Education	20,021,134	-	-	-	(20,021,134)	-	(20,021,134)	-	-
Parks, recreation, and cultural	2,801,151	130,073	155,092	-	(2,515,986)	-	(2,515,986)	-	-
Community development	2,017,043	-	-	-	(2,012,043)	-	(2,012,043)	-	-
Interest on long-term debt	2,566,987	-	-	-	(2,566,987)	-	(2,566,987)	-	-
Total governmental activities	\$ 47,718,164	\$ 1,946,467	\$ 6,804,623	\$ 3,141,221	\$ (35,825,853)	\$ -	\$ (35,825,853)	\$ -	\$ -
Business-type activities:									
Water and sewer	\$ 2,382,201	\$ 2,788,894	\$ -	\$ -	\$ -	\$ 406,693	\$ 406,693	\$ -	\$ -
Total primary government	\$ 50,100,365	\$ 4,735,361	\$ 6,804,623	\$ 3,141,221	\$ (35,825,853)	\$ 406,693	\$ (35,419,160)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 49,049,432	\$ 1,679,548	\$ 27,654,279	\$ -	\$ -	\$ -	\$ (19,715,605)	\$ -	\$ 36,142
Industrial Development Authority	308,858	345,000	-	-	-	-	-	-	-
Total component units	\$ 49,358,290	\$ 2,024,548	\$ 27,654,279	\$ -	\$ -	\$ -	\$ (19,715,605)	\$ -	\$ 36,142
General revenues:									
General property taxes					\$ 27,293,853	\$ -	\$ 27,293,853	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					2,102,537	-	2,102,537	-	-
Consumers' utility taxes					694,547	-	694,547	-	-
Business license taxes					828,183	-	828,183	-	-
Motor vehicle taxes					25,815	-	25,815	-	-
Restaurant food taxes					1,078,988	-	1,078,988	-	-
Other local taxes					1,764,808	-	1,764,808	-	-
Unrestricted revenues from the use of money and property					1,631,765	17,849	1,649,614	178,433	14,539
Miscellaneous					126,545	-	126,545	319,941	-
Grants and contributions not restricted to specific programs					3,879,675	-	3,879,675	19,407,097	81,649
Transfers					(343,649)	343,649	-	-	-
Total general revenues					\$ 39,083,067	\$ 361,498	\$ 39,444,565	\$ 19,905,471	\$ 96,188
Change in net assets					\$ 3,257,214	\$ 768,191	\$ 4,025,405	\$ 189,866	\$ 132,330
Net assets - beginning					38,833,056	10,327,000	49,160,056	25,988,531	1,284,329
Net assets - ending					\$ 42,090,270	\$ 11,095,191	\$ 53,185,461	\$ 26,178,397	\$ 1,416,659

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

County of Botetourt, Virginia
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 20,720,541
Taxes receivable	827,559
Accounts receivable	13,328
Due from other funds	150,000
Due from component unit	138,160
Due from other governmental units	1,400,351
Prepaid items	41,651
Total assets	<u>\$ 23,291,590</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 942,965
Unearned revenue	639,672
Total liabilities	<u>\$ 1,582,637</u>
Fund balance:	
Reserved for:	
Law library	\$ 40,299
Emergency 911	14,470
Property seizure	152,667
Van program	35,811
Unreserved, reported in:	
General fund	21,465,706
Total fund balances	<u>\$ 21,708,953</u>
Total liabilities and fund balances	<u>\$ 23,291,590</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, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 21,708,953
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	75,414,398
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets are as follows:	553,581
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(55,586,662)
Net assets of governmental activities	<u>\$ 42,090,270</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, 2008

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 27,365,128	\$ -	\$ 27,365,128
Other local taxes	6,494,878	-	6,494,878
Permits, privilege fees, and regulatory licenses	364,491	-	364,491
Fines and forfeitures	116,316	-	116,316
Revenue from the use of money and property	1,573,000	58,765	1,631,765
Charges for services	1,465,660	-	1,465,660
Miscellaneous	126,545	-	126,545
Recovered costs	1,429,487	-	1,429,487
Intergovernmental revenues:			
Commonwealth	12,947,156	-	12,947,156
Federal	878,363	-	878,363
Total revenues	<u>\$ 52,761,024</u>	<u>\$ 58,765</u>	<u>\$ 52,819,789</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,896,922	\$ -	\$ 2,896,922
Judicial administration	1,288,367	-	1,288,367
Public safety	11,782,509	-	11,782,509
Public works	1,625,801	-	1,625,801
Health and welfare	3,569,914	-	3,569,914
Education	19,060,764	-	19,060,764
Parks, recreation, and cultural	2,812,653	-	2,812,653
Community development	1,778,813	-	1,778,813
Capital projects	4,307,721	609,207	4,916,928
Debt service:			
Principal retirement	2,377,691	-	2,377,691
Interest and other fiscal charges	2,652,279	-	2,652,279
Total expenditures	<u>\$ 54,153,434</u>	<u>\$ 609,207</u>	<u>\$ 54,762,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,392,410)</u>	<u>\$ (550,442)</u>	<u>\$ (1,942,852)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 547,716	\$ -	\$ 547,716
Transfers out	-	(891,365)	(891,365)
Total other financing sources (uses)	<u>\$ 547,716</u>	<u>\$ (891,365)</u>	<u>\$ (343,649)</u>
Net change in fund balances	\$ (844,694)	\$ (1,441,807)	\$ (2,286,501)
Fund balances - beginning	22,553,647	1,441,807	23,995,454
Fund balances - ending	<u>\$ 21,708,953</u>	<u>\$ -</u>	<u>\$ 21,708,953</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, 2008

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

Net change in fund balances - total governmental funds	\$	(2,286,501)
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.		3,084,730
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(71,275)
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.		2,549,743
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.		(19,483)
Change in net assets of governmental activities	<u>\$</u>	<u>3,257,214</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, 2008

	Enterprise Fund <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 839,444
Accounts receivable, net of allowances for uncollectibles	373,461
Total current assets	<u>\$ 1,212,905</u>
Noncurrent assets:	
Other assets:	
Unamortized bond issue costs	\$ 52,834
Capital assets:	
Land	43,010
Utility plant in service	26,033,049
Machinery and equipment	35,062
Less accumulated depreciation	(7,494,886)
Total capital assets	<u>\$ 18,616,235</u>
Total noncurrent assets	<u>\$ 18,669,069</u>
Total assets	<u>\$ 19,881,974</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 81,849
Customers' deposits	30,390
Accrued interest payable	74,406
Due to other funds	150,000
Compensated absences - current portion	30,739
Bonds payable - current portion	454,799
Total current liabilities	<u>\$ 822,183</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 10,246
Bonds payable - net of current portion	7,954,354
Total noncurrent liabilities	<u>\$ 7,964,600</u>
Total liabilities	<u>\$ 8,786,783</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 10,207,082
Unrestricted	888,109
Total net assets	<u>\$ 11,095,191</u>

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

County of Botetourt, Virginia
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues pledged as security for revenue bonds	\$ 901,462
Sewer revenues pledged as security for revenue bonds	1,501,809
Tap fees	374,494
Other revenues	11,129
Total operating revenues	\$ 2,788,894
OPERATING EXPENSES	
Personnel services	\$ 379,103
Contractual services	273,516
Utilities and office expense	676,634
Repair and maintenance	208,437
Depreciation	591,548
Total operating expenses	\$ 2,129,238
Operating income (loss)	\$ 659,656
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 17,849
Interest expense	(252,963)
Total nonoperating revenues (expenses)	\$ (235,114)
Income before contributions and transfers	\$ 424,542
Transfers in	\$ 343,649
Change in net assets	\$ 768,191
Total net assets - beginning	10,327,000
Total net assets - ending	\$ 11,095,191

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, 2008

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,639,250
Payments to suppliers	(1,220,825)
Payments to employees	(371,297)
Net cash provided (used) by operating activities	\$ 1,047,128
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 343,649
Advances from other funds	150,000
Net cash provided (used) by noncapital financing activities	\$ 493,649
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (476,109)
Principal payments on bonds	(437,042)
Proceeds from indebtedness	72,920
Interest payments	(234,817)
Net cash provided (used) by capital and related financing activities	\$ (1,075,048)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 17,849
Net cash provided (used) by investing activities	\$ 17,849
Net increase (decrease) in cash and cash equivalents	\$ 483,578
Cash and cash equivalents - beginning	355,866
Cash and cash equivalents - ending	\$ 839,444
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 659,656
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 591,548
(Increase) decrease in accounts receivable	(152,661)
Increase (decrease) in customer deposits	3,017
Increase (decrease) in operating payables	(62,238)
Increase (decrease) accrued leave	7,806
Total adjustments	\$ 387,472
Net cash provided (used) by operating activities	\$ 1,047,128

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, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 930,751
Total assets	\$ 930,751
 LIABILITIES	
Amounts held for social services clients	\$ 24,057
Amounts held for employees	34,188
Amounts held for the Roanoke Valley Regional Board	650,584
Amounts held for performance bond	165,365
Amounts held for inmates	56,557
Total liabilities	\$ 930,751

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

COUNTY OF BOTETOURT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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 \$230,210 for operations to the Blue Ridge Library, and \$36,877 to the Blue Ridge Community Services Board. The County does not have any ongoing financial responsibilities for these organizations.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

2. Receivables and payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$257,362 at June 30, 2008. The allowance consists of delinquent taxes in the amount of \$79,150 and delinquent water and sewer bills of \$178,212.

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 \$252,963. No interest was capitalized during the year.

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

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

7. Compensated Absences

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

8. Long-term obligations

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

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

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

8. Long-term obligations (Continued)

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

9. Fund equity

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

10. Net Assets

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

11. Prepaid Items

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

12. Restricted Assets

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

Remaining portion of this page left blank intentionally.

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 \$3,084,730 and \$448,137 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 5,371,115	\$ 2,042,403
Loss on sale of capital asset	(3,613)	(22,237)
Depreciation expense	<u>(2,282,772)</u>	<u>(1,572,029)</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>\$ 3,084,730</u>	<u>\$ 448,137</u>

Remaining portion of this page left blank intentionally.

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 \$2,549,743 difference in the primary government are as follows:

Decrease in estimated liability	
Accrued landfill closure/postclosure	\$ 172,052
Principal repayments:	
General obligation debt	1,604,561
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>\$ 2,549,743</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these (\$19,483) and (\$139,165) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (104,776)	\$ (139,165)
(Increase) decrease in accrued interest	56,838	-
Amortization of bond issuance costs	(6,163)	-
Amortization of premium	<u>34,618</u>	<u>-</u>
 Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ (19,483)</u>	 <u>\$ (139,165)</u>

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations

There were no expenditures exceeding appropriations for the year ended June 30, 2008.

C. Deficit fund equity

At June 30, 2008, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

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

Investments:

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2008 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 21,847,193

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

Interest Rate Risk

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

Note 5-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 364,743	\$ -
Categorical aid-State sales tax	-	833,575
Categorical aid-Other	615,248	-
Non-categorical aid	160,723	-
Categorical aid-Virginia Public Assistance	40,099	-
Categorical aid-Comprehensive Services Act	156,340	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	63,198	-
Categorical aid-Other	-	357,594
	<u>\$ 1,400,351</u>	<u>\$ 1,191,169</u>
Totals	<u>\$ 1,400,351</u>	<u>\$ 1,191,169</u>

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:		
Water/Sewer Fund	\$ 150,000	\$ -
General Fund	-	288,160
	<u>\$ 150,000</u>	<u>\$ 288,160</u>
Component Unit - School Board:		
School Fund	\$ 138,160	\$ -
	<u>\$ 138,160</u>	<u>\$ -</u>
Totals	<u>\$ 288,160</u>	<u>\$ 288,160</u>

Note 7-Interfund Transfers/Component Unit Contributions:

Interfund transfers for the year ended June 30, 2008, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 547,716	\$ -
Capital Projects Fund	-	891,365
Water and Sewer Fund	343,649	-
Total	<u>\$ 891,365</u>	<u>\$ 891,365</u>

Primary government contributions to component units for the year ended June 30, 2008, consisted of the following:

Component Unit:	
School Board	\$ 19,055,934

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.

Remaining portion of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

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	
	Principal	Interest	Principal	Interest
2009	\$ 2,003,860	\$ 1,971,889	\$ 758,530	\$ 248,286
2010	2,048,682	1,877,148	749,342	225,530
2011	2,089,059	1,779,703	695,161	203,050
2012	2,145,019	1,675,712	651,930	182,195
2013	2,111,393	1,569,632	651,930	162,637
2014-2018	8,985,185	6,366,545	3,259,650	519,816
2019-2023	7,945,000	4,428,380	1,509,650	87,118
2024-2028	8,720,000	2,326,383	-	-
2029-2033	5,380,000	697,210	-	-
Totals	\$ 41,428,198	\$ 22,692,602	\$ 8,276,193	\$ 1,628,632

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
General Obligation				
Bonds	\$ 43,032,759	\$ -	\$ (1,604,561)	\$ 41,428,198
Unamortized Premium	960,352	-	(34,618)	925,734
Literary Loans	9,049,323	-	(773,130)	8,276,193
Grant anticipation note	7,000,000	-	(7,000,000)	-
Landfill closure/ postclosure liability	3,805,147	-	(172,052)	3,633,095
Compensated absences	482,055	466,317	(361,541)	586,831
Total	\$ 64,329,636	\$ 466,317	\$ (9,945,902)	\$ 54,850,051

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 8-Long-Term Debt: (Continued)

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
General projects	3.65% - 5%	3/1/1998	2015	\$ 6,660,000	\$ 3,600,000	\$ 535,000
General projects	5.1% - 6.1%	12/21/1995	2016	\$ 8,385,372	\$ 3,705,629	\$ 434,595
School construction	4.1% - 5.225%	4/30/1998	2019	\$ 1,545,000	\$ 825,000	\$ 75,000
School construction	4.85% - 6.6%	Aug. 1991	2012	\$ 1,267,416	\$ 312,569	\$ 74,265
School construction	4.1% - 5.1%	5/11/2006	2026	\$ 15,890,000	\$ 15,415,000	\$ 500,000
Jail Construction	3.6325% - 4.9866%	6/8/2006	2032	\$ 17,570,000	\$ 17,570,000	\$ 385,000
Total GO Bonds					\$ 41,428,198	\$ 2,003,860
Add:						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	\$ 925,734	\$ -
Net GO Bonds					\$ 42,353,932	\$ 2,003,860
Other Long-term Debt: (Literary Fund Loans)						
School construction	3.00%	12/1/1989	2010	\$ 180,064	\$ 18,064	\$ 9,000
School construction	3.00%	12/1/1989	2010	\$ 121,883	\$ 12,083	\$ 6,100
School construction	3.00%	3/1/1990	2010	\$ 300,000	\$ 30,000	\$ 15,000
School construction	3.00%	12/1/1990	2011	\$ 97,255	\$ 12,255	\$ 5,000
School construction	3.00%	7/15/1990	2011	\$ 1,180,976	\$ 160,976	\$ 60,000
School construction	3.00%	5/1/1990	2010	\$ 220,865	\$ 13,865	\$ 11,500
School construction	3.00%	12/1/2000	2021	\$ 7,500,000	\$ 4,875,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	\$ 5,000,000	\$ 2,750,000	\$ 250,000
School construction	3.00%	1/15/2003	2023	\$ 538,600	\$ 403,950	\$ 26,930
Total Literary Fund Loans					\$ 8,276,193	\$ 758,530
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 586,831	\$ 440,123
Landfill closure/post-closure monitoring	n/a	n/a	n/a	n/a	\$ 3,633,095	\$ -
Total Other Obligations					\$ 4,219,926	\$ 440,123
Total Long-term debt					\$ 54,850,051	\$ 3,202,513

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

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
2009	\$ 454,799	\$ 311,569
2010	468,829	295,642
2011	483,176	279,061
2012	502,850	261,976
2013	517,865	244,282
2014-2018	2,892,285	907,068
2019-2023	2,620,448	340,820
2024-2026	596,765	32,790
Totals	\$ 8,537,017	\$ 2,673,208

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
Revenue Bonds	\$ 8,901,138	\$ 72,920	\$ (437,041)	\$ 8,537,017
Unamortized Premium	49,244	-	(4,967)	44,277
Deferred amount on refunding	(191,451)	-	19,310	(172,141)
Compensated absences	33,179	32,690	(24,884)	40,985
Total	\$ 8,792,110	\$ 105,610	\$ (447,582)	\$ 8,450,138

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

Remaining portion of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 8-Long-Term Debt: (Continued)

Primary Government - Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Revenue Bonds:						
VRA Refunding Bond	3.1% - 4.9269%	5/17/2005	2023	\$ 4,250,000	\$ 3,815,000	\$ 195,000
VRA Bond	4.75%	7/31/1997	2019	\$ 8,385,372	\$ 1,843,719	\$ 138,240
VRA Bond	3.10%	8/1/2004	2027	\$ 4,032,975	\$ 2,878,298	\$ 121,559
Total Revenue Bonds					\$ 8,537,017	\$ 454,799
Add:						
Unamortized premium					\$ 44,277	\$ -
Deferred amount on refunding					\$ (172,141)	\$ -
Net Revenue Bonds					\$ 8,409,153	\$ 454,799
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 40,985	\$ 30,739
Total Long-term debt					\$ 8,450,138	\$ 485,538

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, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
Compensated absences	\$ 765,409	\$ 713,222	\$ (574,057)	\$ 904,574

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 904,574	\$ 678,431

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

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
2009	200,228	161,706
2010	209,709	152,225
2011	219,638	142,296
2012	230,037	131,897
2013	240,929	121,005
2014-2018	1,386,949	422,721
2019-2020	1,017,234	72,801
Totals	\$ 3,504,724	\$ 1,204,651

The following is a summary of long-term debt transactions of the Component Unit-Industrial Development Authority for the year ended June 30, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
Lease Revenue Bond	\$ 3,788,223	\$ -	\$ (283,499)	\$ 3,504,724
Total	\$ 3,788,223	\$ -	\$ (283,499)	\$ 3,504,724

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	\$ 3,504,724	\$ 200,228

Remaining portion of this page left blank intentionally.

Note 10-Employee Retirement System and Pension Plans:

A. Plan Description

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

The County contributes to the Virginia Retirement System (VRS). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living 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/Publications/2007annurept.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 of Botetourt, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Botetourt, Virginia's contribution rate for the fiscal year ended 2008 was 14.39% of annual covered payroll.

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

B. Funding Policy (Continued)

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 County of Botetourt, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Botetourt, Virginia's contribution rate for the fiscal year ended 2008 was 9.98% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2008, the County of Botetourt, Virginia's annual pension cost of \$1,387,075 and \$297,546 was equal to the County of Botetourt, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2008	\$ 1,387,075	100.00%	\$ -
	6/30/2007	1,149,510	100.00%	-
	6/30/2006	609,406	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2008	\$ 297,546	100.00%	\$ -
	6/30/2007	292,828	100.00%	-
	6/30/2006	180,670	100.00%	-

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County of Botetourt, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Botetourt, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

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

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 82.03% funded. The actuarial accrued liability for benefits was \$26,433,805, and the actuarial value of assets was \$21,684,042, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,749,763. The covered payroll (annual payroll of active employees covered by the plan) was \$8,322,040, and ratio of the UAAL to the covered payroll was 57.07%.

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

As of June 30, 2007, the most recent actuarial valuation date, the plan was 80.29% funded. The actuarial accrued liability for benefits was \$10,590,733, and the actuarial value of assets was \$8,503,154, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,087,579. The covered payroll (annual payroll of active employees covered by the plan) was \$2,923,719, and ratio of the UAAL to the covered payroll was 71.40%.

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

E. Discretely Presented Component Unit - School Board (Professional Employees)

Plan Description

The Botetourt County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2007annurept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$2,547,921, \$2,181,288, and \$1,465,628 for the fiscal years ended 2008, 2007, and 2006, respectively. Required employer contributions represented 10.30%, 9.20%, and 6.62% of covered payroll for the fiscal years ended 2008, 2007, and 2006, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 11-Deferred (Unearned) Revenue:

Deferred (unearned) revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$86,090 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2008, but paid in advance by the taxpayers totaled \$86,090 at June 30, 2008.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,979,101	\$ -	\$ -	\$ 11,979,101
Construction in progress	23,392,769	787,558	(22,756,254)	1,424,073
Total capital assets not being depreciated	<u>\$ 35,371,870</u>	<u>\$ 787,558</u>	<u>\$ (22,756,254)</u>	<u>\$ 13,403,174</u>
Capital assets, being depreciated:				
Buildings	\$ 43,204,515	\$ 26,572,122	\$ -	\$ 69,776,637
Machinery and equipment	6,566,139	767,689	(246,585)	7,087,243
Total capital assets being depreciated	<u>\$ 49,770,654</u>	<u>\$ 27,339,811</u>	<u>\$ (246,585)</u>	<u>\$ 76,863,880</u>
Less: accumulated depreciation for:				
Buildings	\$ (8,738,155)	\$ (1,630,554)	\$ -	\$ (10,368,709)
Machinery and equipment	(4,074,701)	(652,218)	242,972	(4,483,947)
Total accumulated depreciation	<u>\$ (12,812,856)</u>	<u>\$ (2,282,772)</u>	<u>\$ 242,972</u>	<u>\$ (14,852,656)</u>
Total capital assets being depreciated, net	<u>\$ 36,957,798</u>	<u>\$ 25,057,039</u>	<u>\$ (3,613)</u>	<u>\$ 62,011,224</u>
Governmental activities capital assets, net	<u>\$ 72,329,668</u>	<u>\$ 25,844,597</u>	<u>\$ (22,759,867)</u>	<u>\$ 75,414,398</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 43,010	\$ -	\$ -	\$ 43,010
Construction in progress	3,506,833	162,195	(3,669,028)	-
Total capital assets not being depreciated	<u>\$ 3,549,843</u>	<u>\$ 162,195</u>	<u>\$ (3,669,028)</u>	<u>\$ 43,010</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 22,050,107	\$ 3,982,942	\$ -	\$ 26,033,049
Machinery and equipment	35,062	-	-	35,062
Total capital assets being depreciated	<u>22,085,169</u>	<u>3,982,942</u>	<u>-</u>	<u>26,068,111</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (6,868,276)	\$ (591,548)	\$ -	\$ (7,459,824)
Machinery and equipment	(35,062)	-	-	(35,062)
Total accumulated depreciation	<u>(6,903,338)</u>	<u>(591,548)</u>	<u>-</u>	<u>(7,494,886)</u>
Total capital assets being depreciated, net	<u>\$ 15,181,831</u>	<u>\$ 3,391,394</u>	<u>\$ -</u>	<u>\$ 18,573,225</u>
Business-type activities capital assets, net	<u>\$ 18,731,674</u>	<u>\$ 3,553,589</u>	<u>\$ (3,669,028)</u>	<u>\$ 18,616,235</u>

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

Governmental activities:	
General government	\$ 143,553
Judicial administration	27,332
Public safety	765,671
Public works	184,552
Education	960,371
Parks, recreation, and culture	196,808
Community development	4,485
Total depreciation expense-governmental activities	<u>\$ 2,282,772</u>
Business-type activities:	
Service authority	\$ 591,548

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2008 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,455,729	\$ -	\$ -	\$ 1,455,729
Capital assets, being depreciated:				
Buildings	\$ 34,554,281	\$ 1,266,881	\$ -	\$ 35,821,162
Machinery and equipment	5,292,980	775,522	(217,904)	5,850,598
Total capital assets being depreciated	<u>\$ 39,847,261</u>	<u>\$ 2,042,403</u>	<u>\$ (217,904)</u>	<u>\$ 41,671,760</u>
Less: accumulated depreciation for:				
Buildings	\$ (14,144,634)	\$ (1,003,029)	\$ -	\$ (15,147,663)
Machinery and equipment	(3,121,594)	(569,000)	195,667	(3,494,927)
Total accumulated depreciation	<u>\$ (17,266,228)</u>	<u>\$ (1,572,029)</u>	<u>\$ 195,667</u>	<u>\$ (18,642,590)</u>
Total capital assets being depreciated, net	<u>\$ 22,581,033</u>	<u>\$ 470,374</u>	<u>\$ (22,237)</u>	<u>\$ 23,029,170</u>
Governmental activities capital assets, net	<u>\$ 24,036,762</u>	<u>\$ 470,374</u>	<u>\$ (22,237)</u>	<u>\$ 24,484,899</u>

Note 13-Risk Management:

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

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

Note 13-Risk Management: (Continued)

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

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Tommy Moore, Clerk of the Circuit Court	\$ 270,000
Benton Bolton, Treasurer	500,000
John L. Etzler, Commissioner of the Revenue	3,000
Ronald N. Sprinkle, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
<u>Selective Insurance Company of America:</u>	
Gerald A. Burgess, County Administrator	\$ 250,000
David Moorman, Deputy County Administrator	150,000
Anthony Zerrilla, Finance Manager	150,000
Barbara Ennis, Bookkeeper	150,000
Veronica Ramsey, Bookkeeper Technician	150,000
All administrative employees	50,000
All Social Services employees: blanket bond	100,000
<u>United States Fidelity and Guaranty Company-Surety:</u>	
Board of Supervisors:	\$ 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, 2008

Note 15-Surety Bonds: (Continued)

Component Unit - School Board:

The Continental Insurance Company:

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

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County's landfill has reached approximately 84% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$4,312,030 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2008. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 84% of the aforementioned amount has been recognized as a liability in the financial statements (\$3,633,095). The remaining amount to be recognized, \$678,935, will be recognized over the landfill's remaining life based on usage. As of June 30, 2008, the landfill's remaining life is estimated to be 2.99 years. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

Note 17 - Commitments and Contingencies:

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

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2008</u>	<u>Funding Source</u>
Industrial Access Road Project	1,218,953	29,399	General Fund
Landfill Convenience Center	1,200,000	-	General Fund

Note 18 - Arbitrage Rebate Compliance:

As of June 30, 2008 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 19-New Accounting Standards:

The Government Accounting Standards Board (GASB) has issued its Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other than Pensions*. The statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The County of Botetourt, Virginia (primary government) does not provide other post employment benefits that are recorded under this statement; however the Component-unit School Board provides health insurance to retirees and as such will record an OPEB expense and related liability in accordance with the statement. Based on a preliminary valuation, management estimates that this liability will range from \$3,066,000 to \$4,699,000 for the Component-Unit School Board. The requirements of the Statement are effective in three phases based on the government's annual revenues, with the earliest effective date being for the year ended June 30, 2008. The County and Component-unit School Board will implement this standard for the year ending June 30, 2009. As such, no liability or related expense has been recorded in these financial statements for GASB Statement No. 45.

The Government Accounting Standards Board (GASB) has issued its Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement establishes reporting standards for pollution and remediation obligations. 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 County will implement this standard for the fiscal year ending June 30, 2009.

The Government Accounting Standards Board (GASB) has issued its Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*. The statement establishes standards for the measurement, recognition and display of intangible assets 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 County will implement this standard for the fiscal year ending June 30, 2010.

Several other statements have been issued by the Government Accounting Standards Board including Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* and Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments*. At the present time, these statements will not have any impact on the County's financial reporting.

Required Supplementary Information

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 27,051,000	\$ 27,009,247	\$ 27,365,128	\$ 355,881
Other local taxes	7,431,500	6,701,500	6,494,878	(206,622)
Permits, privilege fees, and regulatory licenses	491,400	491,400	364,491	(126,909)
Fines and forfeitures	142,250	142,250	116,316	(25,934)
Revenue from the use of money and property	973,000	973,000	1,573,000	600,000
Charges for services	1,555,000	1,555,000	1,465,660	(89,340)
Miscellaneous	49,000	49,000	126,545	77,545
Recovered costs	1,212,200	1,197,775	1,429,487	231,712
Intergovernmental revenues:				
Commonwealth	16,792,300	12,628,521	12,947,156	318,635
Federal	1,000,000	1,000,000	878,363	(121,637)
Total revenues	<u>\$ 56,697,650</u>	<u>\$ 51,747,693</u>	<u>\$ 52,761,024</u>	<u>\$ 1,013,331</u>
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 186,160	\$ 213,105	\$ 213,105	\$ -
County administrator	324,562	323,503	287,845	35,658
Deputy administrators	386,862	399,866	397,014	2,852
Central garage	65,075	65,074	56,256	8,818
Commissioner of revenue	380,012	380,006	339,351	40,655
Central purchasing	150,919	154,891	150,063	4,828
Treasurer	435,845	435,844	395,512	40,332
Management information systems	518,507	612,442	612,442	-
Financial services	286,653	291,624	258,510	33,114
Electoral board/registrar	180,725	191,927	186,824	5,103
Total general government administration	<u>\$ 2,915,320</u>	<u>\$ 3,068,282</u>	<u>\$ 2,896,922</u>	<u>\$ 171,360</u>
Judicial administration:				
Circuit court	\$ 57,048	\$ 57,048	\$ 55,775	\$ 1,273
General district court	28,010	29,645	19,238	10,407
Magistrate	1,000	976	976	-
Clerk of the circuit court	593,639	607,672	558,509	49,163
Commonwealth's attorney	635,330	657,338	653,869	3,469
Total judicial administration	<u>\$ 1,315,027</u>	<u>\$ 1,352,679</u>	<u>\$ 1,288,367</u>	<u>\$ 64,312</u>
Public safety:				
Sheriff	\$ 4,009,601	\$ 4,638,076	\$ 4,549,022	\$ 89,054
GIS communications	169,160	196,813	183,479	13,334
Volunteer fire department	1,443,578	1,844,648	1,276,284	568,364
Supplemental rescue	763,817	775,148	773,991	1,157
Western Virginia EMS	6,722	6,722	6,722	-
County operated institutions - jail	3,631,656	3,570,371	3,102,779	467,592
Probation office	23,500	41,278	25,069	16,209
Building	339,483	367,223	318,655	48,568
Animal control	311,383	331,429	331,429	-
Emergency services	446,086	628,739	601,117	27,622

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety: (continued)				
Dispatch	\$ 645,935	\$ 648,934	\$ 613,962	\$ 34,972
Total public safety	\$ 11,790,921	\$ 13,049,381	\$ 11,782,509	\$ 1,266,872
Public works:				
Refuse collection and disposal	\$ 648,329	\$ 649,034	\$ 552,125	\$ 96,909
County engineer	341,828	341,677	340,260	1,417
Public works	137,185	146,009	146,009	-
General properties	583,686	605,706	587,407	18,299
Total public works	\$ 1,711,028	\$ 1,742,426	\$ 1,625,801	\$ 116,625
Health and welfare:				
Supplement of local health department	\$ 345,262	\$ 345,262	\$ 345,262	\$ -
State and local hospitalization	10,000	10,000	7,632	2,368
Mental health contribution	36,877	36,877	36,877	-
Welfare administration and programs	1,750,790	1,750,790	1,438,988	311,802
Comprehensive services act	1,306,931	1,731,716	1,623,933	107,783
Senior van program	69,168	69,769	68,815	954
Other welfare programs	48,407	48,407	48,407	-
Total health and welfare	\$ 3,567,435	\$ 3,992,821	\$ 3,569,914	\$ 422,907
Education:				
Contributions to Community Colleges	\$ 4,830	\$ 4,830	\$ 4,830	\$ -
Contribution to County School Board	20,047,284	20,247,284	19,055,934	1,191,350
Total education	\$ 20,052,114	\$ 20,252,114	\$ 19,060,764	\$ 1,191,350
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,288,735	\$ 1,478,862	\$ 1,334,251	\$ 144,611
Sports complex	243,387	316,170	315,142	1,028
North County Park	200,000	349,869	25,715	324,154
Tourism	138,642	182,259	178,865	3,394
Contributions to cultural organizations	85,290	90,290	90,290	-
Library expenses	668,232	670,872	638,180	32,692
Regional library	233,707	236,204	230,210	5,994
Total parks, recreation, and cultural	\$ 2,857,993	\$ 3,324,526	\$ 2,812,653	\$ 511,873
Community development:				
Planning and Zoning	\$ 296,307	\$ 296,338	\$ 282,154	\$ 14,184
Planning commission	22,160	22,160	22,160	-
Industrial development	81,326	1,414,221	1,386,084	28,137
Other environmental management	17,356	17,356	17,355	1
Extension office	87,350	87,350	71,060	16,290
Total community development	\$ 504,499	\$ 1,837,425	\$ 1,778,813	\$ 58,612

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
Capital projects:				
Courthouse improvements	\$ 200,000	\$ 630,407	\$ 606,445	\$ 23,962
Emergency communications project	230,000	304,746	193,818	110,928
Emergency services vehicle storage	-	162,363	148,849	13,514
Office renovations	150,000	188,853	124,125	64,728
Public safety building	-	3,901,488	2,837,369	1,064,119
Buchanan park	60,000	221,776	33,850	187,926
School field improvements	160,000	163,283	89,850	73,433
Solid waste transfer station	1,680,000	2,516,855	28,935	2,487,920
Industrial site development	250,000	458,675	220,355	238,320
Recreation facility (Greenfield park)	-	363,875	24,125	339,750
Total capital projects	<u>\$ 2,730,000</u>	<u>\$ 8,912,321</u>	<u>\$ 4,307,721</u>	<u>\$ 4,604,600</u>
Debt service:				
Principal retirement	\$ 2,377,691	\$ 2,377,691	\$ 2,377,691	\$ -
Interest and other fiscal charges	2,691,151	2,663,902	2,652,279	11,623
Total debt service	<u>\$ 5,068,842</u>	<u>\$ 5,041,593</u>	<u>\$ 5,029,970</u>	<u>\$ 11,623</u>
Total expenditures	<u>\$ 52,513,179</u>	<u>\$ 62,573,568</u>	<u>\$ 54,153,434</u>	<u>\$ 8,420,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,184,471</u>	<u>\$ (10,825,875)</u>	<u>\$ (1,392,410)</u>	<u>\$ 9,433,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ 547,716	\$ 547,716
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,716</u>	<u>\$ 547,716</u>
Net change in fund balances	\$ 4,184,471	\$ (10,825,875)	\$ (844,694)	\$ 9,981,181
Fund balances - beginning	-	10,825,875	22,553,647	11,727,772
Fund balances - ending	<u>\$ 4,184,471</u>	<u>\$ -</u>	<u>\$ 21,708,953</u>	<u>\$ 21,708,953</u>

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, 2008

Primary Government: County Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2007	\$ 21,684,042	\$ 26,433,805	\$ 4,749,763	82.03%	\$ 8,322,040	57.07%
June 30, 2006	18,418,527	23,401,271	4,982,744	78.71%	7,562,235	65.89%
June 30, 2005	16,939,621	20,916,098	3,976,477	80.99%	6,944,688	57.26%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2007	\$ 8,503,154	\$ 10,590,733	\$ 2,087,579	80.29%	\$ 2,923,719	71.40%
June 30, 2006	7,497,798	9,350,370	1,852,572	80.19%	2,761,078	67.10%
June 30, 2005	7,103,263	9,019,673	1,916,410	78.75%	2,631,751	72.82%

Other Supplementary Information

CAPITAL PROJECTS FUNDS

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

County of Botetourt, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 50,000	\$ 58,765	\$ 8,765
Total revenues	\$ -	\$ 50,000	\$ 58,765	\$ 8,765
EXPENDITURES				
Capital projects	\$ -	\$ 2,395,000	\$ 609,207	\$ 1,785,793
Total expenditures	\$ -	\$ 2,395,000	\$ 609,207	\$ 1,785,793
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (2,345,000)	\$ (550,442)	\$ 1,794,558
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (891,365)	\$ (891,365)
Total other financing sources and uses	\$ -	\$ -	\$ (891,365)	\$ (891,365)
Net change in fund balances	\$ -	\$ (2,345,000)	\$ (1,441,807)	\$ 903,193
Fund balances - beginning	-	2,345,000	1,441,807	(903,193)
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

FIDUCIARY FUNDS - AGENCY FUNDS

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

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

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

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

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

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

County of Botetourt, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Agency Funds						Total
	Special Welfare	Flexible Benefits	Inmate Trust and Canteen	Cafeteria Plan	Escrow	Roanoke Valley Regional Board	
ASSETS							
Cash and cash equivalents	\$ 24,057	\$ 30,868	\$ 56,557	\$ 3,320	\$ 165,365	\$ 650,584	\$ 930,751
Total assets	<u>\$ 24,057</u>	<u>\$ 30,868</u>	<u>\$ 56,557</u>	<u>\$ 3,320</u>	<u>\$ 165,365</u>	<u>\$ 650,584</u>	<u>\$ 930,751</u>
LIABILITIES							
Amounts held for social services clients	\$ 24,057	-	-	-	-	-	\$ 24,057
Amounts held for employees	-	30,868	-	3,320	-	-	34,188
Amounts held for other agencies	-	-	-	-	-	650,584	650,584
Amounts held for performance bond	-	-	-	-	165,365	-	165,365
Amounts held for inmates	-	-	56,557	-	-	-	56,557
Total liabilities	<u>\$ 24,057</u>	<u>\$ 30,868</u>	<u>\$ 56,557</u>	<u>\$ 3,320</u>	<u>\$ 165,365</u>	<u>\$ 650,584</u>	<u>\$ 930,751</u>

County of Botetourt, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2008

	Agency Funds						
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	<u>Total</u>
ASSETS							
Balance, June 30, 2007	\$ 28,271	\$ 23,993	\$ 54,791	\$ 3,960	\$ 82,982	\$ 970,111	\$ 1,164,108
Additions	91,879	222,595	128,150	37,772	82,383	3,316,962	3,879,741
Deductions	(96,093)	(215,720)	(126,384)	(38,412)	-	(3,636,489)	(4,113,098)
Balance, June 30, 2008	<u>\$ 24,057</u>	<u>\$ 30,868</u>	<u>\$ 56,557</u>	<u>\$ 3,320</u>	<u>\$ 165,365</u>	<u>\$ 650,584</u>	<u>\$ 930,751</u>
LIABILITIES							
Balance, June 30, 2007	\$ 28,271	\$ 23,993	\$ 54,791	\$ 3,960	\$ 82,982	\$ 970,111	\$ 1,164,108
Additions	91,879	222,595	128,150	37,772	82,383	3,316,962	3,879,741
Deductions	(96,093)	(215,720)	(126,384)	(38,412)	-	(3,636,489)	(4,113,098)
Balance, June 30, 2008	<u>\$ 24,057</u>	<u>\$ 30,868</u>	<u>\$ 56,557</u>	<u>\$ 3,320</u>	<u>\$ 165,365</u>	<u>\$ 650,584</u>	<u>\$ 930,751</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

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

County of Botetourt, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2008

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,202,798
Receivables (net of allowance for uncollectibles):	
Accounts receivable	27,783
Due from other governmental units	1,191,169
Prepaid items	146,155
Total assets	<u>\$ 6,567,905</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 65,040
Salaries payable	3,766,633
Due to primary government	138,160
Total liabilities	<u>\$ 3,969,833</u>
Fund balances:	
Reserved for:	
School cafeterias	\$ 148,625
Unreserved:	
Undesignated	2,449,447
Total fund balances	<u>\$ 2,598,072</u>
Total liabilities and fund balances	<u>\$ 6,567,905</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,598,072
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,484,899
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(904,574)
Net assets of governmental activities	<u>\$ 26,178,397</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, 2008

	<u>Total Governmental Funds</u>
REVENUES	
Revenue from the use of money and property	\$ 178,433
Charges for services	1,679,548
Miscellaneous	319,941
Recovered costs	57,044
Intergovernmental revenues:	
Local government	19,055,934
Commonwealth	25,398,200
Federal	2,256,079
Total revenues	<u>\$ 48,945,179</u>
EXPENDITURES	
Current:	
Education	\$ 49,064,285
Total expenditures	<u>\$ 49,064,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (119,106)</u>
Net change in fund balances	\$ (119,106)
Fund balances - beginning	2,717,178
Fund balances - ending	<u>\$ 2,598,072</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	\$ (119,106)
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.	448,137
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.	(139,165)
Change in net assets of governmental activities	<u>\$ 189,866</u>

County of Botetourt, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2008

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 57,500	\$ 57,500	\$ 178,433	\$ 120,933
Charges for services	2,349,043	2,349,043	1,679,548	(669,495)
Miscellaneous	93,141	93,141	319,941	226,800
Recovered costs	56,500	56,500	57,044	544
Intergovernmental revenues:				
Local government	20,047,284	20,247,284	19,055,934	(1,191,350)
Commonwealth	25,026,491	25,026,491	25,398,200	371,709
Federal	1,823,872	1,823,872	2,256,079	432,207
Total revenues	<u>\$ 49,453,831</u>	<u>\$ 49,653,831</u>	<u>\$ 48,945,179</u>	<u>\$ (708,652)</u>
EXPENDITURES				
Current:				
Education	\$ 49,453,831	\$ 49,653,831	\$ 49,064,285	\$ 589,546
Total expenditures	<u>\$ 49,453,831</u>	<u>\$ 49,653,831</u>	<u>\$ 49,064,285</u>	<u>\$ 589,546</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (119,106)	\$ (119,106)
Net change in fund balances	\$ -	\$ -	\$ (119,106)	\$ (119,106)
Fund balances - beginning	-	-	2,717,178	2,717,178
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,598,072</u>	<u>\$ 2,598,072</u>

Supporting Schedules

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 18,290,000	\$ 18,248,247	\$ 18,375,495	\$ 127,248
Real and personal public service corporation taxes	1,095,000	1,095,000	1,065,271	(29,729)
Personal property taxes	4,470,000	4,470,000	4,532,276	62,276
Mobile home taxes	48,000	48,000	41,501	(6,499)
Machinery and tools taxes	2,900,000	2,900,000	3,149,635	249,635
Penalties	180,000	180,000	138,802	(41,198)
Interest	68,000	68,000	62,148	(5,852)
Total general property taxes	<u>\$ 27,051,000</u>	<u>\$ 27,009,247</u>	<u>\$ 27,365,128</u>	<u>\$ 355,881</u>
Other local taxes:				
Local sales and use taxes	\$ 2,300,000	\$ 2,300,000	\$ 2,102,537	\$ (197,463)
Communications sales and use taxes	825,000	825,000	820,985	(4,015)
Consumers' utility taxes	540,000	540,000	539,236	(764)
Local consumption tax	165,000	165,000	155,311	(9,689)
E-911 telephone taxes	67,000	67,000	60,713	(6,287)
Business license taxes	807,000	807,000	828,183	21,183
Franchise license tax	40,000	40,000	49,455	9,455
Motor vehicle licenses	760,000	30,000	25,815	(4,185)
Bank stock taxes	107,000	107,000	122,985	15,985
Taxes on recordation and wills	408,000	408,000	405,937	(2,063)
Hotel and motel room taxes	302,500	302,500	304,733	2,233
Restaurant food taxes	1,110,000	1,110,000	1,078,988	(31,012)
Total other local taxes	<u>\$ 7,431,500</u>	<u>\$ 6,701,500</u>	<u>\$ 6,494,878</u>	<u>\$ (206,622)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 24,000	\$ 24,000	\$ 31,116	\$ 7,116
Land use application fees	3,000	3,000	1,206	(1,794)
Transfer fees	2,000	2,000	1,217	(783)
Building permits and other licenses	418,400	418,400	295,224	(123,176)
Zoning fees	44,000	44,000	35,728	(8,272)
Total permits, privilege fees, and regulatory licenses	<u>\$ 491,400</u>	<u>\$ 491,400</u>	<u>\$ 364,491</u>	<u>\$ (126,909)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 142,250	\$ 142,250	\$ 116,316	\$ (25,934)
Total fines and forfeitures	<u>\$ 142,250</u>	<u>\$ 142,250</u>	<u>\$ 116,316</u>	<u>\$ (25,934)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 761,000	\$ 761,000	\$ 1,302,093	\$ 541,093
Revenue from use of property	212,000	212,000	270,907	58,907
Total revenue from use of money and property	<u>\$ 973,000</u>	<u>\$ 973,000</u>	<u>\$ 1,573,000</u>	<u>\$ 600,000</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 70,000	\$ 70,000	\$ 49,155	\$ (20,845)
Charges for law enforcement and traffic control	48,500	48,500	46,023	(2,477)
Charges for courthouse maintenance	25,000	25,000	23,909	(1,091)
Charges for courtroom security	65,000	65,000	116,311	51,311
Court appointed attorneys	-	-	19,132	19,132
Miscellaneous jail and inmate fees	36,000	36,000	31,133	(4,867)
Jail processing fees	7,000	7,000	5,900	(1,100)
Charges for Commonwealth's Attorney	92,000	92,000	102,116	10,116
Charges for board and care of animals	10,000	10,000	8,944	(1,056)
Charges for sanitation and waste removal	1,119,500	1,119,500	912,912	(206,588)
Charges for parks and recreation	61,000	61,000	115,002	54,002
Charges for building inspector	-	-	11,632	11,632
Charges for false alarms	1,000	1,000	-	(1,000)
Other charges for services	2,000	2,000	1,202	(798)
Charges for law library	-	-	7,218	7,218
Charges for library	18,000	18,000	15,071	(2,929)
Total charges for services	<u>\$ 1,555,000</u>	<u>\$ 1,555,000</u>	<u>\$ 1,465,660</u>	<u>\$ (89,340)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 11,000	\$ 11,000	\$ 62,876	\$ 51,876
Sale of salvage	5,000	5,000	933	(4,067)
Telephone commissions	28,000	28,000	21,073	(6,927)
Donations	5,000	5,000	41,663	36,663
Total miscellaneous revenue	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 126,545</u>	<u>\$ 77,545</u>
Recovered costs:				
Local jails	\$ 255,000	\$ 255,000	\$ 275,174	\$ 20,174
ES cost recoveries	450,000	450,000	836,484	386,484
Joint Library	54,000	54,000	48,140	(5,860)
Medical co-pay	5,000	5,000	12,720	7,720
CSA refunds	60,000	60,000	57,952	(2,048)
Revenue sharing payments	211,500	211,500	130,079	(81,421)
Social services refunds	8,000	8,000	13,537	5,537
Other recovered costs	168,700	154,275	55,401	(98,874)
Total recovered costs	<u>\$ 1,212,200</u>	<u>\$ 1,197,775</u>	<u>\$ 1,429,487</u>	<u>\$ 231,712</u>
Total revenue from local sources	<u>\$ 38,905,350</u>	<u>\$ 38,119,172</u>	<u>\$ 38,935,505</u>	<u>\$ 816,333</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 18,000	\$ 18,000	\$ -	\$ (18,000)
Wine taxes	18,000	18,000	-	(18,000)
Rolling Stock Tax	146,000	146,000	141,966	(4,034)
Motor vehicle carriers' tax	7,000	7,000	-	(7,000)
Mobile home titling tax	58,000	58,000	27,251	(30,749)
Grantor's tax	195,000	195,000	200,102	5,102
Personal property tax relief funds	3,418,000	3,418,000	3,418,137	137
Total noncategorical aid	<u>\$ 3,860,000</u>	<u>\$ 3,860,000</u>	<u>\$ 3,787,456</u>	<u>\$ (72,544)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 390,000	\$ 390,000	\$ 420,235	\$ 30,235
Sheriff	3,092,000	3,092,000	3,119,272	27,272
Commissioner of revenue	124,000	124,000	127,638	3,638
Treasurer	135,000	135,000	140,625	5,625
Medical examiner	300	300	-	(300)
Registrar/electoral board	56,000	56,000	66,086	10,086
Clerk of the Circuit Court	276,000	276,000	296,767	20,767
Total shared expenses	<u>\$ 4,073,300</u>	<u>\$ 4,073,300</u>	<u>\$ 4,170,623</u>	<u>\$ 97,323</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 405,000	\$ 405,000	\$ 438,445	\$ 33,445
Comprehensive services act	733,000	733,000	895,523	162,523
Emergency medical services	170,000	170,000	256,396	86,396
Library grant	160,000	160,000	155,092	(4,908)
Property seizure	-	-	2,124	2,124
VJCCA grant	18,000	18,000	17,901	(99)
Fire program	68,000	68,000	75,055	7,055
Jail construction grant	7,305,000	3,141,221	3,141,221	-
Other categorical aid	-	-	7,320	7,320
Total other categorical aid	<u>\$ 8,859,000</u>	<u>\$ 4,695,221</u>	<u>\$ 4,989,077</u>	<u>\$ 293,856</u>
Total categorical aid	<u>\$ 12,932,300</u>	<u>\$ 8,768,521</u>	<u>\$ 9,159,700</u>	<u>\$ 391,179</u>
Total revenue from the Commonwealth	<u>\$ 16,792,300</u>	<u>\$ 12,628,521</u>	<u>\$ 12,947,156</u>	<u>\$ 318,635</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 95,000	\$ 95,000	\$ 92,219	\$ (2,781)
Categorical aid:				
Public assistance and welfare administration	\$ 897,000	\$ 897,000	\$ 764,341	\$ (132,659)
State homeland security grant program	-	-	8,821	8,821
State and community highway safety	8,000	8,000	12,982	4,982
Total categorical aid	\$ 905,000	\$ 905,000	\$ 786,144	\$ (118,856)
Total revenue from the federal government	\$ 1,000,000	\$ 1,000,000	\$ 878,363	\$ (121,637)
Total General Fund	\$ 56,697,650	\$ 51,747,693	\$ 52,761,024	\$ 1,013,331
Capital Projects Fund:				
Capital Projects Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 50,000	\$ 58,765	\$ 8,765
Total revenue from local sources	\$ -	\$ 50,000	\$ 58,765	\$ 8,765
Total Capital Projects Fund	\$ -	\$ 50,000	\$ 58,765	\$ 8,765
Total Primary Government	\$ 56,697,650	\$ 51,797,693	\$ 52,819,789	\$ 1,022,096
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 6,040	\$ 6,040
Revenue from the use of property	50,000	50,000	120,265	70,265
Sale of land and equipment	7,500	7,500	52,128	44,628
Total revenue from use of money and property	\$ 57,500	\$ 57,500	\$ 178,433	\$ 120,933
Charges for services:				
Cafeteria sales	\$ 2,145,000	\$ 1,792,000	\$ 1,479,195	\$ (312,805)
Transportation of pupils	-	-	40,221	40,221
Tuition and payments from other divisions	204,043	204,043	160,132	(43,911)
Total charges for services	\$ 2,349,043	\$ 1,996,043	\$ 1,679,548	\$ (316,495)

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Donations	\$ -	\$ -	\$ 217,120	\$ 217,120
Other miscellaneous	93,141	93,141	102,821	9,680
Total miscellaneous revenue	<u>\$ 93,141</u>	<u>\$ 93,141</u>	<u>\$ 319,941</u>	<u>\$ 226,800</u>
Recovered costs:				
Other recovered costs	\$ 56,500	\$ 56,500	\$ 57,044	\$ 544
Total recovered costs	<u>\$ 56,500</u>	<u>\$ 56,500</u>	<u>\$ 57,044</u>	<u>\$ 544</u>
Total revenue from local sources	<u>\$ 2,556,184</u>	<u>\$ 2,203,184</u>	<u>\$ 2,234,966</u>	<u>\$ 31,782</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 20,047,284	\$ 20,247,284	\$ 19,055,934	\$ (1,191,350)
Total revenues from local governments	<u>\$ 20,047,284</u>	<u>\$ 20,247,284</u>	<u>\$ 19,055,934</u>	<u>\$ (1,191,350)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,024,222	\$ 5,024,222	\$ 4,819,727	\$ (204,495)
Basic school aid	12,863,434	12,863,434	13,300,619	437,185
Remedial summer education	33,778	33,778	26,575	(7,203)
Regular foster care	47,761	47,761	52,774	5,013
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	119,546	119,546	121,929	2,383
Remedial education	96,220	96,220	98,138	1,918
School construction	160,472	160,472	160,554	82
School food	-	28,000	30,064	2,064
Special education	1,682,386	1,682,386	1,715,934	33,548
Textbook payment	292,391	292,391	298,222	5,831
Standards of Learning algebra readiness	20,237	20,237	13,599	(6,638)
Vocational education SOQ payments	548,924	548,924	499,613	(49,311)
Social security fringe benefits	708,527	708,527	722,655	14,128
Share of fringe benefits	1,020,512	1,020,512	1,082,496	61,984
Group life insurance instructional	37,905	37,905	38,661	756
State lottery payments	644,351	644,351	662,583	18,232
Early reading intervention	48,121	48,121	51,440	3,319
Homebound education	14,494	14,494	13,221	(1,273)

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education	\$ -	\$ -	\$ 60,708	\$ 60,708
Special education - foster children	84,909	84,909	2,571	(82,338)
Special education - regional programs	143,355	143,355	133,610	(9,745)
Industry certification	-	-	4,245	4,245
At risk payments	50,700	50,700	37,879	(12,821)
Maintenance supplement	851,398	851,398	907,297	55,899
Mentor teacher program	-	-	3,339	3,339
Reduced K-3	113,775	113,775	116,253	2,478
Technology	362,000	362,000	362,000	-
At risk four-year olds	38,485	38,485	41,334	2,849
English as a second language	10,729	10,729	11,440	711
Other state funds	-	-	861	861
Total categorical aid	<u>\$ 25,026,491</u>	<u>\$ 25,054,491</u>	<u>\$ 25,398,200</u>	<u>\$ 343,709</u>
Total revenue from the Commonwealth	<u>\$ 25,026,491</u>	<u>\$ 25,054,491</u>	<u>\$ 25,398,200</u>	<u>\$ 343,709</u>
Revenue from the federal government:				
Categorical aid:				
Schools and Roads Grant	\$ 34,000	\$ 34,000	\$ 44,901	\$ 10,901
School breakfast program	-	-	71,608	71,608
School lunch program	-	325,000	369,587	44,587
Title I	396,000	396,000	340,250	(55,750)
Title VI-B, Special education flow-through	999,116	999,116	1,163,919	164,803
Vocational education	47,598	47,598	53,725	6,127
Title VI-B, Special education pre-school	28,018	28,018	32,235	4,217
Drug free schools	17,000	17,000	8,571	(8,429)
Title II	10,000	10,000	4,554	(5,446)
Adult basic education	17,500	17,500	17,304	(196)
Advanced placement program	-	-	106	106
Title V, Part A	137,640	137,640	6,297	(131,343)
Improving teacher quality	137,000	137,000	131,031	(5,969)
Special education - state personnel development	-	-	10,772	10,772
Statewide data systems	-	-	1,219	1,219
Total categorical aid	<u>\$ 1,823,872</u>	<u>\$ 2,148,872</u>	<u>\$ 2,256,079</u>	<u>\$ 107,207</u>
Total revenue from the federal government	<u>\$ 1,823,872</u>	<u>\$ 2,148,872</u>	<u>\$ 2,256,079</u>	<u>\$ 107,207</u>
Total School Operating Fund	<u>\$ 49,453,831</u>	<u>\$ 49,653,831</u>	<u>\$ 48,945,179</u>	<u>\$ (708,652)</u>
Total Component-Unit School Board	<u>\$ 49,453,831</u>	<u>\$ 49,653,831</u>	<u>\$ 48,945,179</u>	<u>\$ (708,652)</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 186,160	\$ 213,105	\$ 213,105	\$ -
General and financial administration:				
County administrator	\$ 324,562	\$ 323,503	\$ 287,845	\$ 35,658
Deputy administrators	386,862	399,866	397,014	2,852
Central garage	65,075	65,074	56,256	8,818
Commissioner of revenue	380,012	380,006	339,351	40,655
Central purchasing	150,919	154,891	150,063	4,828
Treasurer	435,845	435,844	395,512	40,332
Management information systems	518,507	612,442	612,442	-
Financial services	286,653	291,624	258,510	33,114
Total general and financial administration	<u>\$ 2,548,435</u>	<u>\$ 2,663,250</u>	<u>\$ 2,496,993</u>	<u>\$ 166,257</u>
Board of elections:				
Electoral board/registrar	\$ 180,725	\$ 191,927	\$ 186,824	\$ 5,103
Total general government administration	<u>\$ 2,915,320</u>	<u>\$ 3,068,282</u>	<u>\$ 2,896,922</u>	<u>\$ 171,360</u>
Judicial administration:				
Courts:				
Circuit court	\$ 57,048	\$ 57,048	\$ 55,775	\$ 1,273
General district court	28,010	29,645	19,238	10,407
Magistrate	1,000	976	976	-
Clerk of the circuit court	593,639	607,672	558,509	49,163
Total courts	<u>\$ 679,697</u>	<u>\$ 695,341</u>	<u>\$ 634,498</u>	<u>\$ 60,843</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 635,330	\$ 657,338	\$ 653,869	\$ 3,469
Total judicial administration	<u>\$ 1,315,027</u>	<u>\$ 1,352,679</u>	<u>\$ 1,288,367</u>	<u>\$ 64,312</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,009,601	\$ 4,638,076	\$ 4,549,022	\$ 89,054
GIS communications	169,160	196,813	183,479	13,334
Total law enforcement and traffic control	<u>\$ 4,178,761</u>	<u>\$ 4,834,889</u>	<u>\$ 4,732,501</u>	<u>\$ 102,388</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 1,443,578	\$ 1,844,648	\$ 1,276,284	\$ 568,364
Supplemental rescue	763,817	775,148	773,991	1,157
Western Virginia EMS	6,722	6,722	6,722	-
Total fire and rescue services	<u>\$ 2,214,117</u>	<u>\$ 2,626,518</u>	<u>\$ 2,056,997</u>	<u>\$ 569,521</u>
Correction and detention:				
County operated institutions - jail	\$ 3,631,656	\$ 3,570,371	\$ 3,102,779	\$ 467,592
Probation office	23,500	41,278	25,069	16,209
Total correction and detention	<u>\$ 3,655,156</u>	<u>\$ 3,611,649</u>	<u>\$ 3,127,848</u>	<u>\$ 483,801</u>
Inspections:				
Building	\$ 339,483	\$ 367,223	\$ 318,655	\$ 48,568
Other protection:				
Animal control	\$ 311,383	\$ 331,429	\$ 331,429	\$ -
Emergency services	446,086	628,739	601,117	27,622
Dispatch	645,935	648,934	613,962	34,972
Total other protection	<u>\$ 1,403,404</u>	<u>\$ 1,609,102</u>	<u>\$ 1,546,508</u>	<u>\$ 62,594</u>
Total public safety	<u>\$ 11,790,921</u>	<u>\$ 13,049,381</u>	<u>\$ 11,782,509</u>	<u>\$ 1,266,872</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 648,329	\$ 649,034	\$ 552,125	\$ 96,909
County engineer	341,828	341,677	340,260	1,417
Public works	137,185	146,009	146,009	-
Total sanitation and waste removal	<u>\$ 1,127,342</u>	<u>\$ 1,136,720</u>	<u>\$ 1,038,394</u>	<u>\$ 98,326</u>
Maintenance of general buildings and grounds:				
General properties	\$ 583,686	\$ 605,706	\$ 587,407	\$ 18,299
Total public works	<u>\$ 1,711,028</u>	<u>\$ 1,742,426</u>	<u>\$ 1,625,801</u>	<u>\$ 116,625</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 345,262	\$ 345,262	\$ 345,262	\$ -
Mental health and mental retardation:				
State and local hospitalization	\$ 10,000	\$ 10,000	\$ 7,632	\$ 2,368
Mental health contribution	36,877	36,877	36,877	-
Total mental health and mental retardation	<u>\$ 46,877</u>	<u>\$ 46,877</u>	<u>\$ 44,509</u>	<u>\$ 2,368</u>
Welfare:				
Welfare administration and programs	\$ 1,750,790	\$ 1,750,790	\$ 1,438,988	\$ 311,802
Comprehensive services act	1,306,931	1,731,716	1,623,933	107,783
Senior van program	69,168	69,769	68,815	954
Other welfare programs	48,407	48,407	48,407	-
Total welfare	<u>\$ 3,175,296</u>	<u>\$ 3,600,682</u>	<u>\$ 3,180,143</u>	<u>\$ 420,539</u>
Total health and welfare	<u>\$ 3,567,435</u>	<u>\$ 3,992,821</u>	<u>\$ 3,569,914</u>	<u>\$ 422,907</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 4,830	\$ 4,830	\$ 4,830	\$ -
Contribution to County School Board	20,047,284	20,247,284	19,055,934	1,191,350
Total education	<u>\$ 20,052,114</u>	<u>\$ 20,252,114</u>	<u>\$ 19,060,764</u>	<u>\$ 1,191,350</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,288,735	\$ 1,478,862	\$ 1,334,251	\$ 144,611
Sports Complex	243,387	316,170	315,142	1,028
North County Park	200,000	349,869	25,715	324,154
Tourism	138,642	182,259	178,865	3,394
Community recreation incentive	0	0	-	-
Total parks and recreation	<u>\$ 1,870,764</u>	<u>\$ 2,327,160</u>	<u>\$ 1,853,973</u>	<u>\$ 473,187</u>
Cultural enrichment:				
Contributions to cultural organizations	\$ 85,290	\$ 90,290	\$ 90,290	\$ -

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Library expenses	\$ 668,232	\$ 670,872	\$ 638,180	\$ 32,692
Regional library	233,707	236,204	230,210	5,994
Total library	<u>\$ 901,939</u>	<u>\$ 907,076</u>	<u>\$ 868,390</u>	<u>\$ 38,686</u>
Total parks, recreation, and cultural	<u>\$ 2,857,993</u>	<u>\$ 3,324,526</u>	<u>\$ 2,812,653</u>	<u>\$ 511,873</u>
Community development:				
Planning and community development:				
Planning and Zoning	\$ 296,307	\$ 296,338	\$ 282,154	\$ 14,184
Planning commission	22,160	22,160	22,160	-
Industrial development	81,326	1,414,221	1,386,084	28,137
Total planning and community development	<u>\$ 399,793</u>	<u>\$ 1,732,719</u>	<u>\$ 1,690,398</u>	<u>\$ 42,321</u>
Environmental management:				
Other environmental management	\$ 17,356	\$ 17,356	\$ 17,355	\$ 1
Cooperative extension program:				
Extension office	\$ 87,350	\$ 87,350	\$ 71,060	\$ 16,290
Total community development	<u>\$ 504,499</u>	<u>\$ 1,837,425</u>	<u>\$ 1,778,813</u>	<u>\$ 58,612</u>
Capital projects:				
Emergency Services Vehicle Storage	\$ -	\$ 162,363	\$ 148,849	\$ 13,514
Emergency communications project	230,000	304,746	193,818	110,928
Courthouse improvements	200,000	630,407	606,445	23,962
Buchanan Park	60,000	221,776	33,850	187,926
Landfill lifecycle extension	-	30,295	-	30,295
Industrial site development	250,000	458,675	220,355	238,320
Office renovations	150,000	188,853	124,125	64,728
Public safety building	-	3,901,488	2,837,369	1,064,119
Recreation facility (Greenfield park)	-	363,875	24,125	339,750
School field improvements	160,000	163,283	89,850	73,433
Solid Waste Transfer Station	1,680,000	2,486,560	28,935	2,457,625
Total capital projects	<u>\$ 2,730,000</u>	<u>\$ 8,912,321</u>	<u>\$ 4,307,721</u>	<u>\$ 4,604,600</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 2,377,691	\$ 2,377,691	\$ 2,377,691	\$ -
Interest and other fiscal charges	2,691,151	2,663,902	2,652,279	11,623
Total debt service	<u>\$ 5,068,842</u>	<u>\$ 5,041,593</u>	<u>\$ 5,029,970</u>	<u>\$ 11,623</u>
Total General Fund	<u>\$ 52,513,179</u>	<u>\$ 62,573,568</u>	<u>\$ 54,153,434</u>	<u>\$ 8,420,134</u>
Capital Projects Fund:				
Capital Projects Fund				
Capital projects expenditures:				
Acquisition and improvement of schools	\$ -	\$ 2,395,000	\$ 609,207	\$ 1,785,793
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 2,395,000</u>	<u>\$ 609,207</u>	<u>\$ 1,785,793</u>
Total Primary Government	<u>\$ 52,513,179</u>	<u>\$ 64,968,568</u>	<u>\$ 54,762,641</u>	<u>\$ 10,205,927</u>
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,670,428	\$ 1,795,222	\$ 1,760,354	\$ 34,868
Instruction costs:				
Instructional costs	<u>\$ 36,197,229</u>	<u>\$ 36,046,435</u>	<u>\$ 34,792,890</u>	<u>\$ 1,253,545</u>
Operating costs:				
Pupil transportation	\$ 2,875,439	\$ 2,875,439	\$ 3,215,987	\$ (340,548)
Operation and maintenance of school plant	4,213,834	4,213,834	4,353,892	(140,058)
School food service	2,145,000	2,145,000	2,059,145	85,855
Facilities	925,000	1,151,000	1,555,518	(404,518)
Technology	1,426,901	1,426,901	1,326,499	100,402
Total operating costs	<u>\$ 11,586,174</u>	<u>\$ 11,812,174</u>	<u>\$ 12,511,041</u>	<u>\$ (698,867)</u>
Total education	<u>\$ 49,453,831</u>	<u>\$ 49,653,831</u>	<u>\$ 49,064,285</u>	<u>\$ 589,546</u>
Total School Fund	<u>\$ 49,453,831</u>	<u>\$ 49,653,831</u>	<u>\$ 49,064,285</u>	<u>\$ 589,546</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 49,453,831</u>	<u>\$ 49,653,831</u>	<u>\$ 49,064,285</u>	<u>\$ 589,546</u>

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

Statistical Section

Statistical Section

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

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2001; schedules presenting government-wide information include information beginning in that year.

Table 1

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

	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 6,195,850	\$ 7,141,095	\$ 8,692,418	\$ 12,273,356	\$ 18,097,591	\$ 24,784,273
Restricted	118,523	144,886	116,975	676,265	666,969	243,247
Unrestricted	3,966,387	6,463,347	10,173,008	18,758,845	20,068,496	17,062,750
Total governmental activities net assets	<u>\$ 10,280,760</u>	<u>\$ 13,749,328</u>	<u>\$ 18,982,401</u>	<u>\$ 31,708,466</u>	<u>\$ 38,833,056</u>	<u>\$ 42,090,270</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 7,853,689	\$ 7,519,539	\$ 8,841,644	\$ 8,909,696	\$ 10,031,502	\$ 10,207,082
Unrestricted	1,393,862	2,035,410	1,340,450	1,401,069	295,498	888,109
Total business-type activities net assets	<u>\$ 9,247,551</u>	<u>\$ 9,554,949</u>	<u>\$ 10,182,094</u>	<u>\$ 10,310,765</u>	<u>\$ 10,327,000</u>	<u>\$ 11,095,191</u>
Primary government						
Invested in capital assets, net of related debt	\$ 14,049,539	\$ 14,660,634	\$ 17,534,062	\$ 21,183,052	\$ 28,129,093	\$ 34,991,355
Restricted	118,523	144,886	116,975	676,265	666,969	243,247
Unrestricted	5,360,249	8,498,757	12,339,079	20,159,914	20,363,994	17,950,859
Total primary government net assets	<u>\$ 19,528,311</u>	<u>\$ 23,304,277</u>	<u>\$ 29,990,116</u>	<u>\$ 42,019,231</u>	<u>\$ 49,160,056</u>	<u>\$ 53,185,461</u>

Information has only been available for six years.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 2,012,402	\$ 2,230,461	\$ 2,396,259	\$ 2,623,963	\$ 2,474,879	\$ 2,425,324
Judicial administration	606,205	850,225	898,610	1,007,505	1,247,810	1,315,699
Public safety	6,460,243	6,800,812	7,214,325	7,541,698	9,005,396	11,408,457
Public works	2,196,276	1,634,166	1,087,768	(342,596)	2,094,816	1,645,071
Health and welfare	2,550,130	2,964,610	3,089,866	3,078,876	3,155,210	3,522,298
Education	16,570,067	17,302,062	16,869,552	19,071,338	18,891,746	20,021,134
Parks, recreation and cultural	1,324,480	1,349,839	1,708,618	1,756,571	2,172,778	2,801,151
Community development	466,355	802,821	1,022,648	564,789	582,609	2,012,043
Interest on long-term debt	1,075,768	1,014,329	949,361	1,081,456	2,712,171	2,566,987
Total governmental activities expenses	\$ 33,261,926	\$ 34,949,325	\$ 35,237,007	\$ 36,383,600	\$ 42,337,415	\$ 47,718,164
Business-type activities:						
Water	\$ 1,691,872	\$ 1,490,662	\$ 1,524,165	\$ 2,035,296	\$ 2,095,311	\$ 2,382,201
Total primary government expenses	\$ 34,953,798	\$ 36,439,987	\$ 36,761,172	\$ 38,418,896	\$ 44,432,726	\$ 50,100,365
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 801	\$ 10,104	\$ -	\$ 2,220	\$ 1,090	\$ 1,202
Judicial administration	209,353	336,028	222,281	337,141	304,025	293,937
Public safety	111,999	687,202	574,937	624,263	541,492	584,434
Public works	763,073	670,364	874,485	853,104	1,255,980	936,821
Parks, recreation and cultural	16,524	9,007	28,141	30,786	61,788	130,073
Community development	-	-	-	-	39,582	-
Operating grants and contributions	4,485,440	4,844,407	5,527,195	5,884,760	5,813,858	6,804,623
Capital grants and contributions	-	-	825,621	5,341,327	833,052	3,141,221
Total governmental activities program revenues	\$ 5,587,190	\$ 6,557,112	\$ 8,052,660	\$ 13,073,601	\$ 8,850,867	\$ 11,892,311
Business-type activities:						
Charges for services:						
Water	\$ 1,299,743	\$ 1,730,084	\$ 1,844,364	\$ 1,903,624	\$ 1,965,855	\$ 2,788,894
Operating grants and contributions	-	123,452	-	-	-	-
Capital grants and contributions	-	-	242,320	184,415	14,270	-
Total business-type activities program revenues	\$ 1,299,743	\$ 1,853,536	\$ 2,086,684	\$ 2,088,039	\$ 1,980,125	\$ 2,788,894
Total primary government program revenues	\$ 6,886,933	\$ 8,410,648	\$ 10,139,344	\$ 15,161,640	\$ 10,830,992	\$ 14,681,205
Net (expense) / revenue						
Governmental activities	\$ (27,674,736)	\$ (28,392,213)	\$ (27,184,347)	\$ (23,309,999)	\$ (33,486,548)	\$ (35,825,853)
Business-type activities	(392,129)	362,874	562,519	52,743	(115,186)	406,693
Total primary government net expense	\$ (28,066,865)	\$ (28,029,339)	\$ (26,621,828)	\$ (23,257,256)	\$ (33,601,734)	\$ (35,419,160)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 21,118,883	\$ 21,511,158	\$ 21,959,664	\$ 22,943,504	\$ 26,540,984	\$ 27,293,853
Local sales and use taxes	1,627,979	1,902,149	1,907,016	2,043,136	2,120,627	2,102,537
Taxes on recordation and wills	226,569	269,075	345,583	610,881	453,586	405,937
Motor vehicle licenses taxes	654,769	672,656	694,280	715,817	718,797	25,815
Consumer utility taxes	496,838	722,673	1,097,302	1,114,597	946,172	694,547
Business licenses taxes	479,334	591,582	717,265	761,213	780,498	828,183
Other local taxes	2,004,431	1,743,015	1,648,434	1,829,180	2,133,704	2,437,859
Unrestricted grants and contributions	3,598,245	3,815,309	3,684,929	3,330,507	3,990,504	3,879,675
Unrestricted revenues from use of money and property	331,740	270,904	760,822	1,247,708	2,661,235	1,631,765
Miscellaneous	446,480	283,959	270,663	628,389	334,911	126,545
Transfers	(271,103)	78,302	(30,875)	(14,489)	(69,880)	(343,649)
Total governmental activities	\$ 30,714,165	\$ 31,860,782	\$ 33,055,083	\$ 35,210,443	\$ 40,611,138	\$ 39,083,067

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Business-type activities:						
Unrestricted revenues from use of money and property	\$ 19,199	\$ 16,950	\$ 33,751	\$ 61,439	\$ 61,541	\$ 17,849
Miscellaneous	2,107	5,876	-	-	-	-
Transfers	271,103	(78,302)	30,875	14,489	69,880	343,649
Total business-type activities	\$ 292,409	\$ (55,476)	\$ 64,626	\$ 75,928	\$ 131,421	\$ 361,498
Total primary government	\$ 31,006,574	\$ 31,805,306	\$ 33,119,709	\$ 35,286,371	\$ 40,742,559	\$ 39,444,565
Change in Net Assets						
Governmental activities	\$ 3,039,429	\$ 3,468,569	\$ 5,870,736	\$ 11,900,444	\$ 7,124,590	\$ 3,257,214
Business-type activities	(99,720)	307,398	627,145	128,671	16,235	768,191
Total primary government	\$ 2,939,709	\$ 3,775,967	\$ 6,497,881	\$ 12,029,115	\$ 7,140,825	\$ 4,025,405

Information has only been available for six years.

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Business License Tax	Restaurant Food Tax	Other Local Taxes	Total
2008 \$	27,293,853	\$ 2,102,537	\$ 694,547	\$ 25,815	\$ 405,937	\$ 828,183	\$ 1,078,988	\$ 1,358,871	\$ 33,788,731
2007	26,540,984	2,120,627	946,172	718,797	453,586	780,498	1,074,307	1,059,397	33,694,368
2006	22,943,504	2,043,136	1,114,597	715,817	610,881	761,213	996,577	832,603	30,018,328
2005	21,959,664	1,907,016	1,097,302	694,280	345,583	717,265	934,270	714,164	28,369,544
2004	21,511,158	1,902,149	722,673	672,656	269,075	591,582	926,064	816,951	27,412,308
2003	21,118,883	1,627,979	496,838	654,769	226,569	479,334	813,560	889,137	26,307,069

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

information has only been available for six years.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 118,523	\$ 144,886	\$ 116,975	\$ 18,610,318	\$ 4,884,335	\$ 243,247
Unreserved	11,141,787	5,389,261	5,464,978	7,990,176	10,429,369	13,076,070	16,199,075	16,603,564	17,669,312	21,465,706
Total general fund	\$ 11,141,787	\$ 5,389,261	\$ 5,464,978	\$ 7,990,176	\$ 10,547,892	\$ 13,220,956	\$ 16,316,050	\$ 35,213,882	\$ 22,553,647	\$ 21,708,953
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,695,671	\$ 1,441,807	\$ -
Unreserved, reported in:										
Special revenue funds	101,995	47,316	45,945	100,452	-	-	-	-	-	-
Total all other governmental funds	\$ 101,995	\$ 47,316	\$ 45,945	\$ 100,452	\$ -	\$ -	\$ -	\$ 13,695,671	\$ 1,441,807	\$ -

Table 5

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	\$ 18,350,128	\$ 17,921,721	\$ 18,158,809	\$ 18,529,587	\$ 21,108,596	\$ 21,469,051	\$ 21,996,002	\$ 22,902,166	\$ 26,407,115	\$ 27,365,128
Other local taxes	4,423,004	4,626,717	4,944,374	5,012,489	5,188,186	5,901,150	6,409,880	7,074,824	7,153,364	6,494,878
Permits, privilege fees and regulatory licenses	287,655	301,536	266,197	243,482	301,734	543,063	436,836	537,885	410,932	364,491
Fines and forfeitures	112,931	129,340	194,520	174,778	169,024	170,769	213,182	116,066	132,611	116,316
Revenue from use of money and property	981,628	817,301	754,602	342,864	331,740	270,904	760,822	1,247,708	2,661,235	1,631,765
Charges for services	465,449	521,900	548,034	549,659	932,726	998,873	1,049,826	1,193,560	1,660,415	1,465,660
Miscellaneous	145,038	167,787	274,327	159,766	446,480	309,235	270,663	661,263	334,911	126,545
Recovered costs	396,349	411,315	562,933	593,765	309,381	329,355	441,512	1,079,791	1,328,471	1,429,487
Intergovernmental:										
Commonwealth	3,370,195	5,478,991	6,294,798	7,607,499	7,211,333	7,663,789	9,041,764	13,444,276	9,677,832	12,947,156
Federal	734,734	1,124,784	784,031	1,000,360	872,352	995,927	995,981	1,112,318	959,582	878,363
Total revenues	\$ 29,267,111	\$ 31,501,392	\$ 32,782,625	\$ 34,204,249	\$ 36,871,552	\$ 38,652,116	\$ 41,616,468	\$ 49,369,857	\$ 50,726,488	\$ 52,819,789
Expenditures										
General government administration	\$ 1,446,035	\$ 1,548,460	\$ 2,057,108	\$ 2,018,660	\$ 1,889,219	\$ 2,060,828	\$ 2,350,299	\$ 2,591,998	\$ 2,666,089	\$ 2,896,922
Judicial administration	438,885	518,527	547,335	567,154	601,548	843,482	891,129	1,006,931	1,253,243	1,288,367
Public safety	5,075,585	5,444,336	5,917,742	6,578,673	6,691,120	7,003,462	7,382,662	8,199,518	9,814,152	11,782,509
Public works	937,690	1,274,190	1,057,466	1,376,391	1,590,427	1,435,431	1,677,815	1,571,094	1,724,833	1,625,801
Health and welfare	2,005,697	2,067,878	2,089,337	2,565,915	2,548,996	2,957,939	3,135,064	3,127,959	3,219,915	3,569,914
Education	3,075	2,665	10,125	10,830	15,901,919	16,194,823	16,226,404	18,428,189	18,248,597	19,060,764
Parks, recreation and cultural	967,275	1,109,882	1,244,587	1,326,099	1,414,061	1,563,106	1,665,404	1,733,989	2,268,455	2,812,653
Community development	491,363	1,752,468	296,125	355,147	467,517	799,379	1,020,840	731,012	603,662	1,778,813
Capital projects	7,763,156	7,513,370	1,244,312	898,094	744,708	239,276	1,429,944	10,802,412	31,516,911	4,916,928
Debt service	964,556	933,504	937,659	-	1,905,688	1,905,711	1,891,773	1,896,541	1,896,887	2,377,691
Principal	-	-	-	-	-	-	-	157,398	-	-
Bond issuance cost	-	-	-	-	-	-	-	-	-	-
Interest and other fiscal charges	815,910	801,663	919,066	57,194	1,113,506	1,050,735	987,125	951,619	2,355,943	2,652,279
Total expenditures	\$ 20,909,227	\$ 22,966,743	\$ 16,320,862	\$ 15,664,157	\$ 34,868,709	\$ 36,054,172	\$ 38,678,459	\$ 51,200,660	\$ 75,570,707	\$ 54,762,641
Excess of revenues over (under) expenditures	\$ 8,357,884	\$ 8,534,649	\$ 16,461,763	\$ 18,540,092	\$ 2,002,843	\$ 2,597,944	\$ 2,938,009	\$ (1,830,803)	\$ (24,844,219)	\$ (1,942,852)
Other financing sources (uses)										
Transfers in	\$ 814,275	\$ -	\$ -	\$ 843,413	\$ 250	\$ 175,020	\$ -	\$ -	\$ -	\$ -
Transfers out	(12,301,074)	(14,471,874)	(16,387,417)	(16,803,800)	(271,103)	(99,900)	(30,875)	(14,489)	(69,880)	(343,649)
Proceeds of general obligation bonds	-	-	-	-	-	-	-	33,460,000	-	-
Proceeds of interagency loans	-	-	-	-	611,600	-	-	-	-	-
Proceeds of revenue anticipation notes	-	-	-	-	-	-	825,621	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	978,795	-	-
Sale of capital assets	-	130,020	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ (11,486,799)	\$ (14,341,854)	\$ (16,387,417)	\$ (15,960,387)	\$ 340,747	\$ 75,120	\$ 794,746	\$ 34,424,306	\$ (69,880)	\$ (343,649)
Net change in fund balances	\$ (3,128,915)	\$ (5,807,205)	\$ 74,346	\$ 2,579,705	\$ 2,343,590	\$ 2,673,064	\$ 3,732,755	\$ 32,593,503	\$ (24,914,089)	\$ (2,286,501)
Debt service as a percentage of noncapital expenditures	13.54%	11.23%	12.32%	0.36%	8.85%	8.25%	7.73%	7.06%	9.66%	10.18%

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				Record-ation and Wills Tax	Business License Tax	Other Local Taxes	Total
				Vehicle License Tax	Record-ation and Wills Tax	Business License Tax	Other Local Taxes				
2008	\$ 27,365,128	\$ 2,102,537	\$ 539,236	\$ 25,815	\$ 405,937	\$ 828,183	\$ 2,593,170	\$ 33,860,006			
2007	26,407,115	2,120,627	787,430	718,797	453,586	780,498	2,292,446	33,560,499			
2006	22,902,166	2,043,136	959,263	715,817	610,881	761,213	1,984,514	29,976,990			
2005	21,996,002	1,907,016	948,046	694,280	345,583	717,265	1,797,690	28,405,882			
2004	21,469,051	1,902,149	722,673	672,656	269,075	591,582	1,743,015	27,370,201			
2003	21,108,596	1,627,979	496,838	654,769	226,569	479,334	1,702,697	26,296,782			
2002	18,529,587	1,649,981	483,091	651,120	210,008	502,783	1,236,424	23,262,994			
2001	18,158,809	1,626,643	528,702	639,114	152,697	528,038	1,248,683	22,882,686			
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			

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

Table 7

COUNTY OF BOJETOURT, 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 Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2008	\$ 2,895,743,670	\$ 308,999,319	\$ 7,808,357	\$ 172,799,915	\$ n/a	\$ 156,941,049	\$ 3,542,292,310	\$ 3,542,292,310	100.00%
2007	2,833,082,150	310,621,094	7,700,260	151,870,890	n/a	133,877,838	3,437,152,232	3,437,152,232	100.00%
2006	2,186,686,112	289,638,810	8,033,414	153,638,605	n/a	135,301,326	2,773,298,267	2,773,298,267	100.00%
2005	2,139,938,316	256,968,546	8,158,314	146,973,693	n/a	142,625,259	2,694,664,128	2,694,664,128	100.00%
2004	2,085,489,629	257,232,958	8,321,274	136,994,597	n/a	153,383,435	2,641,421,893	2,641,421,893	100.00%
2003	2,035,695,125	280,283,007	9,730,292	130,338,657	n/a	160,027,136	2,616,074,217	2,616,074,217	100.00%
2002	1,712,528,114	237,877,380	9,907,597	124,340,420	n/a	135,333,628	2,219,987,139	2,219,987,139	100.00%
2001	1,649,675,453	225,736,869	10,134,387	106,572,560	n/a	134,704,812	2,126,824,081	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	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	1,998,846,812	100.00%

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

Source: Commissioner of Revenue

Table 8

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

Fiscal Years	Direct Rates					Overlapping Rates Town of Buchanan	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Real Estate	Personal Property
2008	\$ 0.65	2.55	0.65	1.80	n/a	\$ 0.19	0.32
2007	0.65	2.55	0.65	1.80	n/a	0.19	0.32
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

(1) Per \$100 of assessed value

Table 9

COUNTY OF BOTETOURT, VIRGINIA

Principal Property Taxpayers

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

Taxpayer	Type Business	Fiscal Year 2008			Fiscal Year 2000		
		2007 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	1999 Assessed Valuation	% of Total Assessed Valuation	1999 Assessed Valuation
American Electric Power	Utility	\$ 65.8	2.22%	\$ 55.2	3.40%		
Roanoke Cement	Manufacturing	48.1	1.51%	35.1	2.10%		
Nielos/R&B	Communications	25.1	0.90%	21.3	1.30%		
Metalsa Roanoke	Manufacturing	17.0	0.53%	-	0.00%		
JTEKT Automotive Virginia	Manufacturing	12.8	0.41%	-	0.00%		
Dynax America Corporation	Manufacturing	10.4	0.33%	8.4	0.51%		
Attec Industries	Manufacturing	9.2	0.31%	-	0.00%		
Carilion Medical	Health Care	9.8	0.30%	1.3	0.08%		
Harris Holdings	Real Estate	8.5	0.29%	-	0.00%		
A.R. Overbay	Real Estate	10.9	0.25%	6.6	0.40%		
		\$ 217.6	7.05%	\$ 127.9	7.79%		

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

Source: Commissioner of Revenue

Table 10

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

Fiscal Year	Total Tax Levy for Fiscal Year	Total Collections		Percentage of Levy
			Amount	
2008	\$ 30,889,723	\$	30,683,398	99.33%
2007	30,308,125		29,797,613	98.32%
2006	26,240,340		26,107,882	99.50%
2005	25,088,385		24,910,666	99.29%
2004	24,770,764		24,498,317	98.90%
2003	24,046,201		23,934,427	99.54%
2002	21,153,271		21,271,228	100.56%
2001	20,083,992		19,943,260	99.30%
2000	19,156,700		18,860,746	98.46%
1999	17,974,143		18,146,304	100.96%

Table 11

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

Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases	Revenue Bonds	Capital Leases					
2008	\$ 41,428,198	\$ 8,276,193	\$ -	-	\$ -	\$ 8,537,017	\$ -	58,241,408	5.21%	\$ 1,732	
2007	43,032,759	9,049,323	7,000,000	-	-	8,901,138	-	67,983,220	6.41%	2,051	
2006	45,137,311	9,822,453	6,166,948	-	-	8,686,912	-	69,813,624	7.14%	2,137	
2005	11,823,927	10,595,583	825,621	-	-	7,986,472	-	31,231,603	3.30%	987	
2004	12,942,570	11,368,713	-	-	-	7,834,606	-	32,145,889	3.47%	1,027	
2003	14,075,151	12,141,843	-	-	-	7,385,311	-	33,602,305	3.65%	1,084	
2002	13,079,762	12,311,843	-	-	-	7,611,356	-	33,002,961	3.53%	1,075	
2001	14,026,793	13,093,443	-	-	-	7,847,877	-	34,968,113	3.98%	1,146	
2000	14,964,452	6,046,243	-	7,500,000	-	8,076,239	-	36,586,934	4.40%	1,200	
1999	15,897,956	6,512,443	-	7,500,000	-	8,021,649	-	37,932,048	4.79%	1,259	

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

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

Table 12

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2008	\$ 49,704,391	-	\$ 49,704,391	1.40%	\$ 1,478
2007	52,082,082	-	52,082,082	1.52%	1,572
2006	54,959,764	-	54,959,764	1.98%	1,682
2005	23,245,131	-	23,245,131	0.86%	734
2004	24,311,283	-	24,311,283	0.92%	777
2003	26,216,994	-	26,216,994	1.00%	846
2002	27,511,082	-	27,511,082	1.24%	896
2001	29,410,700	-	29,410,700	1.38%	964
2000	23,575,827	-	23,575,827	1.16%	773
1999	25,254,019	-	25,254,019	1.26%	838

(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, 2008

<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	12,406	100%	12,406
Debt repaid with property taxes: Town of Buchanan	-	100%	-
Subtotal, overlapping debt			<u>\$ 12,406</u>
County of Botetourt, direct debt			<u>\$ 49,704,391</u>
Total direct and overlapping debt			<u><u>\$ 49,716,797</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.

Table 14

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 201,270,582	\$ 217,481,617	\$ 226,803,478	\$ 238,506,624	\$ 281,445,247	\$ 284,258,374	\$ 289,726,978	\$ 297,731,822	\$ 357,940,803	\$ 378,621,801
Total net debt applicable to limit	25,254,019	23,575,827	29,410,700	27,511,082	26,216,994	24,311,283	23,245,131	54,959,764	52,082,082	49,704,391
Legal debt margin	\$ 176,016,563	\$ 193,905,790	\$ 197,392,778	\$ 210,995,542	\$ 255,228,253	\$ 259,947,091	\$ 266,481,847	\$ 242,772,058	\$ 315,858,721	\$ 328,917,410
Total net debt applicable to the limit as a percentage of debt limit	12.55%	10.84%	12.97%	11.53%	9.32%	8.55%	8.02%	18.46%	14.16%	13.13%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 3,542,292,310
Add back: exempt real property	243,925,700
Total assessed value	\$ 3,786,218,010
Debt limit (10% of total assessed value)	\$ 378,621,801
Net debt applicable to limit	49,704,391
Legal debt margin	\$ 328,917,410

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

Fiscal Year	Water/Sewer Revenue Bonds			Water/Sewer Revenue Bonds			Special Assessment Bonds			
	Water/Sewer Charges and Other(1)	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Principal	Interest	Coverage
2008	3,656,258	1,537,690	2,118,568	437,042	234,817	3.15	n/a	n/a	n/a	n/a
2007	3,696,574	1,274,548	2,421,026	308,340	297,595	4.00	n/a	n/a	n/a	n/a
2006	3,686,707	1,165,587	2,521,120	179,807	194,610	6.73	n/a	n/a	n/a	n/a
2005	4,154,552	658,558	3,495,994	1,014,542	355,444	2.55	n/a	n/a	n/a	n/a
2004	3,243,629	623,053	2,620,576	309,805	354,306	3.95	n/a	n/a	n/a	n/a
2003	2,903,111	797,004	2,106,107	253,044	380,907	3.32	n/a	n/a	n/a	n/a
2002	3,165,592	626,156	2,539,436	238,090	395,225	4.01	n/a	n/a	n/a	n/a
2001	3,223,702	725,321	2,498,381	228,362	396,156	4.00	n/a	n/a	n/a	n/a
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

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

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

Table 16

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

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2008	33,619	\$ 1,117,854	\$ 33,251	45.0	4,921	2.93%
2007	33,141	1,060,504	32,000	44.8	4,867	2.53%
2006	32,670	978,141	29,940	44.8	4,819	2.60%
2005	31,657	947,163	29,920	44.8	4,782	3.00%
2004	31,300	925,930	29,582	44.0	4,736	2.90%
2003	31,000	920,483	29,693	43.2	4,700	3.40%
2002	30,700	933,771	30,416	42.3	4,697	3.30%
2001	30,500	878,614	28,807	41.5	4,593	2.00%
2000	30,496	830,894	27,246	40.7	4,547	1.70%
1999	30,138	792,418	26,293	40.4	4,608	2.10%

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

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

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

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

Unemployment Rate Source: Virginia Employment Commission

Table 17

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

Employer	Fiscal Year 2008			Fiscal Year 1999	
	Employees	Rank	% of Total County Employment	Employees	% of Total County Employment
Botetourt County Public Schools	773	1	8.04%	644	9.46%
Dynax America Corporation	361	2	3.76%	50	0.73%
JTEKT Automotive Virginia, Inc. (1)	359	3	3.73%	6	0.09%
Botetourt County Government	295	4	3.07%	179	2.63%
Altec Industries	264	7	2.75%	0	0.00%
Lanford Brothers	248	6	2.58%	193	2.84%
Metalsa Roanoke	234	5	2.43%	140	2.06%
Gala Industries	211	9	2.20%	259	3.80%
Roanoke Cement	204	8	2.12%	195	2.86%
Pepsi Cola Bottling Company	190	10	1.98%	170	2.50%
O'Neal Steel, Inc.	174	12	1.81%	132	1.94%
nTelos	173	13	1.80%	76	1.12%
Arkay Packaging	165	14	1.72%	63	0.93%
Lawrence Transportation System	160	11	1.66%	139	2.04%
General Shale Products	160	15	1.66%	110	1.62%
Tread Corporation	130	17	1.35%	0	0.00%
Virginia Truck Center	120	16	1.25%	91	1.34%
Groendyk Manufacturing, Inc.	81	18	0.84%	93	1.37%
Carmeuse Lime & Stone - James River	72	19	0.75%	115	1.69%
Johnson Controls	58	20	0.60%	24	0.35%
Totals	4,432		46.11%	2,679	39.36%

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

(1) Includes 134 temporary positions, considered as part of the permanent employee process.

Table 18

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	23	25	25	25	25	26	26	26	28	29
Judicial administration	7	7	7	7	7	12	12	13	17	17
Public safety:										
Sheriffs department	72	81	82	83	87	87	87	87	103	116
Fire & rescue	0	0	0	2	2	4	5	9	10	14
Building inspections	5	6	6	6	6	6	6	6	6	5
Animal control	2	2	2	2	2	2	3	3	3	3
GIS / Communications	1	1	1	1	1	2	2	2	2	2
Public works:										
Utilities	4	5	5	6	7	7	8	8	8	10
General maintenance	4	4	4	4	5	5	5	5	5	6
Landfill	6	6	6	6	6	6	6	6	5	4
Engineering	3	3	3	3	3	4	4	4	4	4
Health and welfare:										
Department of social services	18	18	18	18	18	18	18	18	18	18
Comprehensive Services	0	0	0	0	0	0	1	1	1	1
Culture and recreation:										
Parks and recreation	6	7	10	10	11	12	13	13	16	18
Library	11	11	11	11	11	12	12	12	13	13
Tourism / Marketing	0	0	0	0	0	0	0	1	1	1
Community development:										
Planning	3	3	3	3	3	3	3	4	4	4
Totals	<u>165</u>	<u>179</u>	<u>183</u>	<u>187</u>	<u>194</u>	<u>206</u>	<u>211</u>	<u>218</u>	<u>244</u>	<u>265</u>

Source: Individual county departments

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Sheriffs department:										
Physical arrests	1,685	1,870	1,929	1,880	1,887	2,162	2,565	2,756	2,612	2,422
Traffic violations	n/a	n/a	n/a	3,183	2,838	3,082	3,582	3,494	3,219	2,697
Civil papers	6,709	7,070	7,681	7,871	8,057	8,244	7,906	7,770	6,905	7,298
Fire and rescue:										
Number of calls answered	n/a	n/a	n/a	n/a	4,211	4,673	4,186	4,582	4,956	4,965
Building inspections:										
Permits issued (same as Planning)	896	865	623	663	634	789	627	740	667	598
Animal control:										
Number of calls answered	1,127	1,129	1,371	1,634	1,815	2,507	3,079	3,118	3,484	4,965
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	3	3	3
Landfill:										
Refuse collected (tons/day)	83	91	94	95	90	95	99	107	110	33
Recycling (tons/day)	n/a	n/a	n/a	n/a	n/a	n/a	29	33	21	17
Health and welfare										
Department of Social Services:										
Caseload	n/a	n/a	n/a	n/a	n/a	1,786	2,300	2,585	2,389	2,448
Culture and recreation										
Parks and recreation:										
Recreation permits issued	n/a	n/a	n/a	n/a	n/a	n/a	70	71	78	69
After-school program participants	-	-	-	-	-	-	-	-	-	-
Youth sports participants	2,945	2,972	2,765	2,976	2,898	2,924	2,717	2,953	3,311	3,511
Community development										
Planning:										
Zoning permits issued	896	865	623	663	634	789	627	740	667	598
Component Unit - School Board										
Education:										
School age population (per census)	5,956	362	367	6,028	371	376	375	387	400	401
Number of teachers	347	4,698	5,438	3,766	3,535	3,860	3,779	3,788	3,885	3,581
Local expenditures per pupil	4,512									

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

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

Table 20

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Administration buildings	2	2	3	3	3	3	3	3	3	4
Vehicles	3	3	3	4	4	3	3	4	4	4
Public safety										
Sheriffs department:										
Patrol units	n/a	n/a	n/a	49	48	48	48	48	49	51
Other vehicles	n/a	n/a	n/a	8	11	12	10	12	12	13
Building inspections:										
Vehicles	3	4	4	4	4	4	4	4	4	3
Animal control:										
Vehicles	2	2	2	2	2	3	3	3	3	3
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	3	3	4
Landfill:										
Vehicles	12	12	12	12	12	12	12	12	11	11
Equipment	7	7	7	7	9	9	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of Social Services:										
Vehicles	-	-	-	-	-	-	-	-	-	-
Culture and recreation										
Parks and recreation:										
Community centers	0	3	3	3	3	2	2	2	2	2
Vehicles	9	9	10	11	11	11	12	12	11	12
Parks acreage	20	20	20	20	20	20	20	158	158	158
Swimming pools	-	-	-	-	-	-	-	-	-	-
Tennis courts	2	2	2	2	2	2	2	2	2	4
Community development										
Planning:										
Vehicles	2	2	2	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	11	11	12	12	12	12	12	12	12	12
School buses	78	74	74	75	75	74	79	77	82	85

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia as of and for the year ended June 30, 2008, which collectively comprise the County of Botetourt, Virginia's basic financial statements and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the Specifications for Audits of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings, responses and questioned costs (reference 2008-1) to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also

considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Botetourt, Virginia in a separate letter dated October 24, 2008.

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

This report is intended solely for the information and use of members of the Board, management, others within the entity, 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, Fauner, Co. Associates

Christiansburg, Virginia
October 24, 2008

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the compliance of the County of Botetourt, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County of Botetourt, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Botetourt, Virginia's management. Our responsibility is to express an opinion on County of Botetourt, Virginia's compliance based on our audit.

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

In our opinion, the County of Botetourt, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Robinson, Faimer, Cox Associates

Christiansburg, Virginia
October 24, 2008

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
DEPARTMENT OF AGRICULTURE:		
Pass Through Payments:		
<i>State Department of Agriculture:</i>		
Food Distribution-Schools (Note 2)	10.555	\$ 147,154
 <i>Department of Social Services:</i>		
State Administrative Matching Grants for Food Stamp Program	10.561	121,983
 <i>Department of Education:</i>		
School Breakfast Program	10.553	71,608
National School Lunch Program	10.555	369,587
Forest Reserve Funds	10.665	44,901
Total Department of Agriculture		<u>\$ 755,233</u>
 DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Support Services	93.556	\$ 26,201
Temporary Assistance to Needy Families	93.558	83,542
Refugee and Entrant Assistance	93.566	505
Low Income Energy Assistance	93.568	2,791
Payments to States for Child Care Assistance	93.575	133,804
Child Care and Development Fund	93.596	67,273
Foster Care	93.658	52,404
Adoption Assistance	93.659	22,949
Social Services Block Grant	93.667	151,675
Chafee Foster Care Independence Fund	93.674	3,162
State Children's Insurance Program	93.767	6,617
Medical Assistance Program	93.778	89,825
Chafee Education & Training Vouchers	93.599	1,610
Total Department of Health and Human Services		<u>\$ 642,358</u>
 U. S. DEPARTMENT OF HOMELAND SECURITY:		
Pass Through Payments:		
<i>Department of Emergency Management:</i>		
State Homeland Security Grant Program	97.004	<u>\$ 8,821</u>

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
DEPARTMENT OF TRANSPORTATION:		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
Occupant Protection	20.602	\$ 3,674
154 Transfer Funds	20.607	9,308
Total Department of Transportation		<u>\$ 12,982</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Pass Through Payments:		
<i>Virginia Resources Authority:</i>		
Capitalization Grants for State Revolving Funds	66.458	<u>\$ 72,920</u>
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
<i>Department of Education:</i>		
Adult Basic Education	84.002	\$ 17,304
Title I Grants to Local Educational Agencies	84.010	340,250
Special Education-Grants to States (Title VI-B)	84.027	1,163,919
Vocational Education-Basic Grants to States	84.048	53,725
Special Education-Preschool Grant to States	84.173	32,235
Drug-Free Schools and Communities-State Grants	84.186	8,571
Innovative Education Program Strategies	84.298	6,297
NCLB - Title II Part D - Technology Literacy Challenge Fund Grants	84.318	4,554
Special Education - State Personnel Development	84.323	10,772
Advanced Placement Incentive	84.330	106
Improving Teacher Quality	84.367	131,031
Statewide Data Systems	94.372	1,219
Total Department of Education		<u>\$ 1,769,983</u>
Total Federal Financial Assistance		<u><u>\$ 3,262,297</u></u>

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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	\$ 786,144
Utility Fund-VRA loan proceeds	<u>72,920</u>

Total primary government	<u>\$ 859,064</u>
--------------------------	-------------------

Component Unit Schools:

School Operating Fund	\$ 2,256,079
Add: Non-cash expenditures - value of donated commodities	<u>147,154</u>

Total Component Unit Schools	<u>\$ 2,403,233</u>
------------------------------	---------------------

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,262,297</u></u>
---	----------------------------

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
10.553/10.555	School Food Cluster
84.010	Title I

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

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2008

Section II - Financial Statement Findings

2008-1

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

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

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

Management's Response: Management acknowledges that the revenues generated by the aforementioned activities continue to grow at an accelerated pace and controls should be established to adequately protect these resources. Currently the County is actively developing a plan to move the collection function out of the Public Works Department.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior audit findings related to federal awards.