

# Comprehensive Annual Financial Report



## Botetourt County, Virginia

Fiscal Year Ended  
June 30, 2011

**COUNTY OF BOTETOURT, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2011**

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Prepared By:  
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2011

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## **INTRODUCTORY SECTION**



# Botetourt County, Virginia

## *Board of Supervisors*

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

### Board of Supervisors

Billy W. Martin, Sr.  
*Chairman*

Don A. Assaid  
*Vice Chairman*

Terry L. Austin

Larry B. Ceola

Stephen P. Clinton

November 21, 2011

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011. 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 six fiscal years.

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

Robinson, Farmer, Cox Associates, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of Botetourt County**

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

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

### **Local Economics and Demographics**

Based upon the U. S. Census Bureau's 2010 census, Botetourt County's 2010 population was 33,148, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 39% of the jobs in the County, manufacturing 20%, trade 16%, government 16%, construction 8%, and all others 1%. The civilian labor force totals approximately 17,995, with 23% working for the County's top twenty employers. Unemployment remains below the State average.

With respect to demographics relating to economic factors, Botetourt County seemingly appeals to higher income residents, as evidenced by a median household income figure of \$59,441, which is above the state average and ranks first in a comparison of six other surrounding localities. This ranking also holds true for the home ownership rate, which stands at 87%, which is well above the state's average of 69%. Yet again, the median housing value in the County (\$189,900) places first as compared locally, and is below the state average of \$247,100. These figures are as of the 2010 U.S. Census.

Botetourt County compares favorably to most Virginia localities economically in the area of fiscal stress, as reported by the Virginia Commission on Local Government. This agency has developed a composite fiscal stress index, which takes into consideration each locality's revenue capacity per capita, the revenue effort, and the magnitude of median adjusted gross income for individuals and married couples. The County's composite index falls into the classification "Below Average Stress" and within a short reach of "Low Stress" for the most recent period reported (2007/2008). The County's ranking was 98 out of 134 localities, placing Botetourt in the lower 27% range. This is an indication that on a comparable basis, Botetourt County and its residents continue to experience a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.

FY11 building permit activity for residential and commercial construction was behind FY10 in terms of number of permits (-11%) and dollar value (-14%). While Botetourt County continues to experience a lesser level of building activity compared to recent prior years, there still exists small layers of economic growth in its residential, commercial, and manufacturing segments. The County's most recent Comprehensive Plan update began in early 2009 and was completed in March 2011. This Plan provides the framework for managing growth, along with proper zoning and subdivision ordinances. Residential construction starts include expansions in existing subdivisions as well as development plans for new subdivisions. The total dollar value of residential starts in the County for FY11 was approximately \$11 million vs. \$15 million in FY10. Also, the

average value of commercial / industrial permits was \$150,000 vs. \$158,000 in FY10. While the total number of permits decreased 11% in FY11, the average dollar value of permits represented only a small (2%) decrease compared to the previous year. There continues to be building activity in Botetourt County, as this area is viewed as an opportunity for construction and builders.

Daleville Town Center, a planned residential and commercial development, completed construction of its second major commercial building: medical offices for Lewis-Gale Hospital, a division of Hospital Corporation of America. Plans are in process for construction of multi-family apartments homes, which join the EarthCraft certified single family residences already being constructed.

Orchard Marketplace, a commercial development adjoining Daleville Town Center, continued building activity with the completion of a CVS drug store on an out parcel and soon-to-be completed medical (Carilion Physicians clinic) and dental offices.

2011 has been a significantly positive year on the economic development forefront, as there have been announcements for two new foreign companies selecting Botetourt County as their choice to open their first U.S operations. These include Canatal Steel (steel beam fabricators) and FC Tech optical fiber manufacturer) that will invest a combined \$6 million in investment and create 125 new jobs. In addition, four expansions of current Botetourt County businesses were announced, the largest being Dynax America Corporation (auto industry parts supplier) with an investment of \$15,600,000 and creation of 95 jobs. Of the other three expansions, one firm (Arkay Packaging) completed a third expansion since coming to the County. In total, the six business announcements represent investment of \$35 million with the creation of 378 jobs. In this region, 54% of the 2011 announced jobs and 78% of invested dollars are in Botetourt County. These results appear to be indicative that there is increased interest in commercial construction activity compared to recent prior years, and Botetourt County is well positioned to take advantage of those opportunities.

### **Public School System**

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. All schools are accredited by the Virginia State Board of Education and the Southern Association of Colleges and Schools. Admission over the last three years has averaged 4,928 with a relatively small increase of 4% in admissions for the most recent 5 years as compared to the previous 5 years. The results of the most recent "Adequate Yearly Progress" results show 8 of 11 schools passing the annually rising benchmarks. Statewide, there was only a 38% pass rate, as all school divisions have a 2014 target year to achieve a 100% pass rate. The County's School Board places a high value on continuing education and use of management practices to increase the skill level and teaching proficiency of its professional teaching base.

## **Higher Education**

Two community colleges offer a wide spectrum of education for numerous degrees, as well as adult education programs. In addition, the community colleges operate an in-County education and training center, which supports workforce training for businesses and residents. As a result of economic pressures, the community colleges are presenting viable alternatives to four-year institutions and have experienced continued increases in attendance. There are also numerous four-year colleges in the near vicinity of Botetourt County including Virginia Tech.

## **Major Initiatives and Goals**

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

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

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

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

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

## **Current and Future Initiatives**

In 2009, The County initiated a detailed study of economic development efforts and results over the past several years in order to provide foundation work for a consultant (Moran, Stahl & Boyer) who was hired in 2010. This consultant met with a steering committee composed of business and community leaders and State and regional economic representatives as a means of gathering information and feedback which would be considered in the production of their economic development study. This comprehensive study was published in May, 2010, and presented to the County's Board of Supervisors. Included in this study was a significant amount of recommendations to consider which would take advantage of Botetourt County's profile in order to attract new companies and development. The Board adopted this study, and County administration is currently working on initiatives for Greenfield, the County's largest owned business park. A pad ready site has been recently completed, which will allow an interested firm to begin construction quickly and productively. There has been a fair amount of economic activity for future business development, as Botetourt County applies its economic development plan in order to attract new business and increase its tax base.

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

At this point in time, the County has no large dollar General Fund projects in FY12, as the total capital projects budget is \$493,000. From an operational standpoint, the County has experienced an increase in servicing citizen and business service requirements, by the creation of Development Services, which includes Building Inspection, Planning and Zoning, and Engineering departments. This consolidation has enhanced enhance services provided by offering a one-stop shop environment in providing for the particular needs of users.

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

The offering of recreational programs and resources continue to rise, and a long-term lease has been executed for development of additional baseball and soccer ball fields, with the potential to expand the property. The Botetourt Sports Complex continues to thrive as a major destination for regional and national softball tournaments, with a full schedule of events. The Complex experienced its busiest season in 2011, with over 27,000 visitors, and is currently engaged in efforts and plans to attract NCAA softball tournaments in the future. The Complex is also used for school and local sports activities, and has completed its third year of operations.

With respect to enterprise activity, the County has acted on the most recent utilities master plan, as two projects are in the works. First there is a \$527,000 Cloverdale Water Extension project, which will increase water infrastructure, and a \$2.7 million Tinker Creek Interceptor project, which will expand the County's sewer capacity and serve to accommodate future residential and business growth. Financing is in place for the projects. Additionally, consultants have recently completed an update of the County's utilities master plan, which includes the identification of water and sewer projects over a twenty to thirty year term. Currently, the County is working on the first phase of the sewer interceptor upgrade project and the water project. Financing has been approved for these two projects; both are in their design and engineering phase.

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

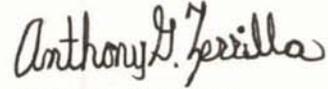
**Acknowledgements**

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

Respectfully submitted,



Gerald A. Burgess  
County Administrator



Anthony G. Zerrilla  
Director of Finance

# 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, 2010

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.



*Linda C. Davison*

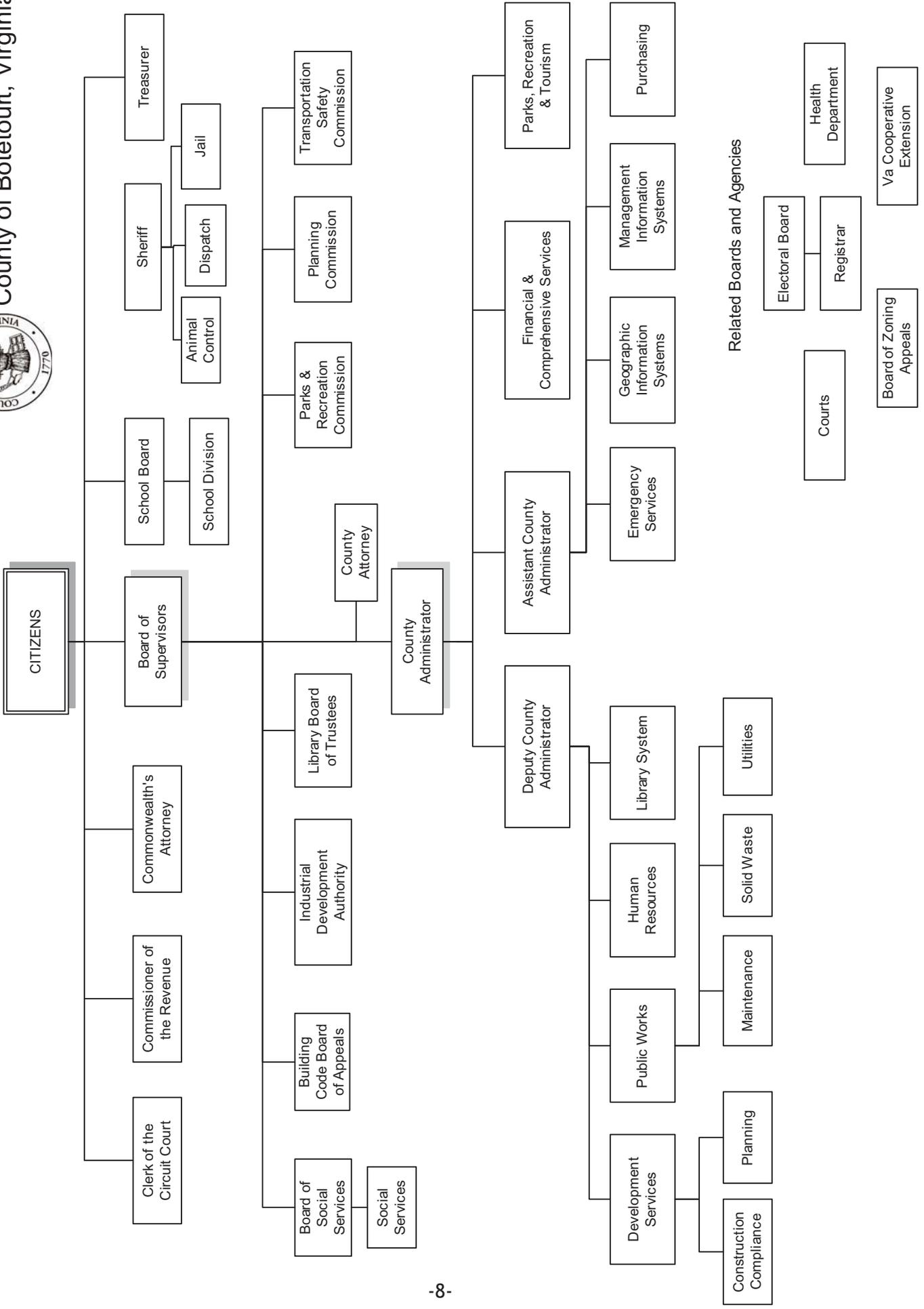
President

*Jeffrey R. Emer*

Executive Director



# County of Botetourt, Virginia



# COUNTY OF BOTETOURT, VIRGINIA

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## BOARD OF SUPERVISORS

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Don A. Assaid, Vice Chair  
Larry B. Ceola

Billy W. Martin, Sr., Chair

Terry L. Austin  
Stephen P. Clinton

## COUNTY SCHOOL BOARD

---

Scott Swortzel, Jr., Vice Chair  
Kathy Graham Sullivan

Jack Leffel, Chair

Michael Beahm  
Ruth E. Wallace

## SOCIAL SERVICES BOARD

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Sandra Johnson-Harris, Vice Chair  
Billy W. Martin, Sr.

Eugene Trammel, Chair

Carl Krippendorf  
Donna Henderson

## OTHER OFFICIALS

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Judge of the Circuit Court ..... Malfourd Trumbo  
Clerk of the Circuit Court ..... Tommy L. Moore  
Judge of the General District Court ..... Louis K. Campbell, Jr.  
Judge of the Juvenile & Domestic Relations Court ..... Paul A. Tucker  
Commonwealth's Attorney ..... Joel R. Branscom  
Commissioner of the Revenue ..... John L. Etzler, V  
Treasurer ..... C. Benton Bolton  
Sheriff ..... Ronald N. Sprinkle  
Superintendent of Schools ..... Anthony S. Brads  
Director of Social Services ..... William D. Burleson  
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, and each major fund of the County of Botetourt, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Botetourt, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the County of Botetourt, Virginia, as of June 30, 2011, 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.

As described in Note 1 to the financial statements, the County of Botetourt, Virginia adopted the provision of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the County of Botetourt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Botetourt, Virginia's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The other supplementary information, the budgetary comparison schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia  
November 14, 2011

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

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The following is a narrative overview and analysis of the financial activities of the County of Botetourt, Virginia for the fiscal year ended June 30, 2011. This narrative is included to provide insights as to financial results of operation for the above-mentioned fiscal year, and, in certain cases, provide comparative comments as they relate to the prior fiscal year. In addition, comments are included which address the economic factors considered in developing Botetourt County's budget for the fiscal year ending June 30, 2012.

### **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 \$41,105,471 (net assets). Of this amount, \$10,975,733 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$28,803,172; a significant amount (91%) of these net assets are invested in capital assets. (See Exhibit 1).

The Government's net assets for governmental activities increased by \$2,849,591, which was primarily due to a \$ 3.6 million increase in general revenues. This was primarily due to a \$1.9 million increase in general property taxes as a result of the positive impact of the most recent (2010) real estate reassessment. Also, net revenues of approximately \$1 million were received as a result of settlement of revenue and cost sharing agreements with Roanoke County. The School Board's net assets decreased by \$707,706, primarily due to a decrease in program revenues (See Exhibit 2).

#### **Fund Financial Statements**

At the end of the current fiscal year, fund balance for the general fund was \$16,216,851 or 32 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes and accounts receivable reflected in the fiscal year 2011 budget as well as funds allocated to the School Board and County Capital Improvement Projects for fiscal year 2011.

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$16,216,851, which is an increase of \$1,896,318 over fiscal year ended June 30, 2010. A \$400,000 increase in fund balance was budgeted, but the aforementioned \$ 1 million revenue sharing settlement provided an assist, along with a \$433,000 positive variance in general governmental fund revenues from normal operations. While there was savings versus final budget in virtually all major expense areas, there was a significant positive variance (\$1.3 million) for public safety expenditures. To note, proceeds of general obligation bonds were offset by the payoff of the original debt. Of the total fund balance amount, \$15,900,561 is unassigned and available for spending at the government's discretion (See Exhibit 3). This represents a \$ 1.8 million (13%) increase in unassigned / unreserved fund balance vs. FY10.

### **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**

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Local government accounting and financial reporting originally focused on funds, which are 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 revenues. 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 for the School Board.

## Management's Discussion and Analysis

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### 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 \$41,105,471 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                 |                       |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|   | 2011                    | 2010                 | 2011                     | 2010                 | 2011                  | 2010                  |
| Current and other assets                        | \$ 17,834,706           | \$ 15,786,456        | \$ 3,366,521             | \$ 2,610,282         | \$ 21,201,227         | \$ 18,396,738         |
| Capital assets                                  | 72,149,706              | 73,942,205           | 17,097,705               | 17,473,197           | 89,247,411            | 91,415,402            |
| Total assets                                    | <u>\$ 89,984,412</u>    | <u>\$ 89,728,661</u> | <u>\$ 20,464,226</u>     | <u>\$ 20,083,479</u> | <u>\$ 110,448,638</u> | <u>\$ 109,812,140</u> |
| Long-term liabilities                           | \$ 47,509,930           | \$ 50,144,601        | \$ 7,691,562             | \$ 7,579,665         | \$ 55,201,492         | \$ 57,724,266         |
| Other liabilities                               | 1,369,011               | 1,328,180            | 241,213                  | 195,474              | 1,610,224             | 1,523,654             |
| Total liabilities                               | <u>\$ 48,878,941</u>    | <u>\$ 51,472,781</u> | <u>\$ 7,932,775</u>      | <u>\$ 7,775,139</u>  | <u>\$ 56,811,716</u>  | <u>\$ 59,247,920</u>  |
| Net assets:                                     |                         |                      |                          |                      |                       |                       |
| Invested in capital assets, net of related debt | \$ 29,931,209           | \$ 28,954,610        | \$ 10,019,461            | \$ 9,954,091         | \$ 39,950,670         | \$ 38,908,701         |
| Restricted                                      | 198,529                 | 184,574              | -                        | -                    | 198,529               | 184,574               |
| Unrestricted                                    | 10,975,733              | 9,116,696            | 2,511,990                | 2,354,249            | 13,487,723            | 11,470,945            |
| Total net assets                                | <u>\$ 41,105,471</u>    | <u>\$ 38,255,880</u> | <u>\$ 12,531,451</u>     | <u>\$ 12,308,340</u> | <u>\$ 53,636,922</u>  | <u>\$ 50,564,220</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 72 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 less than 1% of total net assets. The remaining balance of unrestricted net assets, which is \$10,975,733 or 27% 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 \$2,849,591. The primary reason for the increase was due to a \$3.6 million increase in non-program general revenues. With the exception of a debt refinancing, there was no new financing debt issued in FY11, as evidenced by a reduction in long-term liabilities. Approximately \$ 2 million in general obligation debt (net of issuances) was retired, as well as a \$695,000 reduction of literary fund loans. The County's estimated landfill closure/post-closure liability increased by approximately \$100,000. Capital assets net of related debt increased approximately \$977,000, and these assets have more than doubled by nearly two and one-half times since FY06.

## Management's Discussion and Analysis

### Changes in Net Assets:

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

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

|  | Governmental activities |               | Business-type activities |              | Total         |               |
|--|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
|  | 2011                    | 2010          | 2011                     | 2010         | 2011          | 2010          |
| Revenues:  |                         |               |                          |              |               |               |
| Program revenues:  |                         |               |                          |              |               |               |
| Charges for services   | \$ 918,953              | \$ 951,415    | \$ 2,826,574             | \$ 2,971,193 | \$ 3,745,527  | \$ 3,922,608  |
| Operating grants & contributions                             | 6,943,118               | 6,843,667     | -                        | -            | 6,943,118     | 6,843,667     |
| Capital grants and contributions                             | -                       | -             | -                        | 25,000       | -             | 25,000        |
| General revenues:  |                         |               |                          |              |               |               |
| General property taxes                                       | 30,227,710              | 28,295,560    | -                        | -            | 30,227,710    | 28,295,560    |
| Other local taxes  | 6,074,083               | 5,799,366     | -                        | -            | 6,074,083     | 5,799,366     |
| Use of money and property                                    |                         |               |                          |              |               |               |
| Other  | 602,854                 | 660,250       | 19,062                   | 9,822        | 621,916       | 670,072       |
| Grants and contributions not restricted to specific programs | 1,948,711               | 366,878       | -                        | -            | 1,948,711     | 366,878       |
|  | 4,509,921               | 4,652,598     | -                        | -            | 4,509,921     | 4,652,598     |
| Total revenues   | \$ 51,225,350           | \$ 47,569,734 | \$ 2,845,636             | \$ 3,006,015 | \$ 54,070,986 | \$ 50,575,749 |

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

|   | Governmental activities |               | Business-type activities |               | Total         |               |
|---|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|   | 2011                    | 2010          | 2011                     | 2010          | 2011          | 2010          |
| Expenses:   |                         |               |                          |               |               |               |
| General government                                    | \$ 3,017,197            | \$ 3,330,864  | \$ -                     | \$ -          | \$ 3,017,197  | \$ 3,330,864  |
| Judicial administration                               | 1,251,798               | 1,289,818     | -                        | -             | 1,251,798     | 1,289,818     |
| Public safety   | 11,119,800              | 12,060,957    | -                        | -             | 11,119,800    | 12,060,957    |
| Public works  | 1,902,510               | 1,026,920     | -                        | -             | 1,902,510     | 1,026,920     |
| Health and welfare                                    | 3,572,226               | 3,717,605     | -                        | -             | 3,572,226     | 3,717,605     |
| Education   | 21,907,252              | 20,407,000    | -                        | -             | 21,907,252    | 20,407,000    |
| Parks, recreation and cultural                        | 3,266,210               | 3,120,867     | -                        | -             | 3,266,210     | 3,120,867     |
| Community development                                 | 581,692                 | 672,942       | -                        | -             | 581,692       | 672,942       |
| Interest on long-term debt                            | 1,763,356               | 1,978,620     | -                        | -             | 1,763,356     | 1,978,620     |
| Water and sewer                                       | -                       | -             | 2,616,243                | 2,822,893     | 2,616,243     | 2,822,893     |
| Total expense   | \$ 48,382,041           | \$ 47,605,593 | \$ 2,616,243             | \$ 2,822,893  | \$ 50,998,284 | \$ 50,428,486 |
| Excess (deficiency) of revenues over (under) expenses | \$ 2,843,309            | \$ (35,859)   | \$ 229,393               | \$ 183,122    | \$ 3,072,702  | \$ 147,263    |
| Transfers in (out)                                    | \$ 6,282                | \$ -          | \$ (6,282)               | \$ -          | \$ -          | \$ -          |
| Increase (decrease) in net assets                     | \$ 2,849,591            | \$ (35,859)   | \$ 223,111               | \$ 183,122    | \$ 3,072,702  | \$ 147,263    |
| Net assets, July 1, 2010                              | 38,255,880              | 38,291,739    | 12,308,340               | 12,125,218    | 50,564,220    | 50,416,957    |
| Net assets, June 30, 2011                             | \$ 41,105,471           | \$ 38,255,880 | \$ 12,531,451            | \$ 12,308,340 | \$ 53,636,922 | \$ 50,564,220 |

## Management's Discussion and Analysis

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### Governmental Activities

Governmental activities increased the County's net assets by \$2,849,591. Key elements of this increase are as follows:

- Revenues: General property taxes increased \$ 1.9 million (7%), as the County experienced the impact of the 2010 real estate tax reassessment, which is on a four-year cycle. Other Local Taxes increased \$275,000 (5%), which includes a \$155,000 (8%) increase in local sales and use taxes.
- Revenues: Unrestricted revenues from the use of money and property decreased \$57,000 (9%) due to the low rates of return on investments and funds available for investing. Revenues from the use of property approximated the same level as these FY10 revenues.
- Revenues: Other revenues increased approximately \$1.6 million due to an increase in revenue sharing payments directly related to the settlement of prior agreements held with Roanoke County.
- Revenues: Charges for Services and Grants and Contributions totaling \$12,372,000 were a combined \$76,000 (less than 1%) less than received in FY10.

Overall, revenues for governmental activities increased \$3.7 million (8%) for reasons previously identified.

- Expenses: General Government Administration expenses decreased by \$314,000 (9%), due to a) nonrecurring Assessor and Board of Equalization expenditures, and b) reductions in several departments of personnel and associated departmental costs.
- Expenses: Public Safety expenditures decreased \$941,000 (8%) vs. FY10, as there was a reduction in capital spending for fire & rescue agencies.
- Expenses: Public Works expenditures increased by \$876,000 (85%) compared to last year. This is due to the accrual for landfill closure costs, which was reduced \$768,000 in FY10 and increased \$103,000 in FY11.
- Expenses: Education costs increased \$1.5 million as a result of an increase in contributions to the County School Board. Even with this increase, FY11 contributions to the County School Board were \$1.3 million less than FY09. Parks, Recreation, and Cultural expenses increased by approximately \$ 145,000 (5%), as a result of an increase in capital project activity.
- Expenses: Community Development reflects a \$91,000 (14%) decrease due to the nonrecurring of capital projects activity experienced in FY10. Interest on long-term debt decreased \$215,000 (11%) due in large part to a \$129,000 decrease in accrued interest costs.

Overall, expenditures for governmental activities increased only \$776,000 (2%) vs. an 8% increase in revenues.

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

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### **Business-type Activities**

Business-type activities increased the County's net assets by \$ 223,111. This activity is comprised of Water and Sewer revenues and expenses. Key elements of FY11 water and sewer activity are as follows:

- Total revenues decreased \$160,000 (5%) due in large part to a \$100,000 decrease in connection fee activity and a 5% decrease in sewer charges. Water and sewer rates were increased 7% effective January 1, 2012.
- While total revenues decreased 5%, total operating expenses decreased 7% (\$207,000). This was primarily due to a \$185,000 decrease in contractual service costs, which reverted to their FY09 level.
- Business-type net assets for FY11 increased \$223,111 as compared to an increase in FY10 net assets of \$183,122.

### **Financial Analysis of the Government's Funds**

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

#### **Governmental funds**

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

In comparing unassigned / unreserved fund balances as a percentage of governmental fund expenditures, it can be noted that FY11's figure of 31% reflects an increase vs. FY10's figure of 28%. This increase is the product of a \$1.8 million increase in unassigned / unreserved fund balance, primarily driven by a \$3.7 million increase in revenues. The smaller increase in expenditures was minimized by cost reduction efforts in several areas of governmental operations.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$16,216,851, an increase of \$1,896,318 versus the prior year. FY11 revenues increased \$ 3.7 million (8%), while FY11 expenditures were \$402.730 (1%) less than FY10 expenditures. (Exhibit 5). When compared to FY10, the FY11 unassigned portion (\$15,900,861) of the ending fund balance represents a \$1.8 million increase, and provides significant flexibility with respect to future discretionary spending.

As previously stated, the County's governmental fund balance increased by \$1,896,318. Fiscal Year 2011 Operational highlights include the following:

- Revenues: (A) The 2010 real estate reassessment provided a 7% increase in Real Property Tax revenues. (B) Personal Property Tax revenues increased 4% vs. 2010. (C) Machinery & Tools Tax revenues increased 4% over 2010, a positive trait considering this follows a 4% decrease from 2009 to 2010. (D) Hotel and Meals Taxes combined increased \$75,000 (6%), which is also a positive sign vs. the impact of the recession in 2010. (E) Miscellaneous income of \$1.8 million received as part of a revenue sharing agreement settlement. (F) With the exclusion of the impact of items (A) and (E), revenue from local

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

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sources increased \$370,000 (1%), despite revenue shortages vs. 2010 for investment and interest earnings (\$57,000, 9%) and recovered costs (\$83,000, 6%). G) State and Federal revenues combined were virtually on a par with revenues from 2010. These subject revenues are shown in Schedule 1.

- Expenditures: For the Primary Government, major categorical expenditures decreased in seven of the eight operational areas (with the exception of Education). Cost reduction measures were included in the FY11 Budget as a means of responding to the national and local economic downturn. Total Primary Government expenditures decreased \$ 402,730 (1%). Contributions to the County School Board increased \$1.4 million (7%), which met the budgeted expenditure target of \$20.4 million.
- Capital Improvement Projects – With the exception of the costs associated regarding the transfer of joint ownership of a library to Botetourt County (part of the dissolved revenue sharing agreement with Roanoke County) at a cost of \$762,000, there was very little capital projects activity for FY11. Excluding these items, there was a total of \$255,000 spent on capital projects, with the significant majority of those expenditures tied to economic development activities. Expenditure categorization and activity is reflected in Schedule 2.

### **Proprietary funds**

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

Unrestricted net assets of the County's Water and Sewer Enterprise Fund at the end of the year were \$2,511,990, which is a marked increase (7%) versus FY10's figure of \$2,354,249. 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 \$1,953,268. This difference was primarily due to supplemental appropriations. Major components of this difference are as follows:

- Appropriations in the amount of \$381,211 for Sheriff's Department grants and reimbursed costs.
- Appropriations totaling \$279,770 for capital projects activity not included in the carryover for prior year projects.
- Appropriation of budgeted carryover funds from the fiscal year ended June 30, 2010 for programs and capital projects in the amount of \$232,448.
- Appropriations totaling \$226,374 for Emergency Services grants and cost reimbursements.
- Appropriation of \$200,000 as a pass-thru of Governor's Opportunity Funds relating to a local business (Dynax Corporation of America) expansion.
- Appropriations totaling \$114,302 for receipt of State fire and rescue program funds.

## Management's Discussion and Analysis

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- Appropriations totaling \$112,673 representing Tourism and Parks and Recreation grants and reimbursed costs.
- Appropriation of \$79,434 for refund related activity.
- Appropriations totaling \$67,194 for unemployment insurance expenditures.
- Appropriations of \$65,649 to account for accruals relating to Contributions to County School Board.
- Appropriations totaling \$32,383 representing other State and Federal grants and cost reimbursements.
- Appropriation of \$31,266 for bond issuance costs for debt refinancing.
- Appropriations of \$30,408 representing proper coverage of accrued expenditure departmental activity.

The above-mentioned appropriations for amended budget expenditures total \$1,853,112 or 95% of the difference between the original budget appropriation and the amended budget.

With respect to FY11 amended budget vs. actual results, general fund revenues for the primary government were approximately 4.5% over budget for the year. Results for revenues from local sources accounted for nearly all of the total \$2.3 million positive variance, due primarily to results for general property taxes and miscellaneous revenues, which more than provided for coverage of budget shortfalls in other local revenue areas. State and Federal revenues combined were approximately \$120,000 (1%) over budget, due primarily to revenues received from the State homeland security grant program.

Amended budget vs. actual results for general fund government expenditures for FY11 reflected a 3% (\$1.6 million) positive variance due to significant savings in several categories. Most notably, spending was reduced for general government and public safety categories. The public safety category alone accounted for \$1.3 million in expenditure savings vs. final budget due primarily to a reduction in equipment support to fire and rescue agencies and the impact of vacancy savings. However, most departments and agencies contributed to cost reduction efforts as a means of contending with anticipated revenue shortfalls in several areas.

## Management's Discussion and Analysis

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### Capital Asset and Debt Administration

#### Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2011 is \$72,149,706 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress. The total represents a 2% decrease, as the net value of buildings decreased approximately \$2.1 million while machinery and equipment values decreased \$69,000, as there was a continuation in the relatively low level of capital asset activity.

Major capital asset events for governmental activities during FY11 included the following:

- Assumption of title of the Blue Ridge Library as part of the revenue and cost sharing settlement agreement with Roanoke County (FY11 Gross cost of \$761,674).
- Investment in industrial site development (Gross cost of \$223,982).
- Other minor projects (Gross cost of \$ 30,590).

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

|                          | Governmental activities |                      | Business-type activities |                      | Total                |                      |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                          | 2011                    | 2010                 | 2011                     | 2010                 | 2011                 | 2010                 |
| Land                     | \$ 12,204,545           | \$ 12,025,355        | \$ 43,010                | \$ 43,010            | \$ 12,247,555        | \$ 12,068,365        |
| Buildings                | 56,772,283              | 58,898,825           | -                        | -                    | 56,772,283           | 58,898,825           |
| Machinery and equipment  | 2,362,111               | 2,431,239            | -                        | -                    | 2,362,111            | 2,431,239            |
| Infrastructure           | -                       | -                    | 16,821,587               | 17,430,187           | 16,821,587           | 17,430,187           |
| Construction in progress | 810,767                 | 586,786              | 233,108                  | -                    | 1,043,875            | 586,786              |
| Total                    | \$ <u>72,149,706</u>    | \$ <u>73,942,205</u> | \$ <u>17,097,705</u>     | \$ <u>17,473,197</u> | \$ <u>89,247,411</u> | \$ <u>91,415,402</u> |

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

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## Management's Discussion and Analysis

### Long-term debt

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

| <b>County of Botetourt's Outstanding Debt</b> |                                |                      |                                 |                     |                      |                      |  |
|---|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|--|
|   | <u>Governmental activities</u> |                      | <u>Business-type activities</u> |                     | <u>Total</u>         |                      |  |
|   | <u>2011</u>                    | <u>2010</u>          | <u>2011</u>                     | <u>2010</u>         | <u>2011</u>          | <u>2010</u>          |  |
| General obligation bonds                      | \$ 36,145,337                  | \$ 38,219,274        | \$ -                            | \$ -                | \$ 36,145,337        | \$ 38,219,274        |  |
| Literary Loans                                | 6,073,160                      | 6,768,321            | -                               | -                   | 6,073,160            | 6,768,321            |  |
| Revenue Bonds                                 | -                              | -                    | 7,611,780                       | 7,519,106           | 7,611,780            | 7,519,106            |  |
| Landfill closure / post-closure               | 4,659,139                      | 4,556,430            | -                               | -                   | 4,659,139            | 4,556,430            |  |
| Compensated absences                          | 632,294                        | 600,576              | 79,782                          | 60,559              | 712,076              | 661,135              |  |
| <b>Total</b>                                  | <b>\$ 47,509,930</b>           | <b>\$ 50,144,601</b> | <b>\$ 7,691,562</b>             | <b>\$ 7,579,665</b> | <b>\$ 55,201,492</b> | <b>\$ 57,724,266</b> |  |

Botetourt County's FY11 outstanding debt for governmental activities decreased \$2,634,671 due to debt service retirements exceeding issuances and principal payments for general obligation and literary fund debt. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in a 2% increase in the liability. For business-type activities, outstanding debt increased by \$111,897 (1%) due to the net impact of a \$510,000 new debt service obligation exceeding the amount of debt service retirements.

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 \$1,247.
- Net bonded debt to assessed value, limit 4%, actual (0.97%).
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 6.03%.

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

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

The FY12 budget process continued the recent theme of identifying capital related projects and prioritizing the need for each significant project. This was done in light of the potential of limited growth in the local revenue base and the continuing trend of cost shifting and reductions in reimbursed costs from the State. As had been the case in prior years, the budget process included an effort to identify potential areas for cost reductions and holding the line in areas where a cost reduction was not feasible. There was also the need to address certain service activities and capital projects which had received reduced or no funding in recent years due to the recession. Management responded with suggestions and measures which provided for the desired results, as County and School expenditure reviews yielded proper identification of several operational needs, while adopting a budget that was still nearly \$3 million less than the FY10 adopted budget of two years ago. Factors and financial points of note regarding the FY12 Budget are as follows:

## Management's Discussion and Analysis

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- The unemployment rate for the County is currently 5.8 percent, which is a decrease from the rate of 6.1 percent a year ago. This compares favorably to the state's current unemployment rate of 6.4 percent and the current national rate of 8.8 percent. In terms of a positive trend, Botetourt County's FY11 average monthly unemployment rate was 5.8 percent.
- Funding from the Commonwealth of Virginia for the School Board is budgeted to increase by approximately \$541,000 (2%). With respect to support from the County, the FY12 budget reflects a small increase (\$105,000, or .5%) in operational funding. Total revenues for the School Board are budgeted to increase 2 million (7%), with a corresponding \$ 2 million increase in expenditures.
- General fund revenues in total for FY12 vs. FY11 Budget are expected to increase by approximately \$527,000 (1%). This increase is due in part to an anticipated increase in local revenues, as the County seeks to continue to rebound from recent economic downturns experienced in the most recent prior years. This includes budgeted gains in hotel, meals and local sales taxes. Net results for local revenues are projected to increase \$291,000, or 1%. Machinery & Tools Taxes reflect a \$200,000 (5%) reduction in the budget target, but will require only a 3% increase in revenues recognized in FY11. Current real estate taxes are expected to grow 1% in the first year following the FY11 impact of the most recent real estate tax reassessment, which is on a four-year cycle. While not budgeted for a significant impact, the Botetourt Sports Complex regional and national tournament schedule in combination with the County's tourism program are expected to provide a boost with regard to local activity taxes.
- Building permit revenues are expected to remain close to the current reduced level experienced for FY10 and FY11. State revenues for the local government are expected to decrease \$88,000 (1%), as Categorical Aid continues to decrease due to its utilization as a State budget balancing measure. Federal revenues are budgeted for a \$324,000 (33%) increase due to the County's receipt of a federal SAFER (Staffing for Adequate Fire & Rescue Emergency Response) grant, which will assist in the payment of wages and benefits for new hiring of Emergency Services personnel. This is a two year grant. As in previous years, the County will be monitoring interim FY12 revenue levels in the event that additional cost reduction measures are required in order to provide balancing offsets. With the assistance of recommendations from all levels of employees, County administration has formulated a list of additional cost reductions to implement, if necessary.
- FY12 General Fund budgeted expenditures include a \$290,000 giveback to the State as a reduction in aid. A similar amount was also refunded to the State in FY11, and this giveback of previously reimbursed expenditures and aid has become a State practice since FY09. General Fund operational expenditures (excluding education funding mentioned above) are budgeted to increase by approximately \$ 1.1 million (4.6%). Capital spending is budgeted to increase by \$317,000, or 2.8 times the \$176,000 budgeted in FY11, as priority needs have been identified in Parks and Recreation and Community Development areas. Including debt service, total County expenditures are budgeted to increase by approximately \$1.3 million (5%). These expenditures include additional positions primarily in the public safety area in the Emergency Services, Sheriff, and Dispatch departments.
- During the budget process, measures were taken to seek opportunities for cost reduction and minimization at the departmental level. As a result, nearly one-third of the County's departments

## Management's Discussion and Analysis

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reflected decreased budgets, while another one-third were budgeted for a 0% to 2% increase in expenditures. These cost reductions and maintenance of existing levels of departmental budgets provided the opportunity to fund those areas (primarily Emergency Services and Volunteer Fire & Rescue) requiring funding increases. There is a 2% wage increase included in the FY12 Budget. The most recent wage increment was provided in FY09.

- The general fund balance for Botetourt County relating to the FY12 budget anticipates an decrease of approximately \$300,000, which is in contrast to a \$400,000 increase budgeted for FY11. In essence, incremental FY11 revenues served to fund this projected decrease in FY12 fund balance. Also, a budgeted contingency of \$100,000 has been established in the event that currently unknown or extraordinary expenditures arise in FY12.
- For business-type activities, FY12 water and sewer revenues are anticipated to increase 8% versus the FY11 Budget, as the FY12 Budget includes a factor for a 4% increase in water and sewer rates in the second half of the fiscal year. Operational expenditures are budgeted for a 3% increase. Capital projects totaling \$611,000 are budgeted as compared to \$353,000 for FY11. The FY12 capital projects budget includes \$200,000 targeted to augment related utility fund reserves. Debt service will increase 3% as new debt service for the Cloverdale Water Extension Project will begin. However, expenditures are expected to be 4% less than revenues, which will provide for a \$125,000 positive variance, as this Enterprise Fund enhances its self-sustaining element.

General Fund capital projects for FY12 are budgeted at \$493,000 and are spread through Parks & Recreation, Community Development, Public Works, and Public Safety. The largest allocation is \$100,000 for industrial site development .

On the future year horizon is the design and construction of a Tinker Creek Interceptor Improvement project. This phase of the project will cost approximately \$2.7 million and would be completed in FY13. Financing has been secured at a 2.35% rate.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

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

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

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## **Basic Financial Statements**

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County of Botetourt, Virginia  
Statement of Net Assets  
June 30, 2011

|  | Primary Government |               |                | Component Units |              |
|--|--------------------|---------------|----------------|-----------------|--------------|
|  | Governmental       | Business-type | Total          | School Board    | IDA          |
|  | Activities         | Activities    |                | School Board    | IDA          |
| <b>ASSETS</b>                                      |                    |               |                |                 |              |
| Cash and cash equivalents                          | \$ 14,724,699      | \$ 2,267,900  | \$ 16,992,599  | \$ 6,785,915    | \$ -         |
| Cash in custody of others                          | -                  | 533,536       | 533,536        | -               | 1,650        |
| Receivables (net of allowance for uncollectibles): |                    |               |                |                 |              |
| Taxes receivable                                   | 1,140,969          | -             | 1,140,969      | -               | -            |
| Accounts receivable                                | 245,217            | 489,364       | 734,581        | 26,435          | -            |
| Due from component unit                            | 141,075            | -             | 141,075        | -               | -            |
| Due from other governmental units                  | 1,118,325          | -             | 1,118,325      | 1,241,831       | -            |
| Prepaid expenses                                   | 117,761            | 1,514         | 119,275        | 329,603         | -            |
| Deferred charges                                   | 148,131            | 74,207        | 222,338        | -               | -            |
| Restricted assets:                                 |                    |               |                |                 |              |
| Temporarily restricted:                            |                    |               |                |                 |              |
| Investments (in custody of others)                 | -                  | -             | -              | -               | 437,813      |
| Cash and cash equivalents                          | 198,529            | -             | 198,529        | 181,209         | -            |
| Capital assets (net of accumulated depreciation):  |                    |               |                |                 |              |
| Land   | 12,204,545         | 43,010        | 12,247,555     | 1,949,631       | -            |
| Buildings and improvements                         | 56,772,283         | -             | 56,772,283     | 22,397,157      | 4,063,468    |
| Machinery and equipment                            | 2,362,111          | -             | 2,362,111      | 1,858,420       | -            |
| Infrastructure                                     | -                  | 16,821,587    | 16,821,587     | -               | -            |
| Construction in progress                           | 810,767            | 233,108       | 1,043,875      | 18,880          | -            |
| Total assets                                       | \$ 89,984,412      | \$ 20,464,226 | \$ 110,448,638 | \$ 34,789,081   | \$ 4,502,931 |
| <b>LIABILITIES</b>                                 |                    |               |                |                 |              |
| Accounts payable                                   | \$ 659,241         | \$ 130,145    | \$ 789,386     | \$ 493,294      | \$ -         |
| Contracts payable                                  | -                  | -             | -              | 4,036,799       | -            |
| Customers' deposits                                | -                  | 42,543        | 42,543         | -               | -            |
| Accrued interest payable                           | 591,518            | 68,525        | 660,043        | -               | 5,515        |
| Due to primary government                          | -                  | -             | -              | 141,075         | -            |
| Unearned revenue                                   | 118,252            | -             | 118,252        | -               | 28,750       |
| Long-term liabilities:                             |                    |               |                |                 |              |
| Due within one year                                | 3,312,735          | 558,009       | 3,870,744      | 449,056         | 230,037      |
| Due in more than one year                          | 44,197,195         | 7,133,553     | 51,330,748     | 865,685         | 2,646,593    |
| Total liabilities                                  | \$ 48,878,941      | \$ 7,932,775  | \$ 56,811,716  | \$ 5,985,909    | \$ 2,910,895 |
| <b>NET ASSETS</b>                                  |                    |               |                |                 |              |
| Invested in capital assets, net of related debt    | \$ 29,931,209      | \$ 10,019,461 | \$ 39,950,670  | \$ 26,224,088   | \$ 1,186,838 |
| Restricted for:                                    |                    |               |                |                 |              |
| Law library  | 55,039             | -             | 55,039         | -               | -            |
| Emergency 911                                      | 16,765             | -             | 16,765         | -               | -            |
| Cafeteria operations                               | -                  | -             | -              | 181,209         | -            |
| Property seizure                                   | 109,198            | -             | 109,198        | -               | -            |
| Debt service                                       | -                  | -             | -              | -               | 408,513      |
| Van program  | 17,527             | -             | 17,527         | -               | -            |
| Unrestricted                                       | 10,975,733         | 2,511,990     | 13,487,723     | 2,397,875       | (3,315)      |
| Total net assets                                   | \$ 41,105,471      | \$ 12,531,451 | \$ 53,636,922  | \$ 28,803,172   | \$ 1,592,036 |

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, 2011

| Functions/Programs   | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |   |                 | Component Units |      |      |              |
|--|------------------|----------------------|------------------------------------|---|-------------------------|---|-----------------|-----------------|------|------|--------------|
|  | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Governmental Activities | Primary Government Business-type Activities | Total           | School Board    | IDA  |      |              |
|  |                  |                      |                                    |   |                         |   |                 |                 |      |      |              |
| <b>PRIMARY GOVERNMENT:</b>                                   |                  |                      |                                    |   |                         |   |                 |                 |      |      |              |
| Governmental activities:                                     |                  |                      |                                    |   |                         |   |                 |                 |      |      |              |
| General government administration                            | \$ 3,017,197     | \$ 1,148             | \$ 263,610                         | \$ -  | \$ (2,752,439)          | \$ -  | \$ (2,752,439)  | \$ -            | \$ - | \$ - | \$ -         |
| Judicial administration                                      | 1,251,798        | 183,408              | 682,894                            | -   | (385,496)               | -   | (385,496)       | -               | -    | -    | -            |
| Public safety  | 11,119,800       | 396,503              | 3,510,341                          | -   | (7,212,956)             | -   | (7,212,956)     | -               | -    | -    | -            |
| Public works   | 1,902,510        | 174,421              | 27,425                             | -   | (1,700,664)             | -   | (1,700,664)     | -               | -    | -    | -            |
| Health and welfare   | 3,572,226        | -                    | 2,101,262                          | -   | (1,470,964)             | -   | (1,470,964)     | -               | -    | -    | -            |
| Education  | 21,907,252       | -                    | -                                  | -   | (21,907,252)            | -   | (21,907,252)    | -               | -    | -    | -            |
| Parks, recreation, and cultural                              | 3,266,210        | 163,473              | 157,586                            | -   | (2,945,151)             | -   | (2,945,151)     | -               | -    | -    | -            |
| Community development  | 581,692          | -                    | 200,000                            | -   | (381,692)               | -   | (381,692)       | -               | -    | -    | -            |
| Interest on long-term debt                                   | 1,763,356        | -                    | -                                  | -   | (1,763,356)             | -   | (1,763,356)     | -               | -    | -    | -            |
| Total governmental activities                                | \$ 48,382,041    | \$ 918,953           | \$ 6,943,118                       | \$ -  | \$ (40,519,970)         | \$ -  | \$ (40,519,970) | \$ -            | \$ - | \$ - | \$ -         |
| Business-type activities:                                    |                  |                      |                                    |   |                         |   |                 |                 |      |      |              |
| Water and sewer  | \$ 2,616,243     | \$ 2,826,574         | \$ -                               | \$ -  | \$ -                    | \$ 210,331                                  | \$ 210,331      | \$ -            | \$ - | \$ - | \$ -         |
| Total primary government                                     | \$ 50,998,284    | \$ 3,745,527         | \$ 6,943,118                       | \$ -  | \$ (40,519,970)         | \$ 210,331                                  | \$ (40,309,639) | \$ -            | \$ - | \$ - | \$ -         |
| <b>COMPONENT UNITS:</b>                                      |                  |                      |                                    |   |                         |   |                 |                 |      |      |              |
| School Board   | \$ 49,634,571    | \$ 1,527,611         | \$ 26,078,893                      | \$ -  | \$ -                    | \$ -  | \$ (22,028,067) | \$ -            | \$ - | \$ - | \$ 67,891    |
| Industrial Development Authority                             | 278,109          | 345,000              | 1,000                              | -   | -                       | -   | -               | -               | -    | -    | 67,891       |
| Total component units  | \$ 49,912,680    | \$ 1,872,611         | \$ 26,079,893                      | \$ -  | \$ -                    | \$ -  | \$ (22,028,067) | \$ -            | \$ - | \$ - | \$ 67,891    |
| General revenues:  |                  |                      |                                    |   |                         |   |                 |                 |      |      |              |
| General property taxes                                       |                  |                      |                                    |   | \$ 30,227,710           | \$ -  | \$ 30,227,710   | \$ -            | \$ - | \$ - | \$ -         |
| Other local taxes:   |                  |                      |                                    |   |                         |   |                 |                 |      |      |              |
| Local sales and use taxes                                    |                  |                      |                                    |   | 2,028,548               | -   | 2,028,548       | -               | -    | -    | -            |
| Consumers' utility taxes                                     |                  |                      |                                    |   | 699,959                 | -   | 699,959         | -               | -    | -    | -            |
| Business license taxes                                       |                  |                      |                                    |   | 745,256                 | -   | 745,256         | -               | -    | -    | -            |
| Motor vehicle taxes  |                  |                      |                                    |   | 632,926                 | -   | 632,926         | -               | -    | -    | -            |
| Restaurant food taxes  |                  |                      |                                    |   | 1,093,240               | -   | 1,093,240       | -               | -    | -    | -            |
| Other local taxes  |                  |                      |                                    |   | 874,154                 | -   | 874,154         | -               | -    | -    | -            |
| Unrestricted revenues from the use of money and property     |                  |                      |                                    |   | 602,854                 | 19,062                                      | 621,916         | 148,730         | -    | 10   | -            |
| Miscellaneous  |                  |                      |                                    |   | 1,948,711               | -   | 1,948,711       | 223,725         | -    | -    | -            |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |   | 4,509,921               | -   | 4,509,921       | 20,947,906      | -    | -    | -            |
| Transfers  |                  |                      |                                    |   | 6,282                   | (6,282)                                     | -               | -               | -    | -    | -            |
| Total general revenues                                       |                  |                      |                                    |   | \$ 43,369,561           | \$ 12,780                                   | \$ 43,382,341   | \$ 21,320,361   | \$ - | \$ - | \$ 10        |
| Change in net assets   |                  |                      |                                    |   | \$ 2,849,591            | \$ 223,111                                  | \$ 3,072,702    | \$ (707,706)    | \$ - | \$ - | \$ 67,901    |
| Net assets - beginning, as restated                          |                  |                      |                                    |   | \$ 38,255,880           | \$ 12,308,340                               | \$ 50,564,220   | \$ 29,510,878   | \$ - | \$ - | \$ 1,524,135 |
| Net assets - ending  |                  |                      |                                    |   | \$ 41,105,471           | \$ 12,531,451                               | \$ 53,636,922   | \$ 28,803,172   | \$ - | \$ - | \$ 1,592,036 |

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

County of Botetourt, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2011

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|   | <u>General</u>       |
|---|----------------------|
| <b>ASSETS</b>   |                      |
| Cash and cash equivalents                             | \$ 14,891,489        |
| Receivables (net of allowance<br>for uncollectibles): |                      |
| Taxes receivable                                      | 1,140,969            |
| Accounts receivable                                   | 245,217              |
| Due from component unit                               | 141,075              |
| Due from other governmental units                     | 1,118,325            |
| Prepaid items   | 117,761              |
| Total assets  | <u>\$ 17,654,836</u> |
| <br><b>LIABILITIES AND FUND BALANCES</b>              |                      |
| Liabilities:  |                      |
| Accounts payable                                      | \$ 471,001           |
| Deferred revenue                                      | 966,984              |
| Total liabilities                                     | <u>\$ 1,437,985</u>  |
| Fund balance:   |                      |
| Nonspendable  |                      |
| Prepaid items   | 117,761              |
| Restricted  |                      |
| Law library   | 55,039               |
| Emergency 911   | 16,765               |
| Property seizure                                      | 109,198              |
| Van program   | 17,527               |
| Unassigned  | 15,900,561           |
| Total fund balances                                   | <u>\$ 16,216,851</u> |
| Total liabilities and fund balances                   | <u>\$ 17,654,836</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, 2011

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

|  |               |
|--|---------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds   | \$ 16,216,851 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 72,149,706    |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets consist of deferred property taxes.  | 848,732       |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | (156,501)     |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.   | (47,953,317)  |
| Net assets of governmental activities  | \$ 41,105,471 |

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, 2011

|  | <u>General</u>              |
|--|-----------------------------|
| <b>REVENUES</b>  |                             |
| General property taxes                                       | \$ 30,156,224               |
| Other local taxes  | 6,074,083                   |
| Permits, privilege fees, and regulatory licenses             | 216,496                     |
| Fines and forfeitures  | 115,006                     |
| Revenue from the use of money and property                   | 602,854                     |
| Charges for services   | 587,451                     |
| Miscellaneous  | 1,948,711                   |
| Recovered costs  | 1,383,273                   |
| Intergovernmental revenues:                                  |                             |
| Commonwealth   | 10,151,813                  |
| Federal  | 1,301,226                   |
| Total revenues   | <u>\$ 52,537,137</u>        |
| <b>EXPENDITURES</b>  |                             |
| Current:   |                             |
| General government administration                            | \$ 2,946,149                |
| Judicial administration                                      | 1,224,399                   |
| Public safety  | 11,570,131                  |
| Public works   | 1,670,355                   |
| Health and welfare   | 3,639,024                   |
| Education  | 20,401,136                  |
| Parks, recreation, and cultural                              | 2,850,141                   |
| Community development  | 600,861                     |
| Capital projects   | 1,016,336                   |
| Debt service:  |                             |
| Principal retirement   | 2,784,220                   |
| Bond issuance cost   | 31,266                      |
| Interest and other fiscal charges                            | 1,972,381                   |
| Total expenditures   | <u>\$ 50,706,399</u>        |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ 1,830,738</u>         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |
| Transfers in   | \$ 6,282                    |
| Proceeds from the issuance of refunding bond                 | 2,074,298                   |
| Refunded bonds redeemed                                      | (2,015,000)                 |
| Total other financing sources (uses)                         | <u>\$ 65,580</u>            |
| Net change in fund balances                                  | \$ 1,896,318                |
| Fund balances - beginning as restated                        | <u>14,320,533</u>           |
| Fund balances - ending                                       | <u><u>\$ 16,216,851</u></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, 2011

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

|  |           |                  |
|--|-----------|------------------|
| Net change in fund balances - total governmental funds   | \$        | 1,896,318        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.  |           | (1,792,498)      |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |           | 71,486           |
| 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. |           | 2,622,213        |
| 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.   |           | 208,573          |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.  |           | (156,501)        |
| Change in net assets of governmental activities  | <u>\$</u> | <u>2,849,591</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, 2011

|  | Enterprise<br>Fund<br><u>Water<br/>and Sewer</u> | Internal<br>Service<br><u>Funds</u> |
|--|--|-------------------------------------|
| <b>ASSETS</b>  |  |                                     |
| Current assets:  |  |                                     |
| Cash and cash equivalents                                | \$ 2,267,900                                     | \$ 31,739                           |
| Cash and cash equivalents (restricted)                   | 533,536  | -                                   |
| Accounts receivable, net of allowance for uncollectibles | 489,364  | -                                   |
| Prepaid expenses   | 1,514  | -                                   |
| Total current assets                                     | <u>\$ 3,292,314</u>                              | <u>\$ 31,739</u>                    |
| Noncurrent assets:                                       |  |                                     |
| Other assets:  |  |                                     |
| Unamortized bond issue costs                             | \$ 74,207  | \$ -                                |
| Capital assets:  |  |                                     |
| Land   | 43,010   | -                                   |
| Utility plant in service                                 | 26,566,264                                       | -                                   |
| Machinery and equipment                                  | 35,062   | -                                   |
| Construction in progress                                 | 233,108  | -                                   |
| Less accumulated depreciation                            | (9,779,739)                                      | -                                   |
| Total capital assets                                     | <u>\$ 17,097,705</u>                             | <u>\$ -</u>                         |
| Total noncurrent assets                                  | <u>\$ 17,171,912</u>                             | <u>\$ -</u>                         |
| Total assets   | <u>\$ 20,464,226</u>                             | <u>\$ 31,739</u>                    |
| <b>LIABILITIES</b>                                       |  |                                     |
| Current liabilities:                                     |  |                                     |
| Accounts payable   | \$ 130,145                                       | \$ -                                |
| Customers' deposits                                      | 42,543   | -                                   |
| Accrued interest payable                                 | 68,525   | -                                   |
| Health claims payable                                    | -  | 188,240                             |
| Compensated absences - current portion                   | 59,837   | -                                   |
| Bonds payable - current portion                          | 498,172  | -                                   |
| Total current liabilities                                | <u>\$ 799,222</u>                                | <u>\$ 188,240</u>                   |
| Noncurrent liabilities:                                  |  |                                     |
| Compensated absences - net of current portion            | \$ 19,945  | \$ -                                |
| Bonds payable - net of current portion                   | 7,113,608  | -                                   |
| Total noncurrent liabilities                             | <u>\$ 7,133,553</u>                              | <u>\$ -</u>                         |
| Total liabilities  | <u>\$ 7,932,775</u>                              | <u>\$ 188,240</u>                   |
| <b>NET ASSETS</b>  |  |                                     |
| Invested in capital assets, net of related debt          | \$ 10,019,461                                    | \$ -                                |
| Unrestricted (Deficit)                                   | 2,511,990  | (156,501)                           |
| Total net assets   | <u>\$ 12,531,451</u>                             | <u>\$ (156,501)</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, 2011

|  | Enterprise<br>Fund<br>Water<br>and Sewer | Internal<br>Service<br>Funds |
|--|--|------------------------------|
| <b>OPERATING REVENUES</b>                            |  |                              |
| Charges for services:                                |  |                              |
| Water revenues pledged as security for revenue bonds | \$ 1,105,584                             | \$ -                         |
| Sewer revenues pledged as security for revenue bonds | 1,588,335                                | -                            |
| Tap fees   | 128,952                                  | -                            |
| Insurance premiums                                   | -  | 856,913                      |
| Other revenues                                       | 3,703                                    | -                            |
| Total operating revenues                             | <u>\$ 2,826,574</u>                      | <u>\$ 856,913</u>            |
| <b>OPERATING EXPENSES</b>                            |  |                              |
| Personnel services                                   | \$ 483,566                               | \$ -                         |
| Contractual services                                 | 132,152                                  | -                            |
| Utilities and office expense                         | 693,212                                  | -                            |
| Repair and maintenance                               | 237,488                                  | -                            |
| Other supplies and expenses                          | -  | -                            |
| Insurance claims and expenses                        | -  | 1,013,414                    |
| Depreciation   | 777,735                                  | -                            |
| Total operating expenses                             | <u>\$ 2,324,153</u>                      | <u>\$ 1,013,414</u>          |
| Operating income (loss)                              | <u>\$ 502,421</u>                        | <u>\$ (156,501)</u>          |
| <b>NONOPERATING REVENUES (EXPENSES)</b>              |  |                              |
| Investment earnings                                  | \$ 19,062                                | \$ -                         |
| Interest expense                                     | (292,090)                                | -                            |
| Total nonoperating revenues (expenses)               | <u>\$ (273,028)</u>                      | <u>\$ -</u>                  |
| Income before contributions and transfers            | <u>\$ 229,393</u>                        | <u>\$ (156,501)</u>          |
| Transfers out  | <u>(6,282)</u>                           | <u>-</u>                     |
| Change in net assets                                 | \$ 223,111                               | \$ (156,501)                 |
| Total net assets - beginning                         | 12,308,340                               | -                            |
| Total net assets - ending                            | <u>\$ 12,531,451</u>                     | <u>\$ (156,501)</u>          |

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

County of Botetourt, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

|   | Enterprise<br>Fund<br><u>Water<br/>and Sewer</u> | Internal<br>Service<br><u>Funds</u> |
|---|--|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                                     |
| Receipts from customers and users   | \$ 2,852,328                                     | \$ -                                |
| Receipts for insurance premiums   | -  | 856,913                             |
| Payments to suppliers   | (1,023,316)                                      | -                                   |
| Payments to employees   | (464,343)  | -                                   |
| Payments for health claims  | -  | (825,174)                           |
| Net cash provided (used) by operating activities  | <u>\$ 1,364,669</u>                              | <u>\$ 31,739</u>                    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |  |                                     |
| Transfers from other funds  | \$ (6,282)                                       | \$ -                                |
| Net cash provided (used) by noncapital financing activities   | <u>\$ (6,282)</u>                                | <u>\$ -</u>                         |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |  |                                     |
| Additions to utility plant  | \$ (376,021)                                     | \$ -                                |
| Principal payments on bonds   | (478,632)  | -                                   |
| Proceeds from indebtedness  | 510,000  | -                                   |
| Interest payments   | (288,574)  | -                                   |
| Net cash provided (used) by capital and related financing activities                                  | <u>\$ (633,227)</u>                              | <u>\$ -</u>                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                                     |
| Interest and dividends received   | \$ 19,062  | \$ -                                |
| Net cash provided (used) by investing activities  | <u>\$ 19,062</u>                                 | <u>\$ -</u>                         |
| Net increase (decrease) in cash and cash equivalents  | \$ 744,222                                       | \$ 31,739                           |
| Cash and cash equivalents - beginning   | 2,057,214  | -                                   |
| Cash and cash equivalents - ending (including restricted of \$533,536)                                | <u>\$ 2,801,436</u>                              | <u>\$ 31,739</u>                    |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |  |                                     |
| Operating income (loss)   | \$ 502,421                                       | \$ (156,501)                        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |  |                                     |
| Depreciation expense  | \$ 777,735                                       | \$ -                                |
| (Increase) decrease in accounts receivable  | 21,186   | -                                   |
| (Increase) decrease in inventories  | -  | -                                   |
| (Increase) decrease in prepaid expenses   | (304)  | -                                   |
| Increase (decrease) in customer deposits  | 4,568  | -                                   |
| Increase (decrease) in operating payables   | 39,840   | -                                   |
| Increase (decrease) health claims payable   |  | 188,240                             |
| Increase (decrease) accrued leave   | 19,223   | -                                   |
| Total adjustments   | <u>\$ 862,248</u>                                | <u>\$ 188,240</u>                   |
| Net cash provided (used) by operating activities  | <u>\$ 1,364,669</u>                              | <u>\$ 31,739</u>                    |

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

County of Botetourt, Virginia  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2011

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|  | <u>Agency<br/>Funds</u> |
|--|-------------------------|
| <b>ASSETS</b>                                      |                         |
| Cash and cash equivalents                          | \$ 880,359              |
| Total assets                                       | \$ 880,359              |
| <br><b>LIABILITIES</b>                             |                         |
| Amounts held for social services clients           | \$ 20,134               |
| Amounts held for employees                         | 63,469                  |
| Amounts held for the Roanoke Valley Regional Board | 687,824                 |
| Amounts held for performance bond                  | 45,454                  |
| Amounts held for inmates                           | 63,478                  |
| Total liabilities                                  | \$ 880,359              |

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

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

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

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

A. Reporting Entity

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

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

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

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

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge Library and the Blue Ridge Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$172,586 for operations to the Blue Ridge Regional Library, and \$38,743 to the Blue Ridge Community Services Board. The County does not have any ongoing financial responsibilities for these organizations.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

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

The *Internal Service Fund* accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for in this fund.

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

2. Receivables and payables

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

3. Property Taxes

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

4. Allowance for 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 \$266,905 at June 30, 2011. The allowance consists of delinquent taxes in the amount of \$57,946 and delinquent water and sewer bills of \$208,959.

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.

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.

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

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

6. Capital assets (Continued)

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 \$292,090. 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

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard (implemented in 2011) has not affected the total amount of reported fund balances but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The County of Botetourt, Virginia evaluated its funds at June 30, 2011 and classified fund balance into the following five categories:

Non-spendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation

Committed -items that have been committed by formal action (resolution or ordinance) by the entity's "highest level of decision-making authority"; which the County of Botetourt, Virginia considers to be the Board of Supervisors.

Assigned -items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Botetourt, Virginia considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them.

When fund balance resources are available for a specific purpose in more than one classification, it is the Authority's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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

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

10. Net Assets

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

11. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

12. Restricted Assets

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

13. Inventories

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

14. Self-Insurance

The County was self-insured for health insurance beginning with the fiscal year ending June 30, 2011. Estimates for the accrued liability at the end of the year have been recorded.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$47,953,317) and (\$1,314,741) differences for the primary government and discretely presented component unit, respectively, are as follows:

|  | Primary<br>Government             | Component<br>Unit<br>School Board |
|--|-----------------------------------|-----------------------------------|
| Bonds and notes payable  | \$ (35,345,895)                   | \$ -                              |
| Premium on bond issuance   | (799,442)                         | -                                 |
| Less: Bond issuance costs (unamortized)  | 148,131                           | -                                 |
| Literary loans payable   | (6,073,160)                       | -                                 |
| Accrued interest payable   | (591,518)                         | -                                 |
| Landfill accrued closure and post-closure monitoring costs   | (4,659,139)                       | -                                 |
| OPEB liability   | -                                 | (716,000)                         |
| Compensated absences   | (632,294)                         | (598,741)                         |
|  | <u>                    </u>       | <u>                    </u>       |
| <br>Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i> | <br><u><u>\$ (47,953,317)</u></u> | <br><u><u>\$ (1,314,741)</u></u>  |

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these (\$1,792,498) and (\$43,107) differences for the primary government and discretely presented component unit, respectively, are as follows:

|   | Primary<br>Government | Component<br>Unit<br>School Board |
|---|-----------------------|-----------------------------------|
| Capital outlays   | \$ 1,693,787          | \$ 1,282,939                      |
| Loss on sale of capital asset   | (34,594)              | (218)                             |
| Transfer assets to School Board (net of depreciation)   | (558,920)             | 558,920                           |
| Depreciation expense  | (2,892,771)           | (1,884,748)                       |
|   |                       |                                   |
| 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> | \$ (1,792,498)        | \$ (43,107)                       |

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

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

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,622,213 difference in the primary government are as follows:

|  |                                |
|--|--------------------------------|
| Debt Issued or incurred:   |                                |
| Proceeds from bond and note issuances  | \$ (2,074,298)                 |
| Increase in estimated liability  |                                |
| Accrued landfill closure/postclosure   | \$ (102,709)                   |
| Principal repayments:  |                                |
| General obligation debt  | 4,104,059                      |
| Literary loans   | <u>695,161</u>                 |
| <br>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> | <br><u><u>\$ 2,622,213</u></u> |

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

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

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these \$208,573 and (\$52,589) differences for the primary government and discretely presented component unit, respectively, are as follows:

|   | Primary<br>Government           | Component<br>Unit<br>School Board |
|---|---------------------------------|-----------------------------------|
| (Increase) decrease in compensated absences   | \$ (31,718)                     | \$ 39,794                         |
| (Increase) decrease in OPEB obligation  | -                               | (92,383)                          |
| (Increase) decrease in accrued interest   | 180,678                         | -                                 |
| Amortization of bond issuance costs   | 15,437                          | -                                 |
| Amortization of premium   | 44,176                          | -                                 |
|   | <u>          </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>          </u><br>\$ 208,573 | <u>          </u><br>\$ (52,589)  |

**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.

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

A. Budgetary information (Continued)

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, 2011.

C. Deficit fund equity

At June 30, 2011, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. Seq. of the Code of Virginia . Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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).

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2011 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   | \$ 3,107,857                |

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

External Investment Pools

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

Interest Rate Risk

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

Custodial Credit Risk

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

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

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

|  | <u>Primary<br/>Government</u> | <u>Component Unit-<br/>School Board</u> |
|--|-------------------------------|---|
| <u>Commonwealth of Virginia:</u>           |                               |   |
| Local sales tax                            | \$ 379,541                    | \$ -                                    |
| Categorical aid-State sales tax            | -                             | 844,129                                 |
| Categorical aid-Other                      | 465,551                       | -                                       |
| Non-categorical aid                        | 33,060                        | -                                       |
| Categorical aid-Virginia Public Assistance | 36,490                        | -                                       |
| Categorical aid-Comprehensive Services Act | 137,497                       | -                                       |
| <u>Federal Government:</u>                 |                               |   |
| Categorical aid-Virginia Public Assistance | 65,935                        | -                                       |
| Categorical aid-Other                      | 251                           | 397,702                                 |
| Totals                                     | <u>\$ 1,118,325</u>           | <u>\$ 1,241,831</u>                     |

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

| <u>Fund</u>                           | <u>Due to Primary<br/>Government/<br/>Component Unit</u> | <u>Due from Primary<br/>Government/<br/>Component Unit</u> |
|---------------------------------------|--|--|
| <u>Primary Government:</u>            |  |  |
| General Fund                          | \$ -   | \$ 141,075   |
| <u>Component Unit - School Board:</u> |  |  |
| School Fund                           | \$ 141,075   | \$ -   |
| Totals                                | <u>\$ 141,075</u>  | <u>\$ 141,075</u>  |

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

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

Primary government contributions to component units for the year ended June 30, 2011, consisted of the following:

|                 |               |
|-----------------|---------------|
| Component Unit: |               |
| School Board    | \$ 20,388,986 |

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. During the fiscal year, the County transferred funds totaling \$6,282 from the Water and Sewer Fund to the General Fund.

**Note 8-Long-Term Liabilities:**

**Primary Government - Governmental Activity Indebtedness:**

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

| Year Ending<br>June 30, | General Obligation Bonds |                      | Literary Fund Loans |                   |
|-------------------------|--------------------------|----------------------|---------------------|-------------------|
|                         | Principal                | Interest             | Principal           | Interest          |
| 2012                    | \$ 2,186,585             | \$ 1,613,059         | \$ 651,930          | \$ 182,195        |
| 2013                    | 2,135,260                | 1,524,678            | 651,930             | 162,637           |
| 2014                    | 2,171,342                | 1,435,864            | 651,930             | 143,079           |
| 2015                    | 2,217,827                | 1,345,303            | 651,930             | 123,521           |
| 2016                    | 1,799,881                | 1,256,556            | 651,930             | 103,963           |
| 2017-2021               | 7,355,000                | 5,182,692            | 2,759,650           | 233,947           |
| 2022-2026               | 9,085,000                | 3,207,756            | 53,860              | 2,424             |
| 2027-2031               | 6,080,000                | 1,237,289            | -                   | -                 |
| 2032-2033               | 2,315,000                | 117,018              | -                   | -                 |
| Totals                  | <u>\$ 35,345,895</u>     | <u>\$ 16,920,215</u> | <u>\$ 6,073,160</u> | <u>\$ 951,766</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

**Note 8-Long-Term Liabilities:**

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term liability transactions of the County for the year ended June 30, 2011.

|  | Balance<br>July 1, 2010 | Issuances        | Retirements        | Balance<br>June 30, 2011 |
|--|-------------------------|------------------|--------------------|--------------------------|
| General Obligation                         |                         |                  |                    |                          |
| Bonds                                      | \$ 37,375,656           | \$ 2,074,298     | \$ (4,104,059)     | \$ 35,345,895            |
| Unamortized Premium                        | 843,618                 | -                | (44,176)           | 799,442                  |
| Literary Loans                             | 6,768,321               | -                | (695,161)          | 6,073,160                |
| Landfill closure/<br>postclosure liability | 4,556,430               | 102,709          | -                  | 4,659,139                |
| Compensated absences                       | 600,576                 | 482,150          | (450,432)          | 632,294                  |
| <br>Total                                  | <br>\$ 50,144,601       | <br>\$ 2,659,157 | <br>\$ (5,293,828) | <br>\$ 47,509,930        |

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

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

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

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

Details of long-term liabilities:

| Type/<br>Project                            | Interest<br>Rates | Issue<br>Date | Final<br>Maturity<br>Date | Amount of<br>Original<br>Issue | Balance<br>Governmental<br>Activities | Amount<br>Due Within<br>One Year |
|---|-------------------|---------------|---------------------------|--------------------------------|---------------------------------------|----------------------------------|
| General Obligation Bonds:                   |                   |               |                           |                                |                                       |                                  |
| General projects refunding bond             | 1.39%             | 10/12/2010    | 2015                      | \$ 2,074,298                   | \$ 2,074,298                          | \$ 556,566                       |
| General projects                            | 5.1% - 6.1%       | 12/21/1995    | 2016                      | 8,385,372                      | 2,379,403                             | 457,825                          |
| School construction                         | 4.1% - 5.225%     | 4/30/1998     | 2019                      | 1,545,000                      | 600,000                               | 75,000                           |
| School construction                         | 4.85% - 6.6%      | Aug. 1991     | 2012                      | 1,267,416                      | 82,194                                | 82,194                           |
| School construction                         | 4.1% - 5.1%       | 5/11/2006     | 2026                      | 15,890,000                     | 13,840,000                            | 580,000                          |
| Jail Construction                           | 3.6325% - 4.9866% | 6/8/2006      | 2032                      | 17,570,000                     | 16,370,000                            | 435,000                          |
| Total GO Bonds                              |                   |               |                           |                                | \$ 35,345,895                         | \$ 2,186,585                     |
| Add:  |                   |               |                           |                                |                                       |                                  |
| Unamortized premium on Issuance             | n/a               | n/a           | n/a                       | n/a                            | \$ 799,442                            | \$ -                             |
| Net GO Bonds                                |                   |               |                           |                                | \$ 36,145,337                         | \$ 2,186,585                     |
| Other Long-term Debt: (Literary Fund Loans) |                   |               |                           |                                |                                       |                                  |
| School construction                         | 3.00%             | 12/1/2000     | 2021                      | 7,500,000                      | \$ 3,750,000                          | \$ 375,000                       |
| School construction                         | 3.00%             | 2/1/1999      | 2019                      | 5,000,000                      | 2,000,000                             | 250,000                          |
| School construction                         | 3.00%             | 1/15/2003     | 2023                      | 538,600                        | 323,160                               | 26,930                           |
| Total Literary Fund Loans                   |                   |               |                           |                                | \$ 6,073,160                          | \$ 651,930                       |
| Other Obligations:                          |                   |               |                           |                                |                                       |                                  |
| Comp. Absences                              | n/a               | n/a           | n/a                       | n/a                            | \$ 632,294                            | \$ 474,220                       |
| Landfill closure/post-closure monitoring    | n/a               | n/a           | n/a                       | n/a                            | 4,659,139                             | -                                |
| Total Other Obligations                     |                   |               |                           |                                | \$ 5,291,433                          | \$ 474,220                       |
| Total Long-term liabilities                 |                   |               |                           |                                | \$ 47,509,930                         | \$ 3,312,735                     |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

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

Primary Government - Enterprise Activity Liabilities:

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

| Year Ending<br>June 30, | Revenue Bonds       |                     |
|-------------------------|---------------------|---------------------|
|                         | Principal           | Interest            |
| 2012                    | \$ 498,172          | \$ 284,171          |
| 2013                    | 528,040             | 268,513             |
| 2014                    | 548,255             | 249,795             |
| 2015                    | 563,829             | 228,717             |
| 2016                    | 589,775             | 205,465             |
| 2017-2021               | 2,903,113           | 657,315             |
| 2022-2026               | 1,716,216           | 188,861             |
| 2027-2031               | 265,975             | 28,987              |
| 2032                    | 40,000              | 831                 |
| Totals                  | <u>\$ 7,653,375</u> | <u>\$ 2,112,655</u> |

The following is a summary of long-term liabilities transactions of the Enterprise Fund for the year ended June 30, 2011.

|                              | Balance<br>July 1, 2010 | Issuances         | Retirements         | Balance<br>June 30, 2011 |
|------------------------------|-------------------------|-------------------|---------------------|--------------------------|
| Revenue Bonds                | \$ 7,622,008            | \$ 510,000        | \$ (478,633)        | \$ 7,653,375             |
| Unamortized Premium          | 35,362                  | 53,389            | (2,471)             | 86,280                   |
| Deferred amount on refunding | (138,534)               | -                 | 10,659              | (127,875)                |
| Compensated absences         | 60,559                  | 64,642            | (45,419)            | 79,782                   |
| Total                        | <u>\$ 7,579,395</u>     | <u>\$ 628,031</u> | <u>\$ (515,864)</u> | <u>\$ 7,691,562</u>      |

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

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

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

Primary Government - Enterprise Activity Liabilities: (Continued)

Details of long-term liabilities:

|                              | Interest<br>Rates | Issue<br>Date | Final<br>Maturity<br>Date | Amount of<br>Original<br>Issue | Balance<br>Business-type<br>Activities | Amount<br>Due Within<br>One Year |
|------------------------------|-------------------|---------------|---------------------------|--------------------------------|--|----------------------------------|
| Revenue Bonds:               |                   |               |                           |                                |  |                                  |
| VRA Refunding Bond           | 3.1% - 4.9269%    | 5/17/2005     | 2023                      | \$ 4,250,000                   | \$ 3,215,000                           | \$ 215,000                       |
| VRA Bond                     | 3.75%             | 7/31/1997     | 2019                      | 3,000,000                      | 1,413,104                              | 154,539                          |
| VRA Bond                     | 3.10%             | 8/1/2004      | 2027                      | 4,032,975                      | 2,515,271                              | 128,633                          |
| VRA Bond                     | 2.125% - 5.125%   | 5/2/2011      | 2032                      | 510,000                        | 510,000                                | -                                |
| Total Revenue Bonds          |                   |               |                           |                                | <u>\$ 7,653,375</u>                    | <u>\$ 498,172</u>                |
| Add:                         |                   |               |                           |                                |  |                                  |
| Unamortized premium          |                   |               |                           |                                | \$ 86,280                              | \$ -                             |
| Deferred amount on refunding |                   |               |                           |                                | (127,875)                              | -                                |
| Net Revenue Bonds            |                   |               |                           |                                | <u>\$ 7,611,780</u>                    | <u>\$ 498,172</u>                |
| Other Obligations:           |                   |               |                           |                                |  |                                  |
| Comp. Absences               | n/a               | n/a           | n/a                       | n/a                            | <u>\$ 79,782</u>                       | <u>\$ 59,837</u>                 |
| Total Long-term liabilities  |                   |               |                           |                                | <u>\$ 7,691,562</u>                    | <u>\$ 558,009</u>                |

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

Discretely Presented Component Unit - School Board Liabilities:

The following is a summary of long-term liabilities transactions of the Component Unit-School Board for the year ended June 30, 2011.

|                      | Balance<br>July 1, 2010 | Issuances         | Retirements         | Balance<br>June 30, 2011 |
|----------------------|-------------------------|-------------------|---------------------|--------------------------|
| OPEB obligation      | \$ 623,617              | \$ 92,383         |                     | \$ 716,000               |
| Compensated absences | 638,535                 | 439,108           | (478,902)           | 598,741                  |
| Total                | <u>\$ 1,262,152</u>     | <u>\$ 531,491</u> | <u>\$ (478,902)</u> | <u>\$ 1,314,741</u>      |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

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

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

Details of long-term liabilities:

|                             | <u>Interest<br/>Rates</u> | <u>Issue<br/>Date</u> | <u>Final<br/>Maturity<br/>Date</u> | <u>Amount of<br/>Original<br/>Issue</u> | <u>Balance<br/>Governmental<br/>Activities</u> | <u>Amount<br/>Due Within<br/>One Year</u> |
|-----------------------------|---------------------------|-----------------------|------------------------------------|---|--|---|
| Other Obligations:          |                           |                       |                                    |   |  |   |
| OPEB Obligation             | n/a                       | n/a                   | n/a                                | n/a                                     | \$ 716,000                                     | \$ -                                      |
| Compensated Absences        | n/a                       | n/a                   | n/a                                | n/a                                     | 598,741  | 449,056                                   |
| Total long-term liabilities |                           |                       |                                    |   | <u>\$ 1,314,741</u>                            | <u>\$ 449,056</u>                         |

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

Discretely Presented Component Unit - Industrial Development Authority Liabilities:

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

| <u>Year Ending<br/>June 30,</u> | <u>Lease Revenue Bond</u> |                   |
|---------------------------------|---------------------------|-------------------|
|                                 | <u>Principal</u>          | <u>Interest</u>   |
| 2012                            | 230,037                   | 131,897           |
| 2013                            | 240,929                   | 121,005           |
| 2014                            | 252,336                   | 109,598           |
| 2015                            | 264,284                   | 97,650            |
| 2016                            | 276,797                   | 85,137            |
| 2017-2020                       | <u>1,612,247</u>          | <u>203,137</u>    |
| Totals                          | <u>\$ 2,876,630</u>       | <u>\$ 748,424</u> |

The following is a summary of long-term liabilities transactions of the Component Unit-Industrial Development Authority for the year ended June 30, 2011.

|                    | <u>Balance<br/>July 1, 2010</u> | <u>Issuances</u> | <u>Retirements</u>  | <u>Balance<br/>June 30, 2011</u> |
|--------------------|---------------------------------|------------------|---------------------|----------------------------------|
| Lease Revenue Bond | <u>\$ 3,096,201</u>             | <u>\$ -</u>      | <u>\$ (219,571)</u> | <u>\$ 2,876,630</u>              |

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

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

Details of long-term liabilities:

|                      | Interest<br>Rates | Issue<br>Date | Final<br>Maturity<br>Date | Amount of<br>Original<br>Issue | Balance<br>Business-type<br>Activities | Amount<br>Due Within<br>One Year |
|----------------------|-------------------|---------------|---------------------------|--------------------------------|--|----------------------------------|
| Lease Revenue Bonds: |                   |               |                           |                                |  |                                  |
| Lease Revenue Bond   | 4.68%             | 5/1/1999      | 2020                      | \$ 4,812,833                   | \$ 2,876,630                           | \$ 230,037                       |

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

A. Plan Description

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

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

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or at age 50 with at least five years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

A. Plan Description

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer 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 compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the County of Botetourt, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Botetourt, Virginia's contribution rate for the fiscal year ended 2011 was 10.02% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County of Botetourt, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Botetourt, Virginia's contribution rate for the fiscal year ended 2011 was 9.82% of annual covered payroll.

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

C. Annual Pension Cost

For fiscal year 2011, the County of Botetourt, Virginia’s annual pension cost of \$989,585 and \$255,585 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<br>Year<br>Ending | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------------------|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| Primary Government:                  |                          |                                 |                                     |                              |
| County                               | 6/30/2011                | \$ 989,585                      | 100.00%                             | \$ -                         |
|                                      | 6/30/2010                | 1,048,201                       | 100.00%                             | -                            |
|                                      | 6/30/2009                | 1,058,913                       | 100.00%                             | -                            |
| Discretely Presented-Component Unit: |                          |                                 |                                     |                              |
| School Board Non-Professional        | 6/30/2011                | \$ 255,585                      | 100.00%                             | \$ -                         |
|                                      | 6/30/2010                | 304,376                         | 100.00%                             | -                            |
|                                      | 6/30/2009                | 340,177                         | 100.00%                             | -                            |

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Botetourt, Virginia’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Botetourt, Virginia’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 77.03% funded. The actuarial accrued liability for benefits was \$35,657,580, and the actuarial value of assets was \$27,467,725, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,189,855. The covered payroll (annual payroll of active employees covered by the plan) was \$10,115,413, and ratio of the UAAL to the covered payroll was 80.96%.

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

D. Funded Status and Funding Progress (Continued)

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

As of June 30, 2010, the most recent actuarial valuation date, the plan was 76.15% funded. The actuarial accrued liability for benefits was \$11,852,233, and the actuarial value of assets was \$9,025,981, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,826,252. The covered payroll (annual payroll of active employees covered by the plan) was \$2,763,889, and ratio of the UAAL to the covered payroll was 102.26%.

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/2010-annual-report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$973,244, \$1,586,501, and \$2,283,774 for the fiscal years ended 2011, 2010, and 2009, respectively. Required employer contributions represented 3.93% for 2011, 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010, and 8.81% for 2009 respectively.

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

**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 \$118,252 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$118,252 at June 30, 2011.

**Note 12-Capital Assets:**

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

|   | Beginning<br>Balance   | Increases             | Decreases             | Ending<br>Balance      |
|---|------------------------|-----------------------|-----------------------|------------------------|
| <b>Governmental Activities:</b>             |                        |                       |                       |                        |
| Capital assets, not being depreciated:      |                        |                       |                       |                        |
| Land  | \$ 12,025,355          | \$ 179,190            | \$ -                  | \$ 12,204,545          |
| Construction in progress                    | 586,786                | 223,981               | -                     | 810,767                |
| Total capital assets not being depreciated  | <u>\$ 12,612,141</u>   | <u>\$ 403,171</u>     | <u>\$ -</u>           | <u>\$ 13,015,312</u>   |
| Capital assets, being depreciated:          |                        |                       |                       |                        |
| Buildings                                   | \$ 72,675,530          | \$ 501,758            | \$ (1,278,231)        | \$ 71,899,057          |
| Machinery and equipment                     | 8,057,282              | 788,858               | (376,602)             | 8,469,538              |
| Total capital assets being depreciated      | <u>\$ 80,732,812</u>   | <u>\$ 1,290,616</u>   | <u>\$ (1,654,833)</u> | <u>\$ 80,368,595</u>   |
| Less: accumulated depreciation for:         |                        |                       |                       |                        |
| Buildings                                   | \$ (13,776,705)        | \$ (2,069,380)        | \$ 719,311            | \$ (15,126,774)        |
| Machinery and equipment                     | (5,626,044)            | (823,391)             | 342,008               | (6,107,427)            |
| Total accumulated depreciation              | <u>\$ (19,402,749)</u> | <u>\$ (2,892,771)</u> | <u>\$ 1,061,319</u>   | <u>\$ (21,234,201)</u> |
| Total capital assets being depreciated, net | <u>\$ 61,330,063</u>   | <u>\$ (1,602,155)</u> | <u>\$ (593,514)</u>   | <u>\$ 59,134,394</u>   |
| Governmental activities capital assets, net | <u>\$ 73,942,204</u>   | <u>\$ (1,198,984)</u> | <u>\$ (593,514)</u>   | <u>\$ 72,149,706</u>   |

The County contributed assets with a carrying value of \$558,920 (\$1,278,231 gross value net of accumulated depreciation totaling \$719,311) to the Component-unit School Board during the fiscal year.

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

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

Primary Government: (Continued)

|  | Beginning<br>Balance        | Increases                  | Decreases          | Ending<br>Balance           |
|--|-----------------------------|----------------------------|--------------------|-----------------------------|
| <b>Business-Type Activities:</b>             |                             |                            |                    |                             |
| Capital assets, not being depreciated:       |                             |                            |                    |                             |
| Land   | \$ 43,010                   | \$ -                       | \$ -               | \$ 43,010                   |
| Construction in progress                     | 26,222                      | 206,886                    | -                  | 233,108                     |
| Total capital assets not being depreciated   | <u>\$ 69,232</u>            | <u>\$ 206,886</u>          | <u>\$ -</u>        | <u>\$ 276,118</u>           |
| Capital assets, being depreciated:           |                             |                            |                    |                             |
| Utility plant and equipment                  | \$ 26,397,129               | \$ -                       | \$ -               | \$ 26,397,129               |
| Machinery and equipment                      | 35,062                      | 169,135                    | -                  | 204,197                     |
| Total capital assets being depreciated       | <u>\$ 26,432,191</u>        | <u>\$ 169,135</u>          | <u>\$ -</u>        | <u>\$ 26,601,326</u>        |
| Less: accumulated depreciation for:          |                             |                            |                    |                             |
| Utility plant and equipment                  | \$ (8,966,942)              | \$ (777,735)               | \$ -               | \$ (9,744,677)              |
| Machinery and equipment                      | (35,062)                    | -                          | -                  | (35,062)                    |
| Total accumulated depreciation               | <u>\$ (9,002,004)</u>       | <u>\$ (777,735)</u>        | <u>\$ -</u>        | <u>\$ (9,779,739)</u>       |
| Total capital assets being depreciated, net  | <u>\$ 17,430,187</u>        | <u>\$ (608,600)</u>        | <u>\$ -</u>        | <u>\$ 16,821,587</u>        |
| Business-type activities capital assets, net | <u><u>\$ 17,499,419</u></u> | <u><u>\$ (401,714)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 17,097,705</u></u> |

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

|  |                            |
|--|----------------------------|
| Governmental activities:                           |                            |
| General government                                 | \$ 222,117                 |
| Judicial administration                            | 19,382                     |
| Public safety                                      | 1,246,137                  |
| Public works                                       | 130,394                    |
| Education  | 947,198                    |
| Parks, recreation, and culture                     | 327,543                    |
| Total depreciation expense-governmental activities | <u><u>\$ 2,892,771</u></u> |
| Business-type activities:                          |                            |
| Service authority                                  | \$ 777,735                 |

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

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

Capital asset activity for the School Board for the year ended June 30, 2011 was as follows:

Discretely Presented Component Unit - School Board:

|   | Beginning<br>Balance        | Increases                | Decreases                  | Ending<br>Balance           |
|---|-----------------------------|--------------------------|----------------------------|-----------------------------|
| Capital assets, not being depreciated:      |                             |                          |                            |                             |
| Land  | \$ 1,455,729                | \$ 493,902               | \$ -                       | \$ 1,949,631                |
| Construction in progress                    | 170,347                     | 198,036                  | (349,503)                  | 18,880                      |
| Total capital assets not being depreciated  | <u>\$ 1,626,076</u>         | <u>\$ 691,938</u>        | <u>\$ (349,503)</u>        | <u>\$ 1,968,511</u>         |
| Capital assets, being depreciated:          |                             |                          |                            |                             |
| Buildings                                   | \$ 40,173,779               | \$ 2,104,246             | \$ -                       | \$ 42,278,025               |
| Machinery and equipment                     | 6,902,981                   | 114,489                  | (169,384)                  | 6,848,086                   |
| Total capital assets being depreciated      | <u>\$ 47,076,760</u>        | <u>\$ 2,218,735</u>      | <u>\$ (169,384)</u>        | <u>\$ 49,126,111</u>        |
| Less: accumulated depreciation for:         |                             |                          |                            |                             |
| Buildings                                   | \$ (17,923,689)             | \$ (1,957,179)           | \$ -                       | \$ (19,880,868)             |
| Machinery and equipment                     | (4,511,952)                 | (646,880)                | 169,166                    | (4,989,666)                 |
| Total accumulated depreciation              | <u>\$ (22,435,641)</u>      | <u>\$ (2,604,059)</u>    | <u>\$ 169,166</u>          | <u>\$ (24,870,534)</u>      |
| Total capital assets being depreciated, net | <u>\$ 24,641,119</u>        | <u>\$ (385,324)</u>      | <u>\$ (218)</u>            | <u>\$ 24,255,577</u>        |
| School Board capital assets, net            | <u><u>\$ 26,267,195</u></u> | <u><u>\$ 306,614</u></u> | <u><u>\$ (349,721)</u></u> | <u><u>\$ 26,224,088</u></u> |

**Note 13-Risk Management:**

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

The component unit School Board participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Municipal League Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Virginia Municipal League Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, and depletion of

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

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

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

**Note 14-Contingent Liabilities:**

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

**Note 15-Surety Bonds:**

Primary Government:

|   |            |
|---|------------|
| <u>Fidelity &amp; 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     |
| <br>  |            |
| <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    |

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

United States Fidelity and Guaranty Company-Surety:

|                       |    |       |
|-----------------------|----|-------|
| Board of Supervisors: | \$ | 1,000 |
| Terry Austin          |    | 1,000 |
| Don Assaid            |    | 1,000 |
| Larry B. Ceola        |    | 1,000 |
| Billy W. Martin, Sr.  |    | 1,000 |
| Stephen P. Clinton    |    | 1,000 |

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 97% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$4,803,236 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2011. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 97% of the aforementioned amount has been recognized as a liability in the financial statements (\$4,659,139). The remaining amount to be recognized, \$144,097, will be recognized over the landfill’s remaining life based on usage. As of June 30, 2011, the landfill’s remaining life is estimated to be 3.0 years. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia’s financial assurance mechanism to meet the Department of Environmental Quality’s assurance requirements for landfill closure and post-closure costs.

**Note 17 - Commitments and Contingencies:**

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

**Note 18 - Arbitrage Rebate Compliance:**

As of June 30, 2011 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

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

Component Unit: School Board

A. Plan Description

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

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 694 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The monthly rates were as follows at June 30, 2011:

| <u>Participants</u> | <u>Total Premium</u> |
|---------------------|----------------------|
| Employee            | \$ 456.19            |
| Employee / Spouse   | 912.81               |
| Employee / Child    | 661.69               |
| Family              | 1,150.27             |

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

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

Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2011, the Board's annual contribution of \$332,000 did not equal the annual OPEB cost of \$436,000. The obligation calculation is as follows:

|  |                          |
|--|--------------------------|
| Annual required contribution               | \$ 435,000               |
| Interest on net OPEB obligation            | 28,000                   |
| Adjustment to annual required contribution | (38,617)                 |
| Annual OPEB cost (expense)                 | <u>424,383</u>           |
| Contributions made                         | <u>332,000</u>           |
| Increase in net OPEB obligation            | 92,383                   |
| Net OPEB obligation - beginning of year    | 623,617                  |
| Net OPEB obligation - ending of year       | <u><u>\$ 716,000</u></u> |

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

| Fiscal<br>Year Ended | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|--|------------------------|
| 6/30/2009            | \$ 480,000          | 35%  | \$ 310,000             |
| 6/30/2010            | 483,617             | 35%  | 623,617                |
| 6/30/2011            | 424,383             | 78%  | 716,000                |

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010 (date of the most recent actuarial valuation), was as follows:

|   |               |
|---|---------------|
| Actuarial accrued liability (AAL)                 | \$ 4,681,000  |
| Actuarial value of plan assets                    | \$ -          |
| Unfunded actuarial accrued liability (UAAL)       | \$ 4,681,000  |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00%         |
| Covered payroll (active plan members)             | \$ 22,961,000 |
| UAAL as a percentage of covered payroll           | 20.39%        |

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

**Component Unit: School Board (Continued)**

**D. Funded Status and Funding Progress (Continued)**

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

**E. Actuarial Methods and Assumptions**

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

In the June 30, 2010, actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4.5%, and a health care trend rate of 8% graded to 5% decreasing 1% per year. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2010, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

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

**Professional Employees - Discretely Presented Component Unit School Board**

**A. Plan Description**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

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

A. Plan Description (Continued)

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 0.60%, 1.04%, and 1.16% of annual covered payroll for the years ending June 30, 2011, 2010, and 2009, respectively. The School Board's contributions to VRS for the years ending June 30, 2011, 2010, and 2009 were \$148,587, \$263,257, and \$300,701, respectively and equaled the required contributions for each year.

**Note 21-Current Refunding:**

The County issued general obligation refunding bonds of \$2,074,298 for a current refunding of \$2,015,000 of general obligation bonds plus accrued interest on same. The refunding was undertaken to reduce future debt service payments. This transaction resulted in an economic gain of \$123,911 on a present value basis and will reduce future debt service payments by \$127,018.

**Note 22-New Accounting Standards:**

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

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**Required Supplementary Information**

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County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

|  | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|---------------|-------------------|---|
|  | Original         | Final         |                   |   |
| <b>REVENUES</b>                                  |                  |               |                   |   |
| General property taxes                           | \$ 29,484,500    | \$ 29,405,066 | \$ 30,156,224     | \$ 751,158  |
| Other local taxes                                | 6,237,500        | 6,237,500     | 6,074,083         | (163,417)   |
| Permits, privilege fees, and regulatory licenses | 284,200          | 284,200       | 216,496           | (67,704)  |
| Fines and forfeitures                            | 105,200          | 105,200       | 115,006           | 9,806   |
| Revenue from the use of money and property       | 700,750          | 700,750       | 602,854           | (97,896)  |
| Charges for services                             | 618,000          | 618,000       | 587,451           | (30,549)  |
| Miscellaneous                                    | 209,500          | 209,500       | 1,948,711         | 1,739,211   |
| Recovered costs                                  | 1,405,916        | 1,338,722     | 1,383,273         | 44,551  |
| Intergovernmental revenues:                      |                  |               |                   |   |
| Commonwealth                                     | 10,127,287       | 10,327,287    | 10,151,813        | (175,474)   |
| Federal  | 1,005,500        | 1,005,500     | 1,301,226         | 295,726   |
| Total revenues                                   | \$ 50,178,353    | \$ 50,231,725 | \$ 52,537,137     | \$ 2,305,412  |
| <b>EXPENDITURES</b>                              |                  |               |                   |   |
| General government administration:               |                  |               |                   |   |
| Board of supervisors                             | \$ 233,266       | \$ 243,254    | \$ 224,897        | \$ 18,357   |
| County administrator                             | 365,685          | 364,624       | 334,172           | 30,452  |
| Deputy administrators                            | 345,959          | 345,895       | 339,478           | 6,417   |
| Central garage                                   | 60,079           | 60,045        | 59,722            | 323   |
| Commissioner of revenue                          | 348,404          | 348,404       | 334,096           | 14,308  |
| Central purchasing                               | 118,470          | 120,630       | 87,217            | 33,413  |
| Treasurer  | 396,029          | 413,419       | 413,419           | -   |
| Management information systems                   | 661,281          | 673,445       | 610,759           | 62,686  |
| Financial services                               | 312,778          | 323,559       | 313,109           | 10,450  |
| Electoral board/registrar                        | 242,591          | 262,015       | 229,280           | 32,735  |
| Total general government administration          | \$ 3,084,542     | \$ 3,155,290  | \$ 2,946,149      | \$ 209,141  |
| Judicial administration:                         |                  |               |                   |   |
| Circuit court                                    | \$ 58,436        | \$ 58,436     | \$ 55,593         | \$ 2,843  |
| General district court                           | 34,104           | 34,104        | 27,713            | 6,391   |
| Magistrate                                       | 625              | 590           | 212               | 378   |
| Clerk of the circuit court                       | 563,971          | 578,291       | 537,486           | 40,805  |
| Commonwealth's attorney                          | 647,151          | 630,651       | 603,395           | 27,256  |
| Total judicial administration                    | \$ 1,304,287     | \$ 1,302,072  | \$ 1,224,399      | \$ 77,673   |

County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

|   | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|------------------|---------------|-------------------|---|
|   | Original         | Final         |                   |   |
| Public safety:                          |                  |               |                   |   |
| Sheriff                                 | \$ 4,061,453     | \$ 4,511,436  | \$ 4,179,780      | \$ 331,656  |
| Fire departments and rescue squads      | 1,260,369        | 1,311,077     | 1,092,030         | 219,047   |
| Emergency communications                | 188,105          | 279,701       | 242,712           | 36,989  |
| Western Virginia EMS                    | 6,722            | 6,722         | 6,722             | -   |
| County operated institutions - jail     | 3,568,644        | 3,582,443     | 3,054,542         | 527,901   |
| Probation office                        | 23,250           | 45,506        | 42,454            | 3,052   |
| Building inspections                    | 298,977          | 268,854       | 261,158           | 7,696   |
| Animal control                          | 418,247          | 419,632       | 385,951           | 33,681  |
| Emergency services                      | 1,469,940        | 1,726,350     | 1,658,322         | 68,028  |
| Dispatch                                | 679,399          | 679,400       | 646,460           | 32,940  |
| Total public safety                     | \$ 11,975,106    | \$ 12,831,121 | \$ 11,570,131     | \$ 1,260,990  |
| Public works:                           |                  |               |                   |   |
| Refuse collection and disposal          | \$ 532,603       | \$ 590,550    | \$ 543,909        | \$ 46,641   |
| County engineer                         | 326,371          | 331,150       | 321,472           | 9,678   |
| Public works                            | 129,403          | 154,954       | 147,789           | 7,165   |
| General properties                      | 607,280          | 657,185       | 657,185           | -   |
| Total public works                      | \$ 1,595,657     | \$ 1,733,839  | \$ 1,670,355      | \$ 63,484   |
| Health and welfare:                     |                  |               |                   |   |
| Supplement of local health department   | \$ 329,193       | \$ 329,193    | \$ 329,193        | \$ -  |
| State and local hospitalization         | 10,500           | 500           | -                 | 500   |
| Mental health contribution              | 38,743           | 38,743        | 38,743            | -   |
| Welfare administration and programs     | 1,835,652        | 1,835,652     | 1,529,115         | 306,537   |
| Comprehensive services act              | 1,359,805        | 1,350,460     | 1,343,061         | 7,399   |
| Senior van program                      | 72,019           | 71,845        | 70,022            | 1,823   |
| Resource center                         | 6,750            | 6,750         | 6,750             | -   |
| Tax relief for the elderly              | 282,000          | 282,000       | 281,004           | 996   |
| Other welfare programs                  | 41,136           | 41,136        | 41,136            | -   |
| Total health and welfare                | \$ 3,975,798     | \$ 3,956,279  | \$ 3,639,024      | \$ 317,255  |
| Education:                              |                  |               |                   |   |
| Contributions to Community Colleges     | \$ 12,150        | \$ 12,150     | \$ 12,150         | \$ -  |
| Contribution to County School Board     | 20,323,337       | 20,388,986    | 20,388,986        | -   |
| Total education                         | \$ 20,335,487    | \$ 20,401,136 | \$ 20,401,136     | \$ -  |
| Parks, recreation, and cultural:        |                  |               |                   |   |
| Supervision of parks and recreation     | \$ 1,176,267     | \$ 1,301,383  | \$ 1,268,460      | \$ 32,923   |
| Sports Complex                          | 375,150          | 385,190       | 385,190           | -   |
| Tourism                                 | 141,455          | 181,823       | 181,823           | -   |
| Contributions to cultural organizations | 66,612           | 71,612        | 71,612            | -   |
| Library expenses                        | 787,111          | 794,190       | 770,470           | 23,720  |
| Regional library                        | 186,441          | 188,914       | 172,586           | 16,328  |
| Total parks, recreation, and cultural   | \$ 2,733,036     | \$ 2,923,112  | \$ 2,850,141      | \$ 72,971   |

County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

|   | Budgeted Amounts |                | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|------------------|----------------|-------------------|---|
|   | Original         | Final          |                   |   |
| Community development:                                    |                  |                |                   |   |
| Planning and Zoning                                       | \$ 236,552       | \$ 236,514     | \$ 219,614        | \$ 16,900   |
| Planning commission                                       | 22,730           | 22,730         | 22,730            | -   |
| Industrial development                                    | 71,528           | 71,528         | 72,528            | (1,000)   |
| Other environmental management                            | 23,240           | 23,240         | 23,135            | 105   |
| Governor's Opportunity Funds                              | -                | 200,000        | 200,000           | -   |
| Extension office  | 82,366           | 82,366         | 62,854            | 19,512  |
| Total community development                               | \$ 436,416       | \$ 636,378     | \$ 600,861        | \$ 35,517   |
| Capital projects:   |                  |                |                   |   |
| EOC upgrades  | \$ -             | \$ 14,169      | \$ -              | \$ 14,169   |
| Tower site batteries                                      | 15,000           | 21,000         | -                 | 21,000  |
| Street signs  | 15,000           | 15,000         | -                 | 15,000  |
| ADA Compliance  | 15,000           | 16,252         | -                 | 16,252  |
| Boxley Fields   | -                | 7,841          | -                 | 7,841   |
| Buchanan Park   | -                | 57,000         | -                 | 57,000  |
| Eagle Rock Library  | -                | 3,000          | -                 | 3,000   |
| Emergency communications project                          | 31,000           | 31,000         | 30,590            | 410   |
| VDOT revenue sharing                                      | 25,000           | 25,000         | -                 | 25,000  |
| Blue Ridge Library  | -                | -              | 761,764           | (761,764)   |
| Industrial site development                               | 25,000           | 338,797        | 223,982           | 114,815   |
| Recreation facility (Greenfield park)                     | -                | 21,725         | -                 | 21,725  |
| Total capital projects                                    | \$ 126,000       | \$ 550,784     | \$ 1,016,336      | \$ (465,552)  |
| Debt service:   |                  |                |                   |   |
| Principal retirement                                      | \$ 2,806,474     | \$ 2,804,794   | \$ 2,784,220      | \$ 20,574   |
| Bond issuance costs                                       | -                | 31,266         | 31,266            | -   |
| Interest and other fiscal charges                         | 1,972,381        | 1,972,381      | 1,972,381         | -   |
| Total debt service  | \$ 4,778,855     | \$ 4,808,441   | \$ 4,787,867      | \$ 20,574   |
| Total expenditures  | \$ 50,345,184    | \$ 52,298,452  | \$ 50,706,399     | \$ 1,592,053  |
| Excess (deficiency) of revenues over (under) expenditures | \$ (166,831)     | \$ (2,066,727) | \$ 1,830,738      | \$ 3,897,465  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                  |                |                   |   |
| Transfers in  | \$ -             | \$ -           | \$ 6,282          | \$ 6,282  |
| Proceeds from the issuance of refunding bond              | -                | 2,074,298      | 2,074,298         | -   |
| Refunded bonds redeemed                                   | -                | (2,043,032)    | (2,015,000)       | 28,032  |
| Total other financing sources and uses                    | -                | 31,266         | 65,580            | 34,314  |
| Net change in fund balances                               | \$ (166,831)     | \$ (2,035,461) | \$ 1,896,318      | \$ 3,931,779  |
| Fund balances - beginning                                 | -                | -              | 14,320,533        | 14,320,533  |
| Fund balances - ending                                    | \$ (166,831)     | \$ (2,035,461) | \$ 16,216,851     | \$ 18,252,312   |

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia  
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plans  
For the Year Ended June 30, 2011

Primary Government: County Retirement Plan

| Valuation<br>as of | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Unfunded<br>AAL (UAAL)<br>(3) - (2) | Funded Ratio<br>Assets as %<br>of AAL (2)/(3) | Annual<br>Covered<br>Payroll | UAAL as a<br>% of Covered<br>Payroll (4)/(6) |
|--------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1)                | (2)                             | (3)                                     | (4)                                 | (5)   | (6)                          | (7)  |
| June 30, 2010      | \$ 27,467,725                   | \$ 35,657,580                           | \$ 8,189,855                        | 77.03%  | \$ 10,115,413                | 80.96%                                       |
| June 30, 2009      | 26,508,097                      | 31,742,132                              | 5,234,035                           | 83.51%  | 10,163,736                   | 51.50%                                       |
| June 30, 2008      | 25,132,707                      | 29,858,584                              | 4,725,877                           | 84.17%  | 9,866,757                    | 47.90%                                       |

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

| Valuation<br>as of | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Unfunded<br>AAL (UAAL)<br>(3) - (2) | Funded Ratio<br>Assets as %<br>of AAL (2)/(3) | Annual<br>Covered<br>Payroll | UAAL as a<br>% of Covered<br>Payroll (4)/(6) |
|--------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1)                | (2)                             | (3)                                     | (4)                                 | (5)   | (6)                          | (7)  |
| June 30, 2010      | \$ 9,025,981                    | \$ 11,852,233                           | \$ 2,826,252                        | 76.15%  | \$ 2,763,889                 | 102.26%                                      |
| June 30, 2009      | 9,283,141                       | 11,090,858                              | 1,807,717                           | 83.70%  | 2,948,471                    | 61.31%                                       |
| June 30, 2008      | 9,369,812                       | 10,941,756                              | 1,571,944                           | 85.63%  | 2,964,772                    | 53.02%                                       |

School Board Healthcare Plan

| Valuation<br>as of* | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Unfunded<br>AAL (UAAL)<br>(3) - (2) | Funded Ratio<br>Assets as %<br>of AAL (2)/(3) | Annual<br>Covered<br>Payroll | UAAL as a<br>% of Covered<br>Payroll (4)/(6) |
|---------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1)                 | (2)                             | (3)                                     | (4)                                 | (5)   | (6)                          | (7)  |
| June 30, 2010       | \$ -                            | \$ 4,681,000                            | \$ 4,681,000                        | 0.00%   | \$ 22,961,000                | 20.39%                                       |
| June 30, 2008       | -                               | 4,699,000                               | 4,699,000                           | 0.00%   | 24,846,000                   | 18.91%                                       |

\*Only two valuation performed to date.

## **Other Supplementary Information Section**

## **FIDUCIARY FUNDS - AGENCY FUNDS**

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

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

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

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

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

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

County of Botetourt, Virginia  
Combining Statement of Fiduciary Net Assets  
Agency Funds  
June 30, 2011

|  | Agency Funds               |                              |   |                           |                  |  |                   |
|--|----------------------------|------------------------------|---|---------------------------|------------------|--|-------------------|
|  | <u>Special<br/>Welfare</u> | <u>Flexible<br/>Benefits</u> | <u>Inmate<br/>Trust and<br/>Canteen</u> | <u>Cafeteria<br/>Plan</u> | <u>Escrow</u>    | <u>Roanoke Valley<br/>Regional<br/>Board</u> | <u>Total</u>      |
| <b>ASSETS</b>                            |                            |                              |   |                           |                  |  |                   |
| Cash and cash equivalents                | \$ 20,134                  | \$ 49,514                    | \$ 63,478                               | \$ 13,955                 | \$ 45,454        | \$ 687,824                                   | \$ 880,359        |
| Total assets                             | <u>\$ 20,134</u>           | <u>\$ 49,514</u>             | <u>\$ 63,478</u>                        | <u>\$ 13,955</u>          | <u>\$ 45,454</u> | <u>\$ 687,824</u>                            | <u>\$ 880,359</u> |
| <b>LIABILITIES</b>                       |                            |                              |   |                           |                  |  |                   |
| Amounts held for social services clients | \$ 20,134                  | \$ -                         | \$ -                                    | \$ -                      | \$ -             | \$ -   | \$ 20,134         |
| Amounts held for employees               | -                          | 49,514                       | -                                       | 13,955                    | -                | -  | 63,469            |
| Amounts held for other agencies          | -                          | -                            | -                                       | -                         | -                | 687,824                                      | 687,824           |
| Amounts held for performance bond        | -                          | -                            | -                                       | -                         | 45,454           | -  | 45,454            |
| Amounts held for inmates                 | -                          | -                            | 63,478                                  | -                         | -                | -  | 63,478            |
| Total liabilities                        | <u>\$ 20,134</u>           | <u>\$ 49,514</u>             | <u>\$ 63,478</u>                        | <u>\$ 13,955</u>          | <u>\$ 45,454</u> | <u>\$ 687,824</u>                            | <u>\$ 880,359</u> |

County of Botetourt, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2011

|                                      | Balance<br>July 1, 2010 | Additions           | Deletions             | Balance<br>June 30, 2011 |
|--------------------------------------|-------------------------|---------------------|-----------------------|--------------------------|
| <b>Special Welfare Fund:</b>         |                         |                     |                       |                          |
| Assets:                              |                         |                     |                       |                          |
| Equity in cash and cash equivalents  | \$ 27,192               | \$ 38,656           | \$ (45,714)           | \$ 20,134                |
| Total assets                         | <u>\$ 27,192</u>        | <u>\$ 38,656</u>    | <u>\$ (45,714)</u>    | <u>\$ 20,134</u>         |
| Liabilities:                         |                         |                     |                       |                          |
| Accounts payable                     | \$ 27,192               | \$ 38,656           | \$ (45,714)           | \$ 20,134                |
| Total liabilities                    | <u>\$ 27,192</u>        | <u>\$ 38,656</u>    | <u>\$ (45,714)</u>    | <u>\$ 20,134</u>         |
| <b>Flexible Benefits Fund:</b>       |                         |                     |                       |                          |
| Assets:                              |                         |                     |                       |                          |
| Equity in cash and cash equivalents  | \$ 28,325               | \$ 236,276          | \$ (215,087)          | \$ 49,514                |
| Total assets                         | <u>\$ 28,325</u>        | <u>\$ 236,276</u>   | <u>\$ (215,087)</u>   | <u>\$ 49,514</u>         |
| Liabilities:                         |                         |                     |                       |                          |
| Accounts payable                     | \$ 28,325               | \$ 236,276          | \$ (215,087)          | \$ 49,514                |
| Total liabilities                    | <u>\$ 28,325</u>        | <u>\$ 236,276</u>   | <u>\$ (215,087)</u>   | <u>\$ 49,514</u>         |
| <b>Inmate Trust and Canteen Fund</b> |                         |                     |                       |                          |
| Assets:                              |                         |                     |                       |                          |
| Equity in cash and cash equivalents  | \$ 66,214               | \$ 142,730          | \$ (145,466)          | \$ 63,478                |
| Total assets                         | <u>\$ 66,214</u>        | <u>\$ 142,730</u>   | <u>\$ (145,466)</u>   | <u>\$ 63,478</u>         |
| Liabilities:                         |                         |                     |                       |                          |
| Accounts payable                     | \$ 66,214               | \$ 142,730          | \$ (145,466)          | \$ 63,478                |
| Total liabilities                    | <u>\$ 66,214</u>        | <u>\$ 142,730</u>   | <u>\$ (145,466)</u>   | <u>\$ 63,478</u>         |
| <b>Cafeteria Plan</b>                |                         |                     |                       |                          |
| Assets:                              |                         |                     |                       |                          |
| Equity in cash and cash equivalents  | \$ 7,211                | \$ 50,698           | \$ (43,954)           | \$ 13,955                |
| Total assets                         | <u>\$ 7,211</u>         | <u>\$ 50,698</u>    | <u>\$ (43,954)</u>    | <u>\$ 13,955</u>         |
| Liabilities:                         |                         |                     |                       |                          |
| Accounts payable                     | \$ 7,211                | \$ 50,698           | \$ (43,954)           | \$ 13,955                |
| Total liabilities                    | <u>\$ 7,211</u>         | <u>\$ 50,698</u>    | <u>\$ (43,954)</u>    | <u>\$ 13,955</u>         |
| <b>Escrow Fund</b>                   |                         |                     |                       |                          |
| Assets:                              |                         |                     |                       |                          |
| Equity in cash and cash equivalents  | \$ 52,864               | \$ 27,000           | \$ (34,410)           | \$ 45,454                |
| Total assets                         | <u>\$ 52,864</u>        | <u>\$ 27,000</u>    | <u>\$ (34,410)</u>    | <u>\$ 45,454</u>         |
| Liabilities:                         |                         |                     |                       |                          |
| Accounts payable                     | \$ 52,864               | \$ 27,000           | \$ (34,410)           | \$ 45,454                |
| Total liabilities                    | <u>\$ 52,864</u>        | <u>\$ 27,000</u>    | <u>\$ (34,410)</u>    | <u>\$ 45,454</u>         |
| <b>Roanoke Valley Regional Board</b> |                         |                     |                       |                          |
| Assets:                              |                         |                     |                       |                          |
| Equity in cash and cash equivalents  | \$ 771,065              | \$ 4,408,569        | \$ (4,491,810)        | \$ 687,824               |
| Total assets                         | <u>\$ 771,065</u>       | <u>\$ 4,408,569</u> | <u>\$ (4,491,810)</u> | <u>\$ 687,824</u>        |
| Liabilities:                         |                         |                     |                       |                          |
| Accounts payable                     | \$ 771,065              | \$ 4,408,569        | \$ (4,491,810)        | \$ 687,824               |
| Total liabilities                    | <u>\$ 771,065</u>       | <u>\$ 4,408,569</u> | <u>\$ (4,491,810)</u> | <u>\$ 687,824</u>        |
| <b>Totals</b>                        |                         |                     |                       |                          |
| Assets:                              |                         |                     |                       |                          |
| Equity in cash and cash equivalents  | \$ 952,871              | \$ 4,903,929        | \$ (4,976,441)        | \$ 880,359               |
| Total assets                         | <u>\$ 952,871</u>       | <u>\$ 4,903,929</u> | <u>\$ (4,976,441)</u> | <u>\$ 880,359</u>        |
| Liabilities:                         |                         |                     |                       |                          |
| Accounts payable                     | \$ 952,871              | \$ 4,903,929        | \$ (4,976,441)        | \$ 880,359               |
| Total liabilities                    | <u>\$ 952,871</u>       | <u>\$ 4,903,929</u> | <u>\$ (4,976,441)</u> | <u>\$ 880,359</u>        |

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL  
BOARD**

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**MAJOR GOVERNMENTAL FUNDS**

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

County of Botetourt, Virginia  
 Balance Sheet  
 Discretely Presented Component Unit - School Board  
 June 30, 2011

|   | <u>School<br/>Operating<br/>Fund</u> |
|---|--------------------------------------|
| <b>ASSETS</b>   |                                      |
| Cash and cash equivalents   | \$ 6,967,124                         |
| Receivables (net of allowance<br>for uncollectibles):   |                                      |
| Accounts receivable   | 26,435                               |
| Due from other governmental units   | 1,241,831                            |
| Prepaid items   | 329,603                              |
| Total assets  | <u>\$ 8,564,993</u>                  |
| <b>LIABILITIES AND FUND BALANCES</b>  |                                      |
| Liabilities:  |                                      |
| Accounts payable  | \$ 493,294                           |
| Salaries payable  | 4,036,799                            |
| Due to primary government   | 141,075                              |
| Total liabilities   | <u>\$ 4,671,168</u>                  |
| Fund balances:  |                                      |
| Nonspendable  |                                      |
| Prepaid items   | \$ 329,603                           |
| Restricted  | -                                    |
| School cafeterias   | 181,209                              |
| Unassigned  | 3,383,013                            |
| Total fund balances   | <u>\$ 3,893,825</u>                  |
| Total liabilities and fund balances   | <u>\$ 8,564,993</u>                  |
| Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:                                      |                                      |
| Total fund balances per above   | \$ 3,893,825                         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                           | 26,224,088                           |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | (1,314,741)                          |
| Net assets of governmental activities   | <u>\$ 28,803,172</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, 2011

|   | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|
| <b>REVENUES</b>   |   |
| Revenue from the use of money and property  | \$ 148,730                              |
| Charges for services  | 1,527,611                               |
| Miscellaneous   | 223,725                                 |
| Recovered costs   | 70,265                                  |
| Intergovernmental revenues:   |   |
| Local government  | 20,388,986                              |
| Commonwealth  | 22,492,563                              |
| Federal   | 3,586,330                               |
| Total revenues  | <u>\$ 48,438,210</u>                    |
| <b>EXPENDITURES</b>   |   |
| Current:  |   |
| Education   | \$ 49,050,220                           |
| Total expenditures  | <u>\$ 49,050,220</u>                    |
| Excess (deficiency) of revenues over (under) expenditures   | <u>\$ (612,010)</u>                     |
| Net change in fund balances   | \$ (612,010)                            |
| Fund balances - beginning   | 4,505,835                               |
| Fund balances - ending  | <u>\$ 3,893,825</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  | \$ (612,010)                            |
| 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. | (43,107)                                |
| 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.  | (52,589)                                |
| Change in net assets of governmental activities   | <u>\$ (707,706)</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, 2011

|   | School Operating Fund |                      |                      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------------|----------------------|----------------------|---|
|   | Budgeted Amounts      |                      | Actual               |   |
|   | Original              | Final                |                      |   |
| <b>REVENUES</b>   |                       |                      |                      |   |
| Revenue from the use of money and property                | \$ 101,000            | \$ 101,000           | \$ 148,730           | \$ 47,730   |
| Charges for services                                      | 1,829,435             | 1,829,435            | 1,527,611            | (301,824)   |
| Miscellaneous   | 101,641               | 101,641              | 223,725              | 122,084   |
| Recovered costs   | 55,000                | 55,000               | 70,265               | 15,265  |
| Intergovernmental revenues:                               |                       |                      |                      |   |
| Local government  | 20,323,337            | 20,388,986           | 20,388,986           | -   |
| Commonwealth  | 23,179,487            | 23,179,487           | 22,492,563           | (686,924)   |
| Federal   | 2,763,793             | 2,763,793            | 3,586,330            | 822,537   |
| Total revenues  | <u>\$ 48,353,693</u>  | <u>\$ 48,419,342</u> | <u>\$ 48,438,210</u> | <u>\$ 18,868</u>  |
| <b>EXPENDITURES</b>                                       |                       |                      |                      |   |
| Current:  |                       |                      |                      |   |
| Education   | \$ 48,818,693         | \$ 49,317,405        | \$ 49,050,220        | \$ 267,185  |
| Total expenditures  | <u>\$ 48,818,693</u>  | <u>\$ 49,317,405</u> | <u>\$ 49,050,220</u> | <u>\$ 267,185</u>                                       |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (465,000)</u>   | <u>\$ (898,063)</u>  | <u>\$ (612,010)</u>  | <u>\$ 286,053</u>                                       |
| Net change in fund balances                               | \$ (465,000)          | \$ (898,063)         | \$ (612,010)         | \$ 286,053  |
| Fund balances - beginning                                 | 465,000               | 465,000              | 4,505,835            | 4,040,835   |
| Fund balances - ending                                    | <u>\$ -</u>           | <u>\$ (433,063)</u>  | <u>\$ 3,893,825</u>  | <u>\$ 4,326,888</u>                                     |

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## **Supporting Schedules**

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County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Major and Minor Revenue Source</u>            | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| <b>General Fund:</b>                                   |                            |                         |                      |   |
| Revenue from local sources:                            |                            |                         |                      |   |
| General property taxes:                                |                            |                         |                      |   |
| Real property taxes                                    | \$ 20,003,000              | \$ 19,923,566           | \$ 20,865,868        | \$ 942,302  |
| Real and personal public service corporation taxes     | 1,214,000                  | 1,214,000               | 1,299,970            | 85,970  |
| Personal property taxes                                | 4,210,000                  | 4,210,000               | 4,153,035            | (56,965)  |
| Mobile home taxes                                      | 52,500                     | 52,500                  | 43,585               | (8,915)   |
| Machinery and tools taxes                              | 3,800,000                  | 3,800,000               | 3,507,496            | (292,504)   |
| Penalties  | 125,000                    | 125,000                 | 194,815              | 69,815  |
| Interest   | 80,000                     | 80,000                  | 91,455               | 11,455  |
| Total general property taxes                           | <u>\$ 29,484,500</u>       | <u>\$ 29,405,066</u>    | <u>\$ 30,156,224</u> | <u>\$ 751,158</u>   |
| Other local taxes:                                     |                            |                         |                      |   |
| Local sales and use taxes                              | \$ 2,100,000               | \$ 2,100,000            | \$ 2,028,548         | \$ (71,452)   |
| Consumers' utility taxes                               | 550,000                    | 550,000                 | 551,977              | 1,977   |
| Local consumption tax                                  | 151,000                    | 151,000                 | 147,982              | (3,018)   |
| E-911 telephone taxes                                  | 55,000                     | 55,000                  | 52,880               | (2,120)   |
| Business license taxes                                 | 841,500                    | 841,500                 | 745,256              | (96,244)  |
| Franchise license tax                                  | 45,000                     | 45,000                  | 67,673               | 22,673  |
| Motor vehicle licenses                                 | 635,000                    | 635,000                 | 632,926              | (2,074)   |
| Bank stock taxes                                       | 128,000                    | 128,000                 | 196,079              | 68,079  |
| Taxes on recordation and wills                         | 317,000                    | 317,000                 | 263,973              | (53,027)  |
| Hotel and motel room taxes                             | 275,000                    | 275,000                 | 293,549              | 18,549  |
| Restaurant food taxes                                  | 1,140,000                  | 1,140,000               | 1,093,240            | (46,760)  |
| Total other local taxes                                | <u>\$ 6,237,500</u>        | <u>\$ 6,237,500</u>     | <u>\$ 6,074,083</u>  | <u>\$ (163,417)</u>   |
| Permits, privilege fees, and regulatory licenses:      |                            |                         |                      |   |
| Animal licenses  | \$ 32,000                  | \$ 32,000               | \$ 28,211            | \$ (3,789)  |
| Land use application fees                              | 1,000                      | 1,000                   | 1,484                | 484   |
| Transfer fees  | 1,500                      | 1,500                   | 902                  | (598)   |
| Building permits and other licenses                    | 227,200                    | 227,200                 | 172,442              | (54,758)  |
| Zoning fees  | 22,500                     | 22,500                  | 13,457               | (9,043)   |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 284,200</u>          | <u>\$ 284,200</u>       | <u>\$ 216,496</u>    | <u>\$ (67,704)</u>  |
| Fines and forfeitures:                                 |                            |                         |                      |   |
| Court fines and forfeitures                            | \$ 105,200                 | \$ 105,200              | \$ 115,006           | \$ 9,806  |
| Total fines and forfeitures                            | <u>\$ 105,200</u>          | <u>\$ 105,200</u>       | <u>\$ 115,006</u>    | <u>\$ 9,806</u>   |
| Revenue from use of money and property:                |                            |                         |                      |   |
| Revenue from use of money                              | \$ 411,250                 | \$ 411,250              | \$ 285,095           | \$ (126,155)  |
| Revenue from use of property                           | 289,500                    | 289,500                 | 317,759              | 28,259  |
| Total revenue from use of money and property           | <u>\$ 700,750</u>          | <u>\$ 700,750</u>       | <u>\$ 602,854</u>    | <u>\$ (97,896)</u>  |

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Major and Minor Revenue Source</u>     | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| <b>General Fund: (Continued)</b>                |                            |                         |                      |   |
| Revenue from local sources: (Continued)         |                            |                         |                      |   |
| Charges for services:                           |                            |                         |                      |   |
| Excess fees of clerk                            | \$ 7,500                   | \$ 7,500                | \$ -                 | \$ (7,500)  |
| Charges for law enforcement and traffic control | 54,000                     | 54,000                  | 37,381               | (16,619)  |
| Charges for courthouse maintenance              | 20,000                     | 20,000                  | 18,645               | (1,355)   |
| Charges for courtroom security                  | 95,000                     | 95,000                  | 97,328               | 2,328   |
| Court appointed attorneys                       | -                          | -                       | 20,915               | 20,915  |
| Miscellaneous jail and inmate fees              | 26,750                     | 26,750                  | 19,235               | (7,515)   |
| Jail processing fees                            | 6,000                      | 6,000                   | 4,224                | (1,776)   |
| Charges for Commonwealth's Attorney             | 92,000                     | 92,000                  | 41,667               | (50,333)  |
| Charges for board and care of animals           | 6,000                      | 6,000                   | 5,580                | (420)   |
| Charges for sanitation and waste removal        | 155,000                    | 155,000                 | 167,897              | 12,897  |
| Charges for parks and recreation                | 135,000                    | 135,000                 | 136,813              | 1,813   |
| Charges for engineering reviews                 | 2,500                      | 2,500                   | 5,040                | 2,540   |
| Other charges for services                      | 750                        | 750                     | 1,148                | 398   |
| Charges for law library                         | -                          | -                       | 4,918                | 4,918   |
| Charges for library                             | 17,500                     | 17,500                  | 26,660               | 9,160   |
| Total charges for services                      | <u>\$ 618,000</u>          | <u>\$ 618,000</u>       | <u>\$ 587,451</u>    | <u>\$ (30,549)</u>  |
| Miscellaneous revenue:                          |                            |                         |                      |   |
| Miscellaneous                                   | \$ 3,000                   | \$ 3,000                | \$ 41,176            | \$ 38,176   |
| Sale of salvage                                 | 1,500                      | 1,500                   | 4,500                | 3,000   |
| Revenue sharing payments                        | 44,000                     | 44,000                  | 43,333               | (667)   |
| Jack Smith industrial park settlement (Roanoke) | 135,000                    | 135,000                 | 1,787,922            | 1,652,922   |
| Telephone commissions                           | 22,000                     | 22,000                  | 24,401               | 2,401   |
| Forfeiture funds                                | -                          | -                       | 6,190                | 6,190   |
| Donations                                       | 4,000                      | 4,000                   | 41,189               | 37,189  |
| Total miscellaneous revenue                     | <u>\$ 209,500</u>          | <u>\$ 209,500</u>       | <u>\$ 1,948,711</u>  | <u>\$ 1,739,211</u>   |
| Recovered costs:                                |                            |                         |                      |   |
| Local jails                                     | \$ 180,000                 | \$ 180,000              | \$ 213,120           | \$ 33,120   |
| ES cost recoveries                              | 950,000                    | 950,000                 | 808,347              | (141,653)   |
| Health Department                               | -                          | -                       | 51,043               | 51,043  |
| Regional jail                                   | 104,416                    | 104,416                 | 104,416              | -   |
| Medical co-pay                                  | 5,000                      | 5,000                   | 14,765               | 9,765   |
| CSA refunds                                     | 50,000                     | 50,000                  | 27,312               | (22,688)  |
| Social services refunds                         | 6,000                      | 6,000                   | 1,348                | (4,652)   |
| Other recovered costs                           | 110,500                    | 43,306                  | 162,922              | 119,616   |
| Total recovered costs                           | <u>\$ 1,405,916</u>        | <u>\$ 1,338,722</u>     | <u>\$ 1,383,273</u>  | <u>\$ 44,551</u>  |
| Total revenue from local sources                | <u>\$ 39,045,566</u>       | <u>\$ 38,898,938</u>    | <u>\$ 41,084,098</u> | <u>\$ 2,185,160</u>   |

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Major and Minor Revenue Source</u>  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| <b>General Fund: (Continued)</b>             |                            |                         |                      |   |
| Intergovernmental revenues:                  |                            |                         |                      |   |
| Revenue from the Commonwealth:               |                            |                         |                      |   |
| Noncategorical aid:                          |                            |                         |                      |   |
| Rolling Stock Tax                            | \$ 155,000                 | \$ 155,000              | \$ 13,777            | \$ (141,223)  |
| Communications sales and use taxes           | 750,000                    | 750,000                 | 745,341              | (4,659)   |
| Motor vehicle carriers' tax                  | 3,500                      | 3,500                   | 2,614                | (886)   |
| Mobile home titling tax                      | 40,000                     | 40,000                  | 27,389               | (12,611)  |
| Grantor's tax                                | 200,000                    | 200,000                 | 165,187              | (34,813)  |
| Personal property tax relief funds           | 3,418,000                  | 3,418,000               | 3,418,137            | 137   |
| Total noncategorical aid                     | <u>\$ 4,566,500</u>        | <u>\$ 4,566,500</u>     | <u>\$ 4,372,445</u>  | <u>\$ (194,055)</u>   |
| Categorical aid:                             |                            |                         |                      |   |
| Shared expenses:                             |                            |                         |                      |   |
| Commonwealth's attorney                      | \$ 378,000                 | \$ 378,000              | \$ 384,055           | \$ 6,055  |
| Sheriff                                      | 3,268,000                  | 3,268,000               | 3,205,224            | (62,776)  |
| Commissioner of revenue                      | 103,000                    | 103,000                 | 105,594              | 2,594   |
| Treasurer                                    | 107,000                    | 107,000                 | 109,055              | 2,055   |
| Registrar/electoral board                    | 40,608                     | 40,608                  | 43,128               | 2,520   |
| Clerk of the Circuit Court                   | 286,000                    | 286,000                 | 298,839              | 12,839  |
| Reduction in State Aid                       | (284,093)                  | (284,093)               | (284,093)            | -   |
| Total shared expenses                        | <u>\$ 3,898,515</u>        | <u>\$ 3,898,515</u>     | <u>\$ 3,861,802</u>  | <u>\$ (36,713)</u>  |
| Categorical aid: (Continued)                 |                            |                         |                      |   |
| Other categorical aid:                       |                            |                         |                      |   |
| Public assistance and welfare administration | \$ 495,000                 | \$ 495,000              | \$ 478,543           | \$ (16,457)   |
| Comprehensive services act                   | 787,997                    | 787,997                 | 780,351              | (7,646)   |
| Domestic preparedness grant                  | 5,000                      | 5,000                   | -                    | (5,000)   |
| Emergency medical services                   | 125,000                    | 125,000                 | 147,962              | 22,962  |
| Library grant                                | 148,325                    | 148,325                 | 147,387              | (938)   |
| Property seizure                             | -                          | -                       | 24,599               | 24,599  |
| Governors opportunity funds                  | -                          | 200,000                 | 200,000              | -   |
| VJCCCA grant                                 | 17,000                     | 17,000                  | 13,056               | (3,944)   |
| Bulletproof vest program                     | 800                        | 800                     | -                    | (800)   |
| Fire program                                 | 78,000                     | 78,000                  | 82,211               | 4,211   |
| DMME grant                                   | -                          | -                       | 27,425               | 27,425  |
| Recreation grant                             | -                          | -                       | 10,199               | 10,199  |
| Other categorical aid                        | 5,150                      | 5,150                   | 5,833                | 683   |
| Total other categorical aid                  | <u>\$ 1,662,272</u>        | <u>\$ 1,862,272</u>     | <u>\$ 1,917,566</u>  | <u>\$ 55,294</u>  |
| Total categorical aid                        | <u>\$ 5,560,787</u>        | <u>\$ 5,760,787</u>     | <u>\$ 5,779,368</u>  | <u>\$ 18,581</u>  |
| Total revenue from the Commonwealth          | <u>\$ 10,127,287</u>       | <u>\$ 10,327,287</u>    | <u>\$ 10,151,813</u> | <u>\$ (175,474)</u>   |
| Revenue from the federal government:         |                            |                         |                      |   |
| Noncategorical aid:                          |                            |                         |                      |   |
| Payments in lieu of taxes                    | \$ 156,500                 | \$ 156,500              | \$ 137,476           | \$ (19,024)   |

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Major and Minor Revenue Source</u>                | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| <b>General Fund: (Continued)</b>                           |                            |                         |                      |   |
| Intergovernmental revenues: (Continued)                    |                            |                         |                      |   |
| Revenue from the federal government: (Continued)           |                            |                         |                      |   |
| Categorical aid:   |                            |                         |                      |   |
| Public assistance and welfare administration               | \$ 840,000                 | \$ 840,000              | \$ 815,544           | \$ (24,456)   |
| Public assistance and welfare administration - ARRA        | -                          | -                       | 26,824               | 26,824  |
| State homeland security grant program                      | -                          | -                       | 296,263              | 296,263   |
| Emergency management grant                                 | -                          | -                       | 14,170               | 14,170  |
| State and community highway safety                         | 9,000                      | 9,000                   | 10,949               | 1,949   |
| Total categorical aid                                      | <u>\$ 849,000</u>          | <u>\$ 849,000</u>       | <u>\$ 1,163,750</u>  | <u>\$ 314,750</u>   |
| Total revenue from the federal government                  | <u>\$ 1,005,500</u>        | <u>\$ 1,005,500</u>     | <u>\$ 1,301,226</u>  | <u>\$ 295,726</u>   |
| Total General Fund   | <u>\$ 50,178,353</u>       | <u>\$ 50,231,725</u>    | <u>\$ 52,537,137</u> | <u>\$ 2,305,412</u>   |
| Total Primary Government                                   | <u>\$ 50,178,353</u>       | <u>\$ 50,231,725</u>    | <u>\$ 52,537,137</u> | <u>\$ 2,305,412</u>   |
| <b>Discretely Presented Component Unit - School Board:</b> |                            |                         |                      |   |
| <b>Special Revenue Funds:</b>                              |                            |                         |                      |   |
| <b>School Operating Fund:</b>                              |                            |                         |                      |   |
| Revenue from local sources:                                |                            |                         |                      |   |
| Revenue from use of money and property:                    |                            |                         |                      |   |
| Revenue from the use of money                              | \$ 1,000                   | \$ 1,000                | \$ 4,805             | \$ 3,805  |
| Revenue from the use of property                           | 100,000                    | 100,000                 | 143,925              | 43,925  |
| Total revenue from use of money and property               | <u>\$ 101,000</u>          | <u>\$ 101,000</u>       | <u>\$ 148,730</u>    | <u>\$ 47,730</u>  |
| Charges for services:                                      |                            |                         |                      |   |
| Cafeteria sales  | \$ 1,614,042               | \$ 1,614,042            | \$ 1,305,518         | \$ (308,524)  |
| Transportation of pupils                                   | 28,000                     | 28,000                  | 41,642               | 13,642  |
| Tuition and payments from other divisions                  | 187,393                    | 187,393                 | 180,451              | (6,942)   |
| Total charges for services                                 | <u>\$ 1,829,435</u>        | <u>\$ 1,829,435</u>     | <u>\$ 1,527,611</u>  | <u>\$ (301,824)</u>   |
| Miscellaneous revenue:                                     |                            |                         |                      |   |
| Other miscellaneous  | 101,641                    | 101,641                 | 223,725              | 122,084   |
| Total miscellaneous revenue                                | <u>\$ 101,641</u>          | <u>\$ 101,641</u>       | <u>\$ 223,725</u>    | <u>\$ 122,084</u>   |
| Recovered costs:   |                            |                         |                      |   |
| Other recovered costs                                      | 55,000                     | 55,000                  | 70,265               | 15,265  |
| Total recovered costs                                      | <u>\$ 55,000</u>           | <u>\$ 55,000</u>        | <u>\$ 70,265</u>     | <u>\$ 15,265</u>  |
| Total revenue from local sources                           | <u>\$ 2,087,076</u>        | <u>\$ 2,087,076</u>     | <u>\$ 1,970,331</u>  | <u>\$ (116,745)</u>   |

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Major and Minor Revenue Source</u>                            | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| <b>Discretely Presented Component Unit - School Board: (Continued)</b> |                            |                         |                      |   |
| <b>Special Revenue Funds: (Continued)</b>                              |                            |                         |                      |   |
| <b>School Operating Fund: (Continued)</b>                              |                            |                         |                      |   |
| Intergovernmental revenues:  |                            |                         |                      |   |
| Revenues from local governments:                                       |                            |                         |                      |   |
| Contribution from County of Botetourt, Virginia                        | \$ 20,323,337              | \$ 20,388,986           | \$ 20,388,986        | \$ -  |
| Total revenues from local governments                                  | <u>\$ 20,323,337</u>       | <u>\$ 20,388,986</u>    | <u>\$ 20,388,986</u> | <u>\$ -</u>   |
| Intergovernmental revenues: (Continued)                                |                            |                         |                      |   |
| Revenue from the Commonwealth:   |                            |                         |                      |   |
| Categorical aid:   |                            |                         |                      |   |
| Share of state sales tax   | \$ 4,748,261               | \$ 4,748,261            | \$ 4,942,366         | \$ 194,105  |
| Basic school aid   | 13,177,335                 | 13,177,335              | 12,518,955           | (658,380)   |
| Remedial summer education  | 33,277                     | 33,277                  | 29,515               | (3,762)   |
| Regular foster care  | 48,904                     | 48,904                  | 33,739               | (15,165)  |
| Adult secondary education  | 7,859                      | 7,859                   | 7,859                | -   |
| Gifted and talented  | 140,023                    | 140,023                 | 140,555              | 532   |
| Remedial education   | 118,241                    | 118,241                 | 118,691              | 450   |
| School food  | 32,864                     | 32,864                  | 31,195               | (1,669)   |
| Special education  | 1,605,593                  | 1,605,593               | 1,611,703            | 6,110   |
| Textbook payment   | 163,484                    | 163,484                 | 164,106              | 622   |
| Standards of Learning algebra readiness                                | 19,674                     | 19,674                  | 19,674               | -   |
| Vocational education SOQ payments                                      | 491,635                    | 491,635                 | 493,506              | 1,871   |
| Social security fringe benefits  | 799,685                    | 799,685                 | 802,728              | 3,043   |
| Share of fringe benefits   | 472,965                    | 472,965                 | 474,765              | 1,800   |
| Group life insurance instructional                                     | 28,005                     | 28,005                  | 26,911               | (1,094)   |
| Early reading intervention   | 61,429                     | 61,429                  | 51,111               | (10,318)  |
| Homebound education  | 32,384                     | 32,384                  | 31,260               | (1,124)   |
| Vocational education   | 55,588                     | 55,588                  | 61,530               | 5,942   |
| Salary supplement  | 47,000                     | 47,000                  | 30,000               | (17,000)  |
| Special education - foster children                                    | 91,412                     | 91,412                  | 52,839               | (38,573)  |
| Special education - regional programs                                  | 192,923                    | 192,923                 | 132,102              | (60,821)  |
| Industry certification   | -                          | -                       | 8,012                | 8,012   |
| At risk payments   | 47,271                     | 47,271                  | 47,507               | 236   |
| Mentor teacher program   | 3,771                      | 3,771                   | 2,491                | (1,280)   |
| Technology   | 336,000                    | 336,000                 | 336,000              | -   |
| Hold harmless  | 208,454                    | 208,454                 | 207,021              | (1,433)   |
| State revenue  | 130,410                    | 130,410                 | 15,686               | (114,724)   |
| At risk four-year olds   | 78,560                     | 78,560                  | 90,979               | 12,419  |
| English as a second language   | 6,480                      | 6,480                   | 9,208                | 2,728   |
| Other state funds  | -                          | -                       | 549                  | 549   |
| Total categorical aid  | <u>\$ 23,179,487</u>       | <u>\$ 23,179,487</u>    | <u>\$ 22,492,563</u> | <u>\$ (686,924)</u>   |
| Total revenue from the Commonwealth                                    | <u>\$ 23,179,487</u>       | <u>\$ 23,179,487</u>    | <u>\$ 22,492,563</u> | <u>\$ (686,924)</u>   |

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Major and Minor Revenue Source</u>                                      | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued)                  |                            |                         |                      |   |
| Special Revenue Funds: (Continued)   |                            |                         |                      |   |
| School Operating Fund: (Continued)   |                            |                         |                      |   |
| Revenue from the federal government:   |                            |                         |                      |   |
| Categorical aid:   |                            |                         |                      |   |
| School breakfast program   | \$ 89,250                  | \$ 89,250               | \$ 96,915            | \$ 7,665  |
| School lunch program   | 351,944                    | 351,944                 | 471,605              | 119,661   |
| School food distribution   | -                          | -                       | 164,072              | 164,072   |
| State fiscal stabilization program   | -                          | -                       | 739,672              | 739,672   |
| Title I  | 480,000                    | 480,000                 | 495,419              | 15,419  |
| Language acquisition   | 5,000                      | 5,000                   | 1,241                | (3,759)   |
| Title VI-B, Special education flow-through                                       | 1,548,003                  | 1,548,003               | 1,163,074            | (384,929)   |
| Vocational education   | 47,598                     | 47,598                  | 45,245               | (2,353)   |
| Title VI-B, Special education pre-school   | 27,482                     | 27,482                  | 77,488               | 50,006  |
| Drug free schools  | 17,000                     | 17,000                  | 10,475               | (6,525)   |
| Title II   | 10,000                     | 10,000                  | 5,389                | (4,611)   |
| Adult basic education  | 17,500                     | 17,500                  | 20,656               | 3,156   |
| Federal land use   | 17,016                     | 17,016                  | 60,419               | 43,403  |
| Education technology   | -                          | -                       | 10,857               | 10,857  |
| Education jobs   | -                          | -                       | 110,133              | 110,133   |
| Improving teacher quality  | 153,000                    | 153,000                 | 113,670              | (39,330)  |
| Total categorical aid  | <u>\$ 2,763,793</u>        | <u>\$ 2,763,793</u>     | <u>\$ 3,586,330</u>  | <u>\$ 822,537</u>   |
| Total revenue from the federal government  | <u>\$ 2,763,793</u>        | <u>\$ 2,763,793</u>     | <u>\$ 3,586,330</u>  | <u>\$ 822,537</u>   |
| Total School Operating Fund  | <u>\$ 48,353,693</u>       | <u>\$ 48,419,342</u>    | <u>\$ 48,438,210</u> | <u>\$ 18,868</u>  |
| Total Discretely Presented Component Unit -<br>Total Component-Unit School Board | <u>\$ 48,353,693</u>       | <u>\$ 48,419,342</u>    | <u>\$ 48,438,210</u> | <u>\$ 18,868</u>  |

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Function, Activity and Element</u> | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <b>General Fund:</b>                        |                            |                         |               |   |
| General government administration:          |                            |                         |               |   |
| Legislative:                                |                            |                         |               |   |
| Board of supervisors                        | \$ 233,266                 | \$ 243,254              | \$ 224,897    | \$ 18,357   |
| General and financial administration:       |                            |                         |               |   |
| County administrator                        | \$ 365,685                 | \$ 364,624              | \$ 334,172    | \$ 30,452   |
| Deputy administrators                       | 345,959                    | 345,895                 | 339,478       | 6,417   |
| Central garage                              | 60,079                     | 60,045                  | 59,722        | 323   |
| Commissioner of revenue                     | 348,404                    | 348,404                 | 334,096       | 14,308  |
| Central purchasing                          | 118,470                    | 120,630                 | 87,217        | 33,413  |
| Treasurer                                   | 396,029                    | 413,419                 | 413,419       | -   |
| Management information systems              | 661,281                    | 673,445                 | 610,759       | 62,686  |
| Financial services                          | 312,778                    | 323,559                 | 313,109       | 10,450  |
| Total general and financial administration  | \$ 2,608,685               | \$ 2,650,021            | \$ 2,491,972  | \$ 158,049  |
| Board of elections:                         |                            |                         |               |   |
| Electoral board/registrar                   | \$ 242,591                 | \$ 262,015              | \$ 229,280    | \$ 32,735   |
| Total board of elections                    | \$ 242,591                 | \$ 262,015              | \$ 229,280    | \$ 32,735   |
| Total general government administration     | \$ 3,084,542               | \$ 3,155,290            | \$ 2,946,149  | \$ 209,141  |
| Judicial administration:                    |                            |                         |               |   |
| Courts:                                     |                            |                         |               |   |
| Circuit court                               | \$ 58,436                  | \$ 58,436               | \$ 55,593     | \$ 2,843  |
| General district court                      | 34,104                     | 34,104                  | 27,713        | 6,391   |
| Magistrate                                  | 625                        | 590                     | 212           | 378   |
| Clerk of the circuit court                  | 563,971                    | 578,291                 | 537,486       | 40,805  |
| Total courts                                | \$ 657,136                 | \$ 671,421              | \$ 621,004    | \$ 50,417   |
| Commonwealth's attorney:                    |                            |                         |               |   |
| Commonwealth's attorney                     | \$ 647,151                 | \$ 630,651              | \$ 603,395    | \$ 27,256   |
| Total commonwealth's attorney               | 647,151                    | 630,651                 | 603,395       | 27,256  |
| Total judicial administration               | \$ 1,304,287               | \$ 1,302,072            | \$ 1,224,399  | \$ 77,673   |
| Public safety:                              |                            |                         |               |   |
| Law enforcement and traffic control:        |                            |                         |               |   |
| Sheriff                                     | \$ 4,061,453               | \$ 4,511,436            | \$ 4,179,780  | \$ 331,656  |
| Total law enforcement and traffic control   | \$ 4,061,453               | \$ 4,511,436            | \$ 4,179,780  | \$ 331,656  |

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Function, Activity and Element</u>        | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| <b>General Fund: (Continued)</b>                   |                            |                         |                      |   |
| Public safety: (Continued)                         |                            |                         |                      |   |
| Fire and rescue services:                          |                            |                         |                      |   |
| Fire departments and rescue squads                 | \$ 1,260,369               | \$ 1,311,077            | \$ 1,092,030         | \$ 219,047  |
| Emergency communications                           | 188,105                    | 279,701                 | 242,712              | 36,989  |
| Western Virginia EMS                               | 6,722                      | 6,722                   | 6,722                | -   |
| Total fire and rescue services                     | <u>\$ 1,455,196</u>        | <u>\$ 1,597,500</u>     | <u>\$ 1,341,464</u>  | <u>\$ 256,036</u>   |
| Correction and detention:                          |                            |                         |                      |   |
| County operated institutions - jail                | \$ 3,568,644               | \$ 3,582,443            | \$ 3,054,542         | \$ 527,901  |
| Probation office                                   | 23,250                     | 45,506                  | 42,454               | 3,052   |
| Total correction and detention                     | <u>\$ 3,591,894</u>        | <u>\$ 3,627,949</u>     | <u>\$ 3,096,996</u>  | <u>\$ 530,953</u>   |
| Inspections:                                       |                            |                         |                      |   |
| Building   | \$ 298,977                 | \$ 268,854              | \$ 261,158           | \$ 7,696  |
| Total inspections                                  | <u>\$ 298,977</u>          | <u>\$ 268,854</u>       | <u>\$ 261,158</u>    | <u>\$ 7,696</u>   |
| Other protection:                                  |                            |                         |                      |   |
| Animal control                                     | \$ 418,247                 | \$ 419,632              | \$ 385,951           | \$ 33,681   |
| Emergency services                                 | 1,469,940                  | 1,726,350               | 1,658,322            | 68,028  |
| Dispatch   | 679,399                    | 679,400                 | 646,460              | 32,940  |
| Total other protection                             | <u>\$ 2,567,586</u>        | <u>\$ 2,825,382</u>     | <u>\$ 2,690,733</u>  | <u>\$ 134,649</u>   |
| Total public safety                                | <u>\$ 11,975,106</u>       | <u>\$ 12,831,121</u>    | <u>\$ 11,570,131</u> | <u>\$ 1,260,990</u>   |
| Public works:                                      |                            |                         |                      |   |
| Sanitation and waste removal:                      |                            |                         |                      |   |
| Refuse collection and disposal                     | \$ 532,603                 | \$ 590,550              | \$ 543,909           | \$ 46,641   |
| County engineer                                    | 326,371                    | 331,150                 | 321,472              | 9,678   |
| Public works                                       | 129,403                    | 154,954                 | 147,789              | 7,165   |
| Total sanitation and waste removal                 | <u>\$ 988,377</u>          | <u>\$ 1,076,654</u>     | <u>\$ 1,013,170</u>  | <u>\$ 63,484</u>  |
| Maintenance of general buildings and grounds:      |                            |                         |                      |   |
| General properties                                 | \$ 607,280                 | \$ 657,185              | \$ 657,185           | \$ -  |
| Total maintenance of general buildings and grounds | <u>607,280</u>             | <u>657,185</u>          | <u>657,185</u>       | <u>-</u>  |
| Total public works                                 | <u>\$ 1,595,657</u>        | <u>\$ 1,733,839</u>     | <u>\$ 1,670,355</u>  | <u>\$ 63,484</u>  |
| Health and welfare:                                |                            |                         |                      |   |
| Health:  |                            |                         |                      |   |
| Supplement of local health department              | \$ 329,193                 | \$ 329,193              | \$ 329,193           | \$ -  |
| Total health                                       | <u>\$ 329,193</u>          | <u>\$ 329,193</u>       | <u>\$ 329,193</u>    | <u>\$ -</u>   |

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Function, Activity and Element</u> | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| <b>General Fund: (Continued)</b>            |                            |                         |                      |   |
| Health and welfare: (Continued)             |                            |                         |                      |   |
| Mental health and mental retardation:       |                            |                         |                      |   |
| State and local hospitalization             | \$ 10,500                  | \$ 500                  | \$ -                 | \$ 500  |
| Mental health contribution                  | 38,743                     | 38,743                  | 38,743               | -   |
| Total mental health and mental retardation  | <u>\$ 49,243</u>           | <u>\$ 39,243</u>        | <u>\$ 38,743</u>     | <u>\$ 500</u>   |
| Welfare:                                    |                            |                         |                      |   |
| Welfare administration and programs         | \$ 1,835,652               | \$ 1,835,652            | \$ 1,529,115         | \$ 306,537  |
| Comprehensive services act                  | 1,359,805                  | 1,350,460               | 1,343,061            | 7,399   |
| Senior van program                          | 72,019                     | 71,845                  | 70,022               | 1,823   |
| Resource center                             | 6,750                      | 6,750                   | 6,750                | -   |
| Tax relief for the elderly                  | 282,000                    | 282,000                 | 281,004              | 996   |
| Other welfare programs                      | 41,136                     | 41,136                  | 41,136               | -   |
| Total welfare                               | <u>\$ 3,597,362</u>        | <u>\$ 3,587,843</u>     | <u>\$ 3,271,088</u>  | <u>\$ 316,755</u>   |
| Total health and welfare                    | <u>\$ 3,975,798</u>        | <u>\$ 3,956,279</u>     | <u>\$ 3,639,024</u>  | <u>\$ 317,255</u>   |
| Education:                                  |                            |                         |                      |   |
| Other instructional costs:                  |                            |                         |                      |   |
| Contributions to Community Colleges         | \$ 12,150                  | \$ 12,150               | \$ 12,150            | \$ -  |
| Contribution to County School Board         | 20,323,337                 | 20,388,986              | 20,388,986           | -   |
| Total education                             | <u>\$ 20,335,487</u>       | <u>\$ 20,401,136</u>    | <u>\$ 20,401,136</u> | <u>\$ -</u>   |
| Parks, recreation, and cultural:            |                            |                         |                      |   |
| Parks and recreation:                       |                            |                         |                      |   |
| Supervision of parks and recreation         | \$ 1,176,267               | \$ 1,301,383            | \$ 1,268,460         | \$ 32,923   |
| Sports Complex                              | 375,150                    | 385,190                 | 385,190              | -   |
| Tourism                                     | 141,455                    | 181,823                 | 181,823              | -   |
| Community recreation incentive              | -                          | -                       | -                    | -   |
| Total parks and recreation                  | <u>\$ 1,692,872</u>        | <u>\$ 1,868,396</u>     | <u>\$ 1,835,473</u>  | <u>\$ 32,923</u>  |
| Cultural enrichment:                        |                            |                         |                      |   |
| Contributions to cultural organizations     | \$ 66,612                  | \$ 71,612               | \$ 71,612            | \$ -  |
| Total cultural enrichment                   | <u>\$ 66,612</u>           | <u>\$ 71,612</u>        | <u>\$ 71,612</u>     | <u>\$ -</u>   |
| Library:                                    |                            |                         |                      |   |
| Library expenses                            | \$ 787,111                 | \$ 794,190              | \$ 770,470           | \$ 23,720   |
| Regional library                            | 186,441                    | 188,914                 | 172,586              | 16,328  |
| Total library                               | <u>\$ 973,552</u>          | <u>\$ 983,104</u>       | <u>\$ 943,056</u>    | <u>\$ 40,048</u>  |
| Total parks, recreation, and cultural       | <u>\$ 2,733,036</u>        | <u>\$ 2,923,112</u>     | <u>\$ 2,850,141</u>  | <u>\$ 72,971</u>  |

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Function, Activity and Element</u> | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| <b>General Fund: (Continued)</b>            |                            |                         |                      |   |
| Community development:                      |                            |                         |                      |   |
| Planning and community development:         |                            |                         |                      |   |
| Planning and Zoning                         | \$ 236,552                 | \$ 236,514              | \$ 219,614           | \$ 16,900   |
| Planning commission                         | 22,730                     | 22,730                  | 22,730               | -   |
| Industrial development                      | 71,528                     | 71,528                  | 72,528               | (1,000)   |
| Governor's Opportunity Funds                | -                          | 200,000                 | 200,000              | -   |
| Total planning and community development    | <u>\$ 330,810</u>          | <u>\$ 530,772</u>       | <u>\$ 514,872</u>    | <u>\$ 15,900</u>  |
| Environmental management:                   |                            |                         |                      |   |
| Other environmental management              | \$ 23,240                  | \$ 23,240               | \$ 23,135            | \$ 105  |
| Total environmental management              | <u>23,240</u>              | <u>23,240</u>           | <u>23,135</u>        | <u>105</u>  |
| Cooperative extension program:              |                            |                         |                      |   |
| Extension office                            | \$ 82,366                  | \$ 82,366               | \$ 62,854            | \$ 19,512   |
| Total cooperative extension program         | <u>82,366</u>              | <u>82,366</u>           | <u>62,854</u>        | <u>19,512</u>   |
| Total community development                 | <u>\$ 436,416</u>          | <u>\$ 636,378</u>       | <u>\$ 600,861</u>    | <u>\$ 35,517</u>  |
| Capital projects:                           |                            |                         |                      |   |
| EOC upgrades                                | \$ -                       | \$ 14,169               | \$ -                 | \$ 14,169   |
| Tower site batteries                        | 15,000                     | 21,000                  | -                    | 21,000  |
| Street signs                                | 15,000                     | 15,000                  | -                    | 15,000  |
| ADA Compliance                              | 15,000                     | 16,252                  | -                    | 16,252  |
| Boxley Fields                               | -                          | 7,841                   | -                    | 7,841   |
| Buchanan Park                               | -                          | 57,000                  | -                    | 57,000  |
| Blue Ridge Library                          | -                          | -                       | 761,764              | (761,764)   |
| Eagle Rock Library                          | -                          | 3,000                   | -                    | 3,000   |
| Emergency communications project            | 31,000                     | 31,000                  | 30,590               | 410   |
| VDOT revenue sharing                        | 25,000                     | 25,000                  | -                    | 25,000  |
| Industrial site development                 | 25,000                     | 338,797                 | 223,982              | 114,815   |
| Recreation facility (Greenfield park)       | -                          | 21,725                  | -                    | 21,725  |
| Total capital projects                      | <u>\$ 126,000</u>          | <u>\$ 550,784</u>       | <u>1,016,336</u>     | <u>\$ (465,552)</u>   |
| Debt service:                               |                            |                         |                      |   |
| Principal retirement                        | 2,806,474                  | 2,804,794               | \$ 2,784,220         | \$ 20,574   |
| Bond issuance costs                         | -                          | 31,266                  | 31,266               | -   |
| Interest and other fiscal charges           | 1,972,381                  | 1,972,381               | 1,972,381            | -   |
| Total debt service                          | <u>\$ 4,778,855</u>        | <u>\$ 4,808,441</u>     | <u>\$ 4,787,867</u>  | <u>\$ 20,574</u>  |
| Total General Fund                          | <u>\$ 50,345,184</u>       | <u>\$ 52,298,452</u>    | <u>\$ 50,706,399</u> | <u>\$ 1,592,053</u>   |
| Total Primary Government                    | <u>\$ 50,345,184</u>       | <u>\$ 52,298,452</u>    | <u>\$ 50,706,399</u> | <u>\$ 1,592,053</u>   |

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

| <u>Fund, Function, Activity and Element</u>                 | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <b>Discretely Presented Component Unit - School Board</b>   |                            |                         |               |   |
| <b>Special revenue funds:</b>                               |                            |                         |               |   |
| <b>School Operating Fund:</b>                               |                            |                         |               |   |
| Education:  |                            |                         |               |   |
| Administration of schools:                                  |                            |                         |               |   |
| Administration and health services                          | \$ 1,699,882               | \$ 1,699,882            | \$ 1,697,984  | \$ 1,898  |
| Instruction costs:  |                            |                         |               |   |
| Instructional costs   | \$ 34,377,216              | \$ 34,875,928           | \$ 34,074,441 | \$ 801,487  |
| Operating costs:  |                            |                         |               |   |
| Pupil transportation  | \$ 3,021,624               | \$ 3,021,624            | \$ 3,222,185  | \$ (200,561)  |
| Operation and maintenance of school plant                   | 4,575,378                  | 4,575,378               | 4,523,644     | 51,734  |
| School food service   | 2,104,100                  | 2,104,100               | 2,131,155     | (27,055)  |
| Facilities  | 500,000                    | 500,000                 | 1,059,672     | (559,672)   |
| Technology  | 2,540,493                  | 2,540,493               | 2,341,139     | 199,354   |
| Total operating costs                                       | \$ 12,741,595              | \$ 12,741,595           | \$ 13,277,795 | \$ (536,200)  |
| Total education   | \$ 48,818,693              | \$ 49,317,405           | \$ 49,050,220 | \$ 267,185  |
| Total School Fund   | \$ 48,818,693              | \$ 49,317,405           | \$ 49,050,220 | \$ 267,185  |
| Total Discretely Presented Component Unit -<br>School Board | \$ 48,818,693              | \$ 49,317,405           | \$ 49,050,220 | \$ 267,185  |

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

## **STATISTICAL SECTION**

## Statistical Section

| <u>Contents</u>  | <u>Tables</u> |
|--|---------------|
| <b>Financial Trends</b><br>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         |
| <b>Revenue Capacity</b><br>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        |
| <b>Debt Capacity</b><br>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       |
| <b>Demographic and Economic Information</b><br>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            |
| <b>Operating Information</b><br>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 2003; schedules presenting government-wide information include information beginning in that year.

Table 1

**COUNTY OF BOTETOURT, VIRGINIA**

Net Assets by Component  
Last Nine Fiscal Years  
(*accrual basis of accounting*)

|  | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental activities</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 6,195,850         | \$ 7,141,095         | \$ 8,692,418         | \$ 12,273,356        | \$ 18,097,591        | \$ 24,784,273        | \$ 27,728,370        | \$ 28,954,610        | \$ 29,931,209        |
| Restricted                                       | 118,523              | 144,886              | 116,975              | 676,265              | 666,969              | 243,247              | 260,324              | 184,574              | 198,529              |
| Unrestricted                                     | 3,966,387            | 6,463,347            | 10,173,008           | 18,758,845           | 20,068,496           | 17,062,750           | 10,303,045           | 9,116,696            | 10,975,733           |
| <b>Total governmental activities net assets</b>  | <b>\$ 10,280,760</b> | <b>\$ 13,749,328</b> | <b>\$ 18,982,401</b> | <b>\$ 31,708,466</b> | <b>\$ 38,833,056</b> | <b>\$ 42,090,270</b> | <b>\$ 38,291,739</b> | <b>\$ 38,255,880</b> | <b>\$ 41,105,471</b> |
| <b>Business-type activities</b>                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 7,853,689         | \$ 7,519,539         | \$ 8,841,644         | \$ 8,909,696         | \$ 10,031,502        | \$ 10,207,082        | \$ 10,102,393        | \$ 9,954,091         | \$ 10,019,461        |
| Unrestricted                                     | 1,393,862            | 2,035,410            | 1,340,450            | 1,401,069            | 295,498              | 888,109              | 2,022,825            | 2,354,249            | 2,511,990            |
| <b>Total business-type activities net assets</b> | <b>\$ 9,247,551</b>  | <b>\$ 9,554,949</b>  | <b>\$ 10,182,094</b> | <b>\$ 10,310,765</b> | <b>\$ 10,327,000</b> | <b>\$ 11,095,191</b> | <b>\$ 12,125,218</b> | <b>\$ 12,308,340</b> | <b>\$ 12,531,451</b> |
| <b>Primary government</b>                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 14,049,539        | \$ 14,660,634        | \$ 17,534,062        | \$ 21,183,052        | \$ 28,129,093        | \$ 34,991,355        | \$ 37,830,763        | \$ 38,908,701        | \$ 39,950,670        |
| Restricted                                       | 118,523              | 144,886              | 116,975              | 676,265              | 666,969              | 243,247              | 260,324              | 184,574              | 198,529              |
| Unrestricted                                     | 5,360,249            | 8,488,757            | 12,339,079           | 20,159,914           | 20,363,994           | 17,950,859           | 12,325,870           | 11,470,945           | 13,487,723           |
| <b>Total primary government net assets</b>       | <b>\$ 19,528,311</b> | <b>\$ 23,304,277</b> | <b>\$ 29,990,116</b> | <b>\$ 42,019,231</b> | <b>\$ 49,160,056</b> | <b>\$ 53,185,461</b> | <b>\$ 50,416,957</b> | <b>\$ 50,564,220</b> | <b>\$ 53,636,922</b> |

Information has only been available for nine years.

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

|   | Fiscal Year   |               |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
| <b>Expenses</b>                                 |               |               |               |               |               |               |               |               |               |
| Governmental activities:                        |               |               |               |               |               |               |               |               |               |
| General government                              | \$ 2,012,402  | \$ 2,230,461  | \$ 2,396,259  | \$ 2,623,963  | \$ 2,474,879  | \$ 2,425,324  | \$ 2,882,831  | \$ 3,330,864  | \$ 3,017,197  |
| Judicial administration                         | 606,205       | 850,225       | 898,610       | 1,007,505     | 1,247,810     | 1,315,699     | 1,307,844     | 1,289,818     | 1,251,798     |
| Public safety                                   | 6,460,243     | 6,800,812     | 7,214,325     | 7,541,698     | 9,005,396     | 11,408,457    | 11,875,621    | 12,060,957    | 11,119,800    |
| Public works                                    | 2,196,276     | 1,634,166     | 1,087,768     | (342,596)     | 2,094,816     | 1,645,071     | 3,469,969     | 1,026,920     | 1,902,510     |
| Health and welfare                              | 2,550,130     | 2,964,610     | 3,089,866     | 3,078,876     | 3,155,210     | 3,522,298     | 3,359,650     | 3,717,605     | 3,572,226     |
| Education                                       | 16,570,067    | 17,302,062    | 16,869,552    | 19,071,338    | 18,891,746    | 20,021,134    | 22,944,520    | 20,407,000    | 21,907,252    |
| Parks, recreation and cultural                  | 1,324,480     | 1,349,839     | 1,708,618     | 1,756,571     | 2,172,778     | 2,801,151     | 2,932,681     | 3,120,867     | 3,266,210     |
| Community development                           | 466,355       | 802,821       | 1,022,648     | 564,789       | 582,609       | 2,012,043     | 1,323,106     | 672,942       | 581,692       |
| Interest on long-term debt                      | 1,075,768     | 1,014,329     | 949,361       | 1,081,456     | 2,712,171     | 2,566,987     | 2,127,418     | 1,978,620     | 1,763,356     |
| Total governmental activities expenses          | \$ 33,261,926 | \$ 34,949,325 | \$ 35,237,007 | \$ 36,383,600 | \$ 42,337,415 | \$ 47,718,164 | \$ 52,223,640 | \$ 47,605,593 | \$ 48,382,041 |
| Business-type activities:                       |               |               |               |               |               |               |               |               |               |
| Water   | \$ 1,691,872  | \$ 1,490,662  | \$ 1,524,165  | \$ 2,035,296  | \$ 2,095,311  | \$ 2,382,201  | \$ 2,705,663  | \$ 2,822,893  | \$ 2,616,243  |
| Total primary government expenses               | \$ 34,953,798 | \$ 36,439,987 | \$ 36,761,172 | \$ 38,418,896 | \$ 44,432,726 | \$ 50,100,365 | \$ 54,929,303 | \$ 50,428,486 | \$ 50,998,284 |
| <b>Program Revenues</b>                         |               |               |               |               |               |               |               |               |               |
| Governmental activities:                        |               |               |               |               |               |               |               |               |               |
| Charges for services:                           |               |               |               |               |               |               |               |               |               |
| General government                              | \$ 801        | \$ 10,104     | \$ -          | \$ 2,220      | \$ 1,090      | \$ 1,202      | \$ 606        | \$ 492        | \$ 1,148      |
| Judicial administration                         | 209,353       | 336,028       | 222,281       | 337,141       | 304,025       | 293,937       | 79,072        | 154,962       | 183,408       |
| Public safety                                   | 111,999       | 687,202       | 574,937       | 624,263       | 541,492       | 584,434       | 542,087       | 462,721       | 396,503       |
| Public works                                    | 763,073       | 670,364       | 874,485       | 853,104       | 1,255,980     | 936,821       | 176,935       | 168,841       | 174,421       |
| Parks, recreation and cultural                  | 16,524        | 9,007         | 28,141        | 30,786        | 61,788        | 130,073       | 149,235       | 164,399       | 163,473       |
| Community development                           | -             | -             | -             | -             | 39,562        | -             | -             | -             | -             |
| Operating grants and contributions              | 4,485,440     | 4,844,407     | 5,527,195     | 5,884,760     | 5,813,858     | 6,804,623     | 7,900,796     | 6,843,667     | 6,943,118     |
| Capital grants and contributions                | -             | -             | 825,621       | 5,341,327     | 833,052       | 3,141,221     | -             | -             | -             |
| Total governmental activities program revenues  | \$ 5,587,190  | \$ 6,557,112  | \$ 8,052,660  | \$ 13,073,601 | \$ 8,850,867  | \$ 11,892,311 | \$ 8,848,731  | \$ 7,795,082  | \$ 7,862,071  |
| Business-type activities:                       |               |               |               |               |               |               |               |               |               |
| Charges for services:                           |               |               |               |               |               |               |               |               |               |
| Water   | \$ 1,299,743  | \$ 1,730,084  | \$ 1,844,364  | \$ 1,903,624  | \$ 1,965,855  | \$ 2,788,894  | \$ 2,703,870  | \$ 2,971,193  | \$ 2,826,574  |
| Operating grants and contributions              | -             | 123,452       | -             | -             | -             | -             | -             | -             | -             |
| Capital grants and contributions                | -             | -             | 242,320       | 184,415       | 14,270        | -             | 97,975        | 25,000        | -             |
| Total business-type activities program revenues | \$ 1,299,743  | \$ 1,853,536  | \$ 2,086,684  | \$ 2,088,039  | \$ 1,980,125  | \$ 2,788,894  | \$ 2,801,845  | \$ 2,996,193  | \$ 2,826,574  |
| Total primary government program revenues       | \$ 6,886,933  | \$ 8,410,648  | \$ 10,139,344 | \$ 15,161,640 | \$ 10,830,992 | \$ 14,681,205 | \$ 11,650,576 | \$ 10,791,275 | \$ 10,688,645 |

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

|   | Fiscal Year     |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2003            | 2004            | 2005            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            |
| Net (expense) / revenue                                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                                 | \$ (27,674,736) | \$ (28,392,213) | \$ (27,184,347) | \$ (23,309,999) | \$ (33,486,548) | \$ (35,825,853) | \$ (43,374,909) | \$ (39,810,511) | \$ (40,519,970) |
| Business-type activities                                | \$ (992,129)    | \$ 362,874      | \$ 562,519      | \$ 52,743       | \$ (115,186)    | \$ 406,693      | \$ 96,182       | \$ 173,300      | \$ 210,331      |
| Total primary government net expense                    | \$ (28,066,865) | \$ (28,029,339) | \$ (26,621,828) | \$ (23,257,256) | \$ (33,601,734) | \$ (35,419,160) | \$ (43,278,727) | \$ (39,637,211) | \$ (40,309,639) |
| <b>General Revenues and Other Changes in Net Assets</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities:                                |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Taxes   |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Property taxes  | \$ 21,118,883   | \$ 21,511,158   | \$ 21,959,664   | \$ 22,943,504   | \$ 26,540,984   | \$ 27,293,853   | \$ 28,666,285   | \$ 28,295,560   | \$ 30,227,710   |
| Local sales and use taxes                               | 1,627,979       | 1,902,149       | 1,907,016       | 2,043,136       | 2,120,627       | 2,102,537       | 1,930,445       | 1,873,975       | 2,028,548       |
| Taxes on recordation and wills                          | 228,569         | 269,075         | 345,583         | 610,881         | 453,586         | 406,937         | 296,613         | 285,530         | 699,959         |
| Motor vehicle licenses taxes                            | 654,769         | 672,656         | 694,280         | 715,817         | 718,797         | 25,815          | 587,147         | 627,860         | 745,256         |
| Consumer utility taxes                                  | 498,838         | 722,673         | 1,097,302       | 1,114,597       | 946,172         | 694,547         | 694,849         | 694,260         | 632,926         |
| Business licenses taxes                                 | 479,334         | 591,582         | 717,265         | 761,213         | 780,498         | 828,183         | 788,003         | 779,757         | 1,083,240       |
| Other local taxes                                       | 2,004,431       | 1,743,015       | 1,648,434       | 1,829,180       | 2,133,704       | 2,437,859       | 2,329,120       | 1,537,984       | 874,154         |
| Unrestricted grants and contributions                   | 3,598,245       | 3,815,309       | 3,684,929       | 3,330,507       | 3,990,504       | 3,879,675       | 4,007,081       | 4,652,598       | 4,509,921       |
| Unrestricted revenues from use of money and property    | 331,740         | 270,904         | 760,822         | 1,247,708       | 2,661,235       | 1,631,765       | 902,894         | 660,250         | 602,854         |
| Miscellaneous   | 448,480         | 283,959         | 270,663         | 628,389         | 334,911         | 126,545         | 285,932         | 366,878         | 1,948,711       |
| Transfers   | (271,103)       | 78,302          | (30,875)        | (14,489)        | (69,880)        | (343,649)       | (911,991)       | -               | 6,282           |
| Total governmental activities                           | \$ 30,714,165   | \$ 31,860,782   | \$ 33,055,083   | \$ 35,210,443   | \$ 40,611,138   | \$ 39,083,067   | \$ 39,576,378   | \$ 39,774,652   | \$ 43,369,561   |
| Business-type activities:                               |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Unrestricted revenues from use of money and property    | \$ 19,199       | \$ 16,950       | \$ 33,751       | \$ 61,439       | \$ 61,541       | \$ 17,849       | \$ 21,854       | \$ 9,822        | \$ 19,062       |
| Miscellaneous   | 2,107           | 5,876           | -               | -               | -               | -               | -               | -               | -               |
| Transfers   | 271,103         | (78,302)        | 30,875          | 14,489          | 69,880          | 343,649         | 911,991         | -               | (6,282)         |
| Total business-type activities                          | \$ 292,409      | \$ (55,476)     | \$ 64,626       | \$ 75,928       | \$ 131,421      | \$ 361,498      | \$ 933,845      | \$ 9,822        | \$ 12,780       |
| Total primary government                                | \$ 31,006,574   | \$ 31,805,306   | \$ 33,119,709   | \$ 35,286,371   | \$ 40,742,559   | \$ 39,444,565   | \$ 40,510,223   | \$ 39,784,474   | \$ 43,382,341   |
| <b>Change in Net Assets</b>                             |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                                 | \$ 3,039,429    | \$ 3,468,569    | \$ 5,870,736    | \$ 11,900,444   | \$ 7,124,590    | \$ 3,257,214    | \$ (3,798,531)  | \$ (35,859)     | \$ 2,849,591    |
| Business-type activities                                | (98,720)        | 307,398         | 627,145         | 128,671         | 16,235          | 768,191         | 1,030,027       | 183,122         | 223,111         |
| Total primary government                                | \$ 2,939,709    | \$ 3,775,967    | \$ 6,497,881    | \$ 12,029,115   | \$ 7,140,825    | \$ 4,025,405    | \$ (2,768,504)  | \$ 147,263      | \$ 3,072,702    |

Information has only been available for nine years.

Table 3

**COUNTY OF BOTETOURT, VIRGINIA**  
 Governmental Activities Tax Revenues by Source  
 Last Nine 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 |
|-------------|---------------|-------------------------|----------------------|---------------------------|-------------|----------------------------|----------------------|---------------------|-------------------|-------|
|             |               |                         |                      | Vehicle License Tax       | License Tax |                            |                      |                     |                   |       |
| 2011        | \$ 30,227,710 | \$ 2,028,548            | \$ 699,959           | \$ 632,926                | \$ 263,973  | \$ 745,256                 | \$ 1,093,240         | \$ 610,181          | \$ 36,301,793     |       |
| 2010        | 28,295,560    | 1,873,975               | 694,260              | 627,860                   | 285,530     | 779,757                    | 1,066,328            | 471,656             | 34,094,926        |       |
| 2009        | 28,666,285    | 1,930,445               | 694,849              | 587,147                   | 296,613     | 788,003                    | 1,097,813            | 1,231,307           | 35,292,462        |       |
| 2008        | 27,293,853    | 2,102,537               | 694,547              | 25,815                    | 405,937     | 828,183                    | 1,078,988            | 1,358,871           | 33,788,731        |       |
| 2007        | 26,540,984    | 2,120,627               | 946,172              | 718,797                   | 453,586     | 780,498                    | 1,074,307            | 1,059,397           | 33,694,368        |       |
| 2006        | 22,943,504    | 2,043,136               | 1,114,597            | 715,817                   | 610,881     | 761,213                    | 996,577              | 832,603             | 30,018,328        |       |
| 2005        | 21,959,664    | 1,907,016               | 1,097,302            | 694,280                   | 345,583     | 717,265                    | 934,270              | 714,164             | 28,369,544        |       |
| 2004        | 21,511,158    | 1,902,149               | 722,673              | 672,656                   | 269,075     | 591,582                    | 926,064              | 816,951             | 27,412,308        |       |
| 2003        | 21,118,883    | 1,627,979               | 496,838              | 654,769                   | 226,569     | 479,334                    | 813,560              | 889,137             | 26,307,069        |       |

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

Information has only been available for nine years.

Table 4

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

|                                    | 2002         | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
|------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General fund                       |              |               |               |               |               |               |               |               |               |               |
| Reserved/Restricted                | \$ -         | \$ 118,523    | \$ 144,886    | \$ 116,975    | \$ 18,610,318 | \$ 4,884,335  | \$ 243,247    | \$ 260,324    | \$ 266,406    | \$ 198,529    |
| Unreserved/Unassigned              | 7,990,176    | 10,429,369    | 13,076,070    | 16,199,075    | 16,603,564    | 17,669,312    | 21,465,706    | 16,164,020    | 14,054,127    | 15,900,561    |
| Non-spendable                      | -            | -             | -             | -             | -             | -             | -             | -             | -             | 117,761       |
| Total general fund                 | \$ 7,990,176 | \$ 10,547,892 | \$ 13,220,956 | \$ 16,316,050 | \$ 35,213,882 | \$ 22,553,647 | \$ 21,708,953 | \$ 16,424,344 | \$ 14,320,533 | \$ 16,216,851 |
| All other governmental funds       |              |               |               |               |               |               |               |               |               |               |
| Reserved                           | \$ -         | \$ -          | \$ -          | \$ -          | \$ 13,695,671 | \$ 1,441,807  | \$ -          | \$ -          | \$ -          | \$ -          |
| Unreserved, reported in:           |              |               |               |               |               |               |               |               |               |               |
| Special revenue funds              | 100,452      | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Total all other governmental funds | \$ 100,452   | \$ -          | \$ -          | \$ -          | \$ 13,695,671 | \$ 1,441,807  | \$ -          | \$ -          | \$ -          | \$ -          |

Note: The County implemented GASB 54 during the fiscal year ending June 30, 2011. As such, fund balance classifications have changed to include amounts that are restricted assigned, and nonspendable as reported above for years ending on June 30, 2011 and thereafter.

Table 5

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

|   | 2002            | 2003          | 2004          | 2005          | 2006           | 2007            | 2008           | 2009           | 2010           | 2011          |
|---|-----------------|---------------|---------------|---------------|----------------|-----------------|----------------|----------------|----------------|---------------|
| <b>Revenues</b>   |                 |               |               |               |                |                 |                |                |                |               |
| General property taxes                                  | \$ 18,529,587   | \$ 21,108,596 | \$ 21,469,051 | \$ 21,996,002 | \$ 22,902,166  | \$ 26,407,115   | \$ 27,365,128  | \$ 28,472,840  | \$ 28,265,340  | \$ 30,156,224 |
| Other local taxes                                       | 5,012,489       | 5,188,186     | 5,901,150     | 6,409,880     | 7,074,824      | 7,153,384       | 6,494,878      | 6,026,177      | 5,799,366      | 6,074,083     |
| Permits, privilege fees and regulatory licenses         | 243,482         | 301,734       | 543,063       | 436,836       | 537,885        | 410,932         | 364,491        | 259,873        | 259,962        | 216,496       |
| Fines and forfeitures                                   | 174,778         | 169,024       | 170,769       | 213,182       | 116,066        | 132,611         | 116,316        | 87,133         | 91,435         | 115,006       |
| Revenue from use of money and property                  | 342,864         | 331,740       | 270,904       | 760,822       | 1,247,708      | 2,661,235       | 1,631,765      | 902,894        | 660,250        | 602,854       |
| Charges for services                                    | 549,659         | 932,726       | 998,873       | 1,049,826     | 1,193,560      | 1,860,415       | 1,465,660      | 600,929        | 600,018        | 587,451       |
| Miscellaneous   | 159,766         | 446,480       | 309,235       | 270,663       | 661,263        | 334,911         | 126,545        | 285,932        | 366,878        | 1,948,711     |
| Recovered costs   | 583,765         | 308,381       | 329,355       | 441,512       | 1,079,791      | 1,328,471       | 1,429,487      | 1,982,437      | 1,465,804      | 1,383,273     |
| Intergovernmental:                                      |                 |               |               |               |                |                 |                |                |                |               |
| Commonwealth  | 7,607,489       | 7,211,333     | 7,663,789     | 9,041,764     | 13,444,276     | 9,677,832       | 12,947,156     | 9,827,831      | 10,278,579     | 10,151,813    |
| Federal   | 1,000,360       | 872,352       | 995,927       | 995,981       | 1,112,318      | 959,582         | 878,363        | 2,080,046      | 1,217,686      | 1,301,226     |
| Total revenues  | \$ 34,204,249   | \$ 36,871,552 | \$ 38,652,116 | \$ 41,616,468 | \$ 49,369,857  | \$ 50,726,488   | \$ 52,819,789  | \$ 51,126,092  | \$ 49,005,318  | \$ 52,537,137 |
| <b>Expenditures</b>                                     |                 |               |               |               |                |                 |                |                |                |               |
| General government administration                       | \$ 2,018,660    | \$ 1,889,219  | \$ 2,060,828  | \$ 2,350,299  | \$ 2,591,998   | \$ 2,666,089    | \$ 2,896,922   | \$ 3,133,423   | \$ 3,217,633   | \$ 2,946,149  |
| Judicial administration                                 | 567,154         | 601,548       | 843,482       | 891,129       | 1,006,931      | 1,253,243       | 1,288,367      | 1,281,196      | 1,276,576      | 1,224,399     |
| Public safety   | 6,578,673       | 6,691,120     | 7,003,462     | 7,382,662     | 8,199,518      | 9,814,152       | 11,782,509     | 12,709,074     | 12,621,652     | 11,570,131    |
| Public works  | 1,376,391       | 1,590,427     | 1,435,431     | 1,677,815     | 1,571,094      | 1,724,833       | 1,625,801      | 1,698,314      | 1,729,418      | 1,670,355     |
| Health and welfare                                      | 2,565,915       | 2,548,996     | 2,957,939     | 3,135,064     | 3,127,959      | 3,219,915       | 3,569,914      | 3,427,105      | 3,770,875      | 3,639,024     |
| Education   | 10,830          | 15,901,919    | 16,194,823    | 16,226,404    | 18,428,189     | 18,248,597      | 19,060,764     | 21,712,253     | 19,021,824     | 20,401,136    |
| Parks, recreation and cultural                          | 1,326,099       | 1,414,061     | 1,563,106     | 1,685,404     | 1,733,989      | 2,268,455       | 2,812,653      | 2,986,515      | 2,972,332      | 2,850,141     |
| Community development                                   | 355,147         | 467,517       | 799,379       | 1,020,840     | 731,012        | 603,682         | 1,778,813      | 496,566        | 625,127        | 600,861       |
| Capital projects  | 808,094         | 744,708       | 239,276       | 1,429,944     | 10,802,412     | 31,516,911      | 4,916,928      | 3,067,114      | 1,014,166      | 1,016,336     |
| Debt service  |                 |               |               |               |                |                 |                |                |                |               |
| Principal   | -               | 1,905,688     | 1,905,711     | 1,891,773     | 1,898,541      | 1,898,887       | 2,377,691      | 2,762,390      | 2,798,024      | 2,784,220     |
| Bond issuance cost                                      | -               | -             | -             | -             | 157,398        | -               | -              | -              | -              | 31,266        |
| Interest and other fiscal charges                       | 57,194          | 1,113,506     | 1,050,735     | 987,125       | 951,619        | 2,355,943       | 2,652,279      | 2,223,760      | 2,061,502      | 1,972,381     |
| Total expenditures                                      | \$ 15,664,157   | \$ 34,868,709 | \$ 36,054,172 | \$ 38,678,459 | \$ 51,200,660  | \$ 75,570,707   | \$ 54,762,641  | \$ 55,498,710  | \$ 51,109,129  | \$ 50,706,399 |
| Excess of revenues over (under) expenditures            | \$ 18,540,092   | \$ 2,002,843  | \$ 2,597,944  | \$ 2,938,009  | \$ (1,830,803) | \$ (24,844,219) | \$ (1,942,852) | \$ (4,372,618) | \$ (2,103,811) | \$ 1,830,738  |
| Other financing sources (uses)                          |                 |               |               |               |                |                 |                |                |                |               |
| Transfers in  | \$ 843,413      | \$ 250        | \$ 175,020    | \$ -          | \$ -           | \$ -            | \$ -           | \$ -           | \$ -           | \$ 6,282      |
| Transfers out   | (16,803,800)    | (271,103)     | (99,900)      | (30,875)      | (14,489)       | (69,880)        | (343,649)      | (911,991)      | -              | -             |
| Proceeds from refunding bonds                           | -               | -             | -             | -             | -              | -               | -              | -              | -              | 2,074,298     |
| Refunded bonds redeemed                                 | -               | -             | -             | -             | -              | -               | -              | -              | -              | (2,015,000)   |
| Proceeds of general obligation bonds                    | -               | -             | -             | -             | 33,460,000     | -               | -              | -              | -              | -             |
| Proceeds of literary loans                              | -               | 611,600       | -             | -             | -              | -               | -              | -              | -              | -             |
| Proceeds of revenue anticipation notes                  | -               | -             | -             | 825,621       | -              | -               | -              | -              | -              | -             |
| Premium on bonds issued                                 | -               | -             | -             | -             | 978,795        | -               | -              | -              | -              | -             |
| Total other financing sources (uses)                    | \$ (15,960,387) | \$ 340,747    | \$ 75,120     | \$ 794,746    | \$ 34,424,306  | \$ (69,880)     | \$ (343,649)   | \$ (911,991)   | \$ -           | \$ 65,580     |
| Net change in fund balances                             | \$ 2,579,705    | \$ 2,343,590  | \$ 2,673,064  | \$ 3,732,755  | \$ 32,533,503  | \$ (24,914,099) | \$ (2,286,501) | \$ (5,284,609) | \$ (2,103,811) | \$ 1,896,318  |
| Debt service as a percentage of noncapital expenditures | 0.38%           | 8.85%         | 8.25%         | 7.73%         | 7.06%          | 9.66%           | 10.18%         | 9.51%          | 9.70%          | 9.57%         |

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

| Fiscal Year | Property Tax  | Local sales and use Tax | Consumer Utility Tax | Motor Vehicle License Tax |            | Recordation and Wills Tax | Business License Tax | Other Local Taxes |       | Total |
|-------------|---------------|-------------------------|----------------------|---------------------------|------------|---------------------------|----------------------|-------------------|-------|-------|
|             |               |                         |                      | License                   | Tax        |                           |                      | Local             | Taxes |       |
| 2011        | \$ 30,156,224 | \$ 2,028,548            | \$ 551,977           | \$ 632,926                | \$ 263,973 | \$ 745,256                | \$ 1,851,403         | \$ 36,230,307     |       |       |
| 2010        | 28,265,340    | 1,873,975               | 549,266              | 627,860                   | 285,530    | 779,757                   | 1,682,978            | 34,064,706        |       |       |
| 2009        | 28,472,840    | 1,930,445               | 546,232              | 587,147                   | 296,613    | 788,003                   | 2,477,737            | 35,099,017        |       |       |
| 2008        | 27,365,128    | 2,102,537               | 539,236              | 25,815                    | 405,937    | 828,183                   | 2,593,170            | 33,860,006        |       |       |
| 2007        | 26,407,115    | 2,120,627               | 787,430              | 718,797                   | 453,586    | 780,498                   | 2,292,446            | 33,560,499        |       |       |
| 2006        | 22,902,166    | 2,043,136               | 959,263              | 715,817                   | 610,881    | 761,213                   | 1,984,514            | 29,976,990        |       |       |
| 2005        | 21,996,002    | 1,907,016               | 948,046              | 694,280                   | 345,583    | 717,265                   | 1,797,690            | 28,405,882        |       |       |
| 2004        | 21,469,051    | 1,902,149               | 722,673              | 672,656                   | 269,075    | 591,582                   | 1,743,015            | 27,370,201        |       |       |
| 2003        | 21,108,596    | 1,627,979               | 496,838              | 654,769                   | 226,569    | 479,334                   | 1,702,697            | 26,296,782        |       |       |
| 2002        | 18,529,587    | 1,649,981               | 483,091              | 651,120                   | 210,008    | 502,783                   | 1,236,424            | 23,262,994        |       |       |

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

Table 7

## COUNTY OF BOTETOURT, VIRGINIA

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

| Fiscal Year | Real Estate      | Personal Property | Mobile Homes | Machinery and Tools | Merchants' Capital | Public Service | Total Direct Tax Rate | Total Taxable Assessed Value | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-------------|------------------|-------------------|--------------|---------------------|--------------------|----------------|-----------------------|------------------------------|--------------------------------|--|
|             |                  |                   |              |                     |                    |                |                       |                              |                                |  |
| 2011        | \$ 3,550,427,445 | \$ 300,246,831    | 7,491,117    | \$ 194,707,052      | n/a                | \$ 198,117,207 | \$ 0.852              | \$ 4,250,989,652             | \$ 4,250,989,652               | 100.00%  |
| 2010        | 2,988,312,115    | 283,659,315       | 7,399,339    | 193,749,235         | n/a                | 174,383,239    | 0.859                 | 3,647,503,243                | 3,647,503,243                  | 100.00%  |
| 2009        | 2,959,128,712    | 333,396,867       | 7,345,446    | 192,402,843         | n/a                | 163,592,256    | 0.884                 | 3,655,866,124                | 3,655,866,124                  | 100.00%  |
| 2008        | 2,895,743,670    | 308,999,319       | 7,808,357    | 172,799,915         | n/a                | 156,941,049    | 0.872                 | 3,542,292,310                | 3,542,292,310                  | 100.00%  |
| 2007        | 2,833,082,150    | 310,621,094       | 7,700,260    | 151,870,890         | n/a                | 133,877,838    | 0.873                 | 3,437,152,232                | 3,437,152,232                  | 100.00%  |
| 2006        | 2,186,686,112    | 289,638,810       | 8,033,414    | 153,638,605         | n/a                | 135,301,326    | 0.954                 | 2,773,298,267                | 2,773,298,267                  | 100.00%  |
| 2005        | 2,139,938,316    | 256,968,546       | 8,158,314    | 146,973,693         | n/a                | 142,625,259    | 0.936                 | 2,694,664,128                | 2,694,664,128                  | 100.00%  |
| 2004        | 2,085,489,629    | 257,232,958       | 8,321,274    | 136,994,597         | n/a                | 153,383,435    | 0.937                 | 2,641,421,893                | 2,641,421,893                  | 100.00%  |
| 2003        | 2,035,695,125    | 280,283,007       | 9,730,292    | 130,338,657         | n/a                | 160,027,136    | 0.953                 | 2,616,074,217                | 2,616,074,217                  | 100.00%  |
| 2002        | 1,712,528,114    | 237,877,380       | 9,907,597    | 124,340,420         | n/a                | 135,333,628    | 0.960                 | 2,219,987,139                | 2,219,987,139                  | 100.00%  |

Source: Commissioner of Revenue

Tax rate is per \$100 of assessed value.

Table 8

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

| Fiscal Years | Direct Rates |                   |              |                     |                    |                       | Overlapping Rates<br>Town of Buchanan |                   |
|--------------|--------------|-------------------|--------------|---------------------|--------------------|-----------------------|---------------------------------------|-------------------|
|              | Real Estate  | Personal Property | Mobile Homes | Machinery and Tools | Merchants' Capital | Total Direct Tax Rate | Real Estate                           | Personal Property |
| 2011         | \$ 0.65      | 2.55              | 0.65         | 1.80                | n/a                | 0.852                 | \$ 0.19                               | 0.32              |
| 2010         | 0.65         | 2.55              | 0.65         | 1.80                | n/a                | 0.859                 | 0.19                                  | 0.32              |
| 2009         | 0.65         | 2.55              | 0.65         | 1.80                | n/a                | 0.884                 | 0.19                                  | 0.32              |
| 2008         | 0.65         | 2.55              | 0.65         | 1.80                | n/a                | 0.872                 | 0.19                                  | 0.32              |
| 2007         | 0.65         | 2.55              | 0.65         | 1.80                | n/a                | 0.873                 | 0.19                                  | 0.32              |
| 2006         | 0.70         | 2.55              | 0.70         | 1.80                | n/a                | 0.954                 | 0.19                                  | 0.32              |
| 2005         | 0.70         | 2.55              | 0.70         | 1.80                | n/a                | 0.936                 | 0.19                                  | 0.32              |
| 2004         | 0.70         | 2.55              | 0.70         | 1.80                | n/a                | 0.937                 | 0.19                                  | 0.32              |
| 2003         | 0.70         | 2.55              | 0.70         | 1.80                | n/a                | 0.953                 | 0.19                                  | 0.32              |
| 2002         | 0.70         | 2.55              | 0.70         | 1.80                | n/a                | 0.960                 | 0.19                                  | 0.32              |

(1) Per \$100 of assessed value

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



Table 10

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

| Fiscal<br>Year | Total Tax<br>Levy for<br>Fiscal Year | Total Collections |            | Percentage<br>of Levy |
|----------------|--------------------------------------|-------------------|------------|-----------------------|
|                |                                      |                   | Amount     |                       |
| 2011           | \$ 33,029,510                        | \$                | 32,608,101 | 98.72%                |
| 2010           | 31,335,867                           |                   | 31,422,171 | 100.28%               |
| 2009           | 32,319,345                           |                   | 31,669,893 | 97.99%                |
| 2008           | 30,889,723                           |                   | 30,683,398 | 99.33%                |
| 2007           | 30,308,125                           |                   | 29,797,613 | 98.32%                |
| 2006           | 26,240,340                           |                   | 26,107,882 | 99.50%                |
| 2005           | 25,088,385                           |                   | 24,910,666 | 99.29%                |
| 2004           | 24,770,764                           |                   | 24,498,317 | 98.90%                |
| 2003           | 24,046,201                           |                   | 23,934,427 | 99.54%                |
| 2002           | 21,153,271                           |                   | 21,271,228 | 100.56%               |

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

Table 11

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

| Fiscal Years | Governmental Activities  |                     |                   |                |               | Business-Type Activities |               |      | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|--------------|--------------------------|---------------------|-------------------|----------------|---------------|--------------------------|---------------|------|--------------------------|-----------------------------------|----------------|
|              | General Obligation Bonds | Literary Fund Loans | Other Notes/Bonds | Capital Leases | Revenue Bonds | Capital Leases           | Revenue Bonds |      |                          |                                   |                |
| 2011         | \$ 35,345,895            | \$ 6,073,160        | \$ -              | \$ -           | \$ -          | \$ -                     | \$ 7,653,375  | \$ - | 49,072,430               | 3.52%                             | \$ 1,478       |
| 2010         | 37,375,656               | 6,768,321           | -                 | -              | -             | -                        | 7,622,008     | -    | 51,765,985               | 3.72%                             | 1,562          |
| 2009         | 39,424,338               | 7,517,663           | -                 | -              | -             | -                        | 8,086,437     | -    | 55,028,438               | 3.89%                             | 1,649          |
| 2008         | 41,428,198               | 8,276,193           | -                 | -              | -             | -                        | 8,537,017     | -    | 58,241,408               | 4.27%                             | 1,755          |
| 2007         | 43,032,759               | 9,049,323           | 7,000,000         | -              | -             | -                        | 8,901,138     | -    | 67,983,220               | 5.42%                             | 2,081          |
| 2006         | 45,137,311               | 9,822,453           | 6,166,948         | -              | -             | -                        | 8,686,912     | -    | 69,813,624               | 5.93%                             | 2,126          |
| 2005         | 11,823,927               | 10,595,583          | 825,621           | -              | -             | -                        | 7,986,472     | -    | 31,231,603               | 2.99%                             | 982            |
| 2004         | 12,942,570               | 11,368,713          | -                 | -              | -             | -                        | 7,834,606     | -    | 32,145,889               | 3.18%                             | 1,023          |
| 2003         | 14,075,151               | 12,141,843          | -                 | -              | -             | -                        | 7,385,311     | -    | 33,602,305               | 3.43%                             | 1,081          |
| 2002         | 13,079,762               | 12,311,843          | -                 | -              | -             | -                        | 7,611,356     | -    | 33,002,961               | 3.39%                             | 1,073          |

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<br>Year | Gross<br>Bonded<br>Debt | Less: Amounts<br>Reserved for<br>Debt Service | Net<br>Bonded<br>Debt (3) | Ratio of Net<br>General<br>Obligation<br>Debt to<br>Assessed<br>Value (2) | Net<br>Bonded<br>Debt per<br>Capita (1) |
|----------------|-------------------------|---|---------------------------|---|---|
| 2011           | \$ 41,419,055           | -   | \$ 41,419,055             | 0.97%   | \$ 1,247                                |
| 2010           | 44,143,977              | -   | 44,143,977                | 1.21%   | 1,332                                   |
| 2009           | 46,942,001              | -   | 46,942,001                | 1.28%   | 1,407                                   |
| 2008           | 49,704,391              | -   | 49,704,391                | 1.40%   | 1,498                                   |
| 2007           | 52,082,082              | -   | 52,082,082                | 1.52%   | 1,594                                   |
| 2006           | 54,959,764              | -   | 54,959,764                | 1.98%   | 1,673                                   |
| 2005           | 23,245,131              | -   | 23,245,131                | 0.86%   | 731                                     |
| 2004           | 24,311,283              | -   | 24,311,283                | 0.92%   | 774                                     |
| 2003           | 26,216,994              | -   | 26,216,994                | 1.00%   | 844                                     |
| 2002           | 27,511,082              | -   | 27,511,082                | 1.24%   | 894                                     |

(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, 2011

| <u>Governmental Unit</u>                           | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable (1)</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|--|-----------------------------|--|--|
| Debt repaid with property taxes: Town of Fincastle | 5,397                       | 100%   | 5,397  |
| County of Botetourt, direct debt                   |                             |  | \$ 41,419,055  |
| Total direct and overlapping debt                  |                             |  | \$ 41,424,452  |

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

|   | 2002           | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt limit  | \$ 221,998,714 | \$ 261,607,422 | \$ 264,142,189 | \$ 269,466,413 | \$ 277,329,827 | \$ 343,715,223 | \$ 354,229,231 | \$ 365,586,612 | \$ 364,750,324 | \$ 425,088,965 |
| Total net debt applicable to limit                                      | 27,511,082     | 26,216,994     | 24,311,283     | 23,245,131     | 54,959,764     | 52,082,082     | 49,704,391     | 46,942,001     | 44,143,977     | 41,419,055     |
| Legal debt margin   | \$ 194,487,632 | \$ 235,390,428 | \$ 239,830,906 | \$ 246,221,282 | \$ 222,370,063 | \$ 291,633,141 | \$ 304,524,840 | \$ 318,644,611 | \$ 320,606,347 | \$ 383,679,910 |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 12.39%         | 10.02%         | 9.20%          | 8.63%          | 19.82%         | 15.15%         | 14.03%         | 12.84%         | 12.10%         | 9.74%          |

| Legal Debt Margin Calculation for Fiscal Year 2011 |                  |
|--|------------------|
| Total assessed value                               | \$ 4,250,989,652 |
| Debt limit (10% of total assessed value)           | \$ 425,088,965   |
| Net debt applicable to limit                       | 41,419,055       |
| Legal debt margin                                  | \$ 383,679,910   |



Table 16

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

| <b>Fiscal Year</b> | <b>Population</b> | <b>Personal Income<br/>(thousands of dollars)</b> | <b>Per Capita Personal Income</b> | <b>Median Age</b> | <b>School Enrollment</b> | <b>Unemployment Rate</b> |
|--------------------|-------------------|---|-----------------------------------|-------------------|--------------------------|--------------------------|
| 2011               | 33,209            | \$ 1,394,778                                      | \$ 42,000                         | 44.9              | 4,943                    | 5.80%                    |
| 2010               | 33,148            | 1,390,559   | 41,950                            | 44.9              | 4,977                    | 6.40%                    |
| 2009               | 33,374            | 1,416,226   | 42,435                            | 44.8              | 4,864                    | 5.00%                    |
| 2008               | 33,177            | 1,363,276   | 41,091                            | 44.8              | 4,921                    | 2.93%                    |
| 2007               | 32,674            | 1,253,538   | 38,365                            | 44.8              | 4,867                    | 2.53%                    |
| 2006               | 32,844            | 1,176,833   | 35,831                            | 44.8              | 4,819                    | 2.60%                    |
| 2005               | 31,799            | 1,043,071   | 32,802                            | 44.8              | 4,782                    | 3.00%                    |
| 2004               | 31,423            | 1,010,061   | 29,693                            | 44.0              | 4,736                    | 2.90%                    |
| 2003               | 31,079            | 979,921   | 30,416                            | 43.2              | 4,700                    | 3.40%                    |
| 2002               | 30,763            | 973,680   | 28,807                            | 42.3              | 4,697                    | 3.30%                    |

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

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

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

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

Unemployment Rate Source: Virginia Employment Commission

Table 17

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

| <b>Employer</b>                     | <b>Fiscal Year 2011</b> |             |   | <b>Fiscal Year 2002</b> |   |
|-------------------------------------|-------------------------|-------------|---|-------------------------|---|
|                                     | <b>Employees</b>        | <b>Rank</b> | <b>% of Total<br/>County<br/>Employment</b> | <b>Employees</b>        | <b>% of Total<br/>County<br/>Employment</b> |
| Botetourt County Public Schools     | 752                     | 1           | 8.38%                                       | 703                     | 8.60%                                       |
| Dynax America Corporation           | 399                     | 2           | 4.44%                                       | 227                     | 2.78%                                       |
| Altec Industries                    | 282                     | 3           | 3.14%                                       | 50                      | 0.61%                                       |
| Lanford Brothers                    | 268                     | 4           | 2.99%                                       | 216                     | 2.64%                                       |
| Botetourt County Government         | 264                     | 5           | 2.94%                                       | 187                     | 0.23%                                       |
| Lawrence Transportation System      | 227                     | 6           | 2.53%                                       | 145                     | 1.77%                                       |
| Metalsa Roanoke                     | 206                     | 7           | 2.29%                                       | 153                     | 1.87%                                       |
| Gala Industries                     | 197                     | 8           | 2.19%                                       | 212                     | 2.59%                                       |
| Pepsi Cola Bottling Company         | 190                     | 9           | 2.12%                                       | 200                     | 2.45%                                       |
| Roanoke Cement                      | 189                     | 10          | 2.11%                                       | 204                     | 2.50%                                       |
| Arkay Packaging                     | 189                     | 1           | 2.11%                                       | 100                     | 1.22%                                       |
| Tread Corporation                   | 175                     | 12          | 1.95%                                       | 86                      | 1.05%                                       |
| Virginia Truck Center               | 150                     | 13          | 1.67%                                       | 105                     | 1.28%                                       |
| nTelos                              | 149                     | 14          | 1.66%                                       | 104                     | 1.27%                                       |
| Loomis Fargo                        | 88                      | 15          | 0.98%                                       | 90                      | 1.10%                                       |
| Bank of Botetourt                   | 89                      | 16          | 0.99%                                       | 68                      | 0.83%                                       |
| Bank of Fincastle                   | 65                      | 17          | 0.72%                                       | 53                      | 0.65%                                       |
| Carmeuse Lime & Stone - James River | 64                      | 18          | 0.71%                                       | 116                     | 1.42%                                       |
| Virginia Forge                      | 62                      | 19          | 0.69%                                       | 51                      | 0.62%                                       |
| Howell's Motor Freight              | 59                      | 20          | 0.66%                                       | 32                      | 0.39%                                       |
| <b>Totals</b>                       | <b>4,064</b>            |             | <b>45.27%</b>                               | <b>3,102</b>            | <b>37.96%</b>                               |

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

Table 18

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

| Function                       | Fiscal Year |            |            |            |            |            |            |            |            |            |
|--------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                | 2002        | 2003       | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       |
| <b>General government</b>      | 25          | 25         | 26         | 26         | 26         | 28         | 29         | 30         | 31         | 31         |
| <b>Judicial administration</b> | 7           | 7          | 12         | 12         | 13         | 17         | 17         | 17         | 17         | 16         |
| <b>Public safety:</b>          |             |            |            |            |            |            |            |            |            |            |
| Sheriffs department            | 83          | 87         | 87         | 87         | 87         | 103        | 116        | 115        | 108        | 109        |
| Fire & rescue                  | 2           | 2          | 4          | 5          | 9          | 10         | 14         | 15         | 17         | 25         |
| Building inspections           | 6           | 6          | 6          | 6          | 6          | 6          | 5          | 5          | 4          | 4          |
| Animal control                 | 2           | 2          | 2          | 3          | 3          | 3          | 3          | 4          | 4          | 4          |
| GIS / Communications           | 1           | 1          | 2          | 2          | 2          | 2          | 2          | 3          | 0          | 0          |
| <b>Public works:</b>           |             |            |            |            |            |            |            |            |            |            |
| Utilities                      | 6           | 7          | 7          | 8          | 8          | 8          | 10         | 11         | 11         | 11         |
| General maintenance            | 4           | 5          | 5          | 5          | 5          | 5          | 6          | 7          | 7          | 7          |
| Landfill                       | 6           | 6          | 6          | 6          | 6          | 5          | 4          | 5          | 4          | 4          |
| Engineering                    | 3           | 3          | 4          | 4          | 4          | 4          | 4          | 4          | 4          | 4          |
| <b>Health and welfare:</b>     |             |            |            |            |            |            |            |            |            |            |
| Department of social services  | 18          | 18         | 18         | 18         | 18         | 18         | 18         | 16         | 16         | 14         |
| Comprehensive Services         | 0           | 0          | 0          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| <b>Culture and recreation:</b> |             |            |            |            |            |            |            |            |            |            |
| Parks and recreation           | 10          | 11         | 12         | 13         | 13         | 16         | 18         | 17         | 15         | 16         |
| Library                        | 11          | 11         | 12         | 12         | 12         | 13         | 13         | 13         | 14         | 14         |
| Tourism / Marketing            | 0           | 0          | 0          | 0          | 1          | 1          | 1          | 1          | 1          | 1          |
| <b>Community development:</b>  |             |            |            |            |            |            |            |            |            |            |
| Planning                       | 3           | 3          | 3          | 3          | 4          | 4          | 4          | 4          | 4          | 3          |
| <b>Totals</b>                  | <u>187</u>  | <u>194</u> | <u>206</u> | <u>211</u> | <u>218</u> | <u>244</u> | <u>265</u> | <u>268</u> | <u>258</u> | <u>264</u> |

Source: Individual county departments

Note: GIS employees have been reallocated to General Government.

Table 19

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

| Function                           | Fiscal Year |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                    | 2002        | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  |
| Public safety                      |             |       |       |       |       |       |       |       |       |       |
| Sheriffs department:               |             |       |       |       |       |       |       |       |       |       |
| Physical arrests                   | 1,880       | 1,887 | 2,162 | 2,565 | 2,756 | 2,612 | 2,422 | 1,768 | 1,845 | 2,402 |
| Traffic violations                 | 3,183       | 2,838 | 3,082 | 3,582 | 3,494 | 3,219 | 2,697 | 2,330 | 2,698 | 3,232 |
| Civil papers                       | 7,871       | 8,057 | 8,244 | 7,906 | 7,770 | 6,905 | 7,298 | 7,301 | 7,187 | 6,955 |
| Fire and rescue:                   |             |       |       |       |       |       |       |       |       |       |
| Number of calls answered           | n/a         | 4,211 | 4,673 | 4,186 | 4,582 | 4,956 | 4,965 | 5,131 | 4,615 | 4,057 |
| Building inspections:              |             |       |       |       |       |       |       |       |       |       |
| Permits issued (same as Planning)  | 663         | 634   | 789   | 627   | 740   | 667   | 598   | 462   | 475   | 424   |
| Animal control:                    |             |       |       |       |       |       |       |       |       |       |
| Number of calls answered           | 1,634       | 1,815 | 2,507 | 3,079 | 3,118 | 3,484 | 4,965 | 6,872 | 6,082 | 6,035 |
| Public works                       |             |       |       |       |       |       |       |       |       |       |
| General maintenance:               |             |       |       |       |       |       |       |       |       |       |
| Trucks/vehicles                    | 3           | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |
| Landfill:                          |             |       |       |       |       |       |       |       |       |       |
| Refuse collected (tons/day)        | 95          | 90    | 95    | 99    | 107   | 110   | 33    | 6.5   | 6.8   | 7.1   |
| Recycling (tons/day)               | n/a         | n/a   | n/a   | 29    | 33    | 21    | 17    | 8.1   | 9.7   | 9.5   |
| Health and welfare                 |             |       |       |       |       |       |       |       |       |       |
| Department of Social Services:     |             |       |       |       |       |       |       |       |       |       |
| Caseload                           | n/a         | n/a   | 1,786 | 2,300 | 2,585 | 2,389 | 2,448 | 2,702 | 3,493 | 4,125 |
| Culture and recreation             |             |       |       |       |       |       |       |       |       |       |
| Parks and recreation:              |             |       |       |       |       |       |       |       |       |       |
| Recreation permits issued          | n/a         | n/a   | n/a   | 70    | 71    | 78    | 69    | 85    | 86    | 93    |
| After-school program participants  | -           | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| Youth sports participants          | 2,976       | 2,898 | 2,924 | 2,717 | 2,953 | 3,311 | 3,511 | 3,594 | 3,863 | 3,960 |
| Community development              |             |       |       |       |       |       |       |       |       |       |
| Planning:                          |             |       |       |       |       |       |       |       |       |       |
| Zoning permits issued              | 663         | 634   | 789   | 627   | 740   | 667   | 598   | 462   | 475   | 424   |
| Component Unit - School Board      |             |       |       |       |       |       |       |       |       |       |
| Education:                         |             |       |       |       |       |       |       |       |       |       |
| School age population (per census) | 6,028       |       |       | 6,224 | n/a   | n/a   | n/a   | n/a   | n/a   | n/a   |
| Number of teachers                 | 371         | 371   | 376   | 375   | 387   | 400   | 401   | 409   | 405   | 405   |
| Local expenditures per pupil       | 3,766       | 3,535 | 3,573 | 3,601 | 3,788 | 3,885 | 4,075 | 4,369 | 4,222 | 4,349 |

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

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

Table 20

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

| Function                                     | Fiscal Year |      |      |      |      |      |      |      |      |      |
|--|-------------|------|------|------|------|------|------|------|------|------|
|  | 2002        | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General government                           |             |      |      |      |      |      |      |      |      |      |
| Administration buildings                     | 3           | 3    | 3    | 3    | 3    | 3    | 4    | 4    | 4    | 4    |
| Vehicles                                     | 4           | 4    | 3    | 3    | 4    | 4    | 4    | 5    | 7    | 7    |
| Public safety                                |             |      |      |      |      |      |      |      |      |      |
| Sheriffs department:                         |             |      |      |      |      |      |      |      |      |      |
| Patrol units                                 | 49          | 48   | 48   | 48   | 48   | 49   | 51   | 51   | 50   | 51   |
| Other vehicles                               | 8           | 11   | 12   | 10   | 12   | 12   | 13   | 14   | 15   | 16   |
| Development Services / Building inspections: |             |      |      |      |      |      |      |      |      |      |
| Vehicles                                     | 4           | 4    | 4    | 4    | 4    | 4    | 3    | 4    | 4    | 4    |
| Animal control:                              |             |      |      |      |      |      |      |      |      |      |
| Vehicles                                     | 2           | 2    | 3    | 3    | 3    | 3    | 3    | 4    | 4    | 4    |
| Public works                                 |             |      |      |      |      |      |      |      |      |      |
| General maintenance:                         |             |      |      |      |      |      |      |      |      |      |
| Trucks/vehicles                              | 3           | 3    | 3    | 3    | 3    | 3    | 4    | 4    | 4    | 4    |
| Landfill:                                    |             |      |      |      |      |      |      |      |      |      |
| Vehicles                                     | 12          | 12   | 12   | 12   | 12   | 11   | 11   | 11   | 8    | 6    |
| Equipment                                    | 7           | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
| Sites  | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Health and welfare                           |             |      |      |      |      |      |      |      |      |      |
| Department of Social Services:               |             |      |      |      |      |      |      |      |      |      |
| Vehicles                                     | -           | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Culture and recreation                       |             |      |      |      |      |      |      |      |      |      |
| Parks and recreation:                        |             |      |      |      |      |      |      |      |      |      |
| Community centers                            | 3           | 3    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Vehicles                                     | 11          | 11   | 11   | 12   | 12   | 11   | 12   | 13   | 13   | 13   |
| Parks acreage                                | 20          | 20   | 20   | 20   | 158  | 158  | 158  | 158  | 158  | 158  |
| Swimming pools                               | -           | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Tennis courts                                | 2           | 2    | 2    | 2    | 2    | 2    | 4    | 4    | 4    | 4    |
| Community development                        |             |      |      |      |      |      |      |      |      |      |
| Planning:                                    | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 1    | 2    |
| Vehicles                                     |             |      |      |      |      |      |      |      |      |      |
| Component Unit - School Board                |             |      |      |      |      |      |      |      |      |      |
| Education:                                   |             |      |      |      |      |      |      |      |      |      |
| Schools                                      | 12          | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |
| School buses                                 | 75          | 75   | 74   | 79   | 77   | 82   | 85   | 89   | 93   | 94   |

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

## **COMPLIANCE SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Botetourt, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Botetourt, Virginia's basic financial statements and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

*Robinson, Famer, Co. Associates*

Christiansburg, Virginia  
November 14, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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- Independent Auditors' Report -

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

### Compliance

We have audited the County of Botetourt, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Botetourt, Virginia's major federal programs for the year ended June 30, 2011. The County of Botetourt, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Botetourt, Virginia's management. Our responsibility is to express an opinion on the County of Botetourt, Virginia's compliance based on our audit.

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

In our opinion, the County of Botetourt, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the County of Botetourt, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Botetourt, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an

opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Botetourt, Virginia's internal control over compliance.

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

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

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

*Robinson, Fauner, Co. Associates*

Christiansburg, Virginia  
November 14, 2011

## COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title                        | Federal<br>CFDA<br>Number | Pass-through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |                   |
|--|---------------------------|---|-------------------------|-------------------|
| <b>DEPARTMENT OF AGRICULTURE:</b>  |                           |   |                         |                   |
| Pass through payments from:  |                           |   |                         |                   |
| <i>Department of Social Services:</i>  |                           |   |                         |                   |
| <i>SNAP Program Cluster:</i>   |                           |   |                         |                   |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program       | 10.561                    | 0010110/0040110/0040111                         | \$ 136,388              |                   |
| ARRA -State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561                    | 0010110/0040110/0040111                         | <u>7,610</u>            | 143,998           |
| <i>Department of Education:</i>  |                           |   |                         |                   |
| Secure Payments for States and Counties Containing Federal Lands                             | 10.665                    | 43841   |                         | 60,419            |
| <i>Child Nutrition Cluster:</i>  |                           |   |                         |                   |
| School Breakfast Program   | 10.553                    | 40591   |                         | 96,915            |
| <i>State Department of Agriculture:</i>  |                           |   |                         |                   |
| <i>Child Nutrition Cluster:</i>  |                           |   |                         |                   |
| Food Distribution-Schools (Note C) (Child Nutrition Cluster)                                 | 10.555                    | NA  | \$ 164,072              |                   |
| <i>Department of Education:</i>  |                           |   |                         |                   |
| <i>Child Nutrition Cluster:</i>  |                           |   |                         |                   |
| National School Lunch Program (Child Nutrition Cluster)                                      | 10.555                    | 40623   | <u>471,605</u>          | <u>635,677</u>    |
| Total Department of Agriculture  |                           |   |                         | <u>\$ 937,009</u> |
| <b>DEPARTMENT OF THE INTERIOR:</b>   |                           |   |                         |                   |
| Direct payments:   |                           |   |                         |                   |
| Payments in Lieu of Taxes  | 15.226                    | NA  |                         | <u>137,476</u>    |
| Total Department of the Interior   |                           |   |                         | <u>\$ 137,476</u> |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>  |                           |   |                         |                   |
| Pass through payments from:  |                           |   |                         |                   |
| <i>Department of Social Services:</i>  |                           |   |                         |                   |
| Promoting Safe and Stable Families   | 93.556                    | 0950110/0950111                                 | \$ 12,443               |                   |
| Temporary Assistance for Needy Families  | 93.558                    | 0400111   |                         | 124,015           |
| Refugee and Entrant Assistance - State Administered Programs                                 | 93.566                    | 0500110/0500111                                 |                         | 263               |
| Low Income Home Energy Assistance  | 93.568                    | 0600410/0600411                                 |                         | 9,984             |
| Social Services Block Grant  | 93.667                    | 1000110/1000111                                 |                         | 119,030           |
| Chafee Foster Care Independence  | 93.674                    | 9150110/9150111                                 |                         | 3,899             |
| ARRA - Child Care and Development Block Grant (CCDF Cluster)                                 | 93.713                    | 0740109/0780109                                 |                         | 16,070            |
| Children's Health Insurance Program  | 93.767                    | 0540110/0540111                                 |                         | 4,048             |
| Medical Assistance Program   | 93.778                    | 1200110/1200111                                 |                         | 82,283            |
| Chafee Education & Training Vouchers Program   | 93.599                    | 9160110   |                         | 1,408             |
| Stephanie Tubbs Jones Child Welfare Services Program   | 93.645                    | 0900110/0900111                                 |                         | 553               |
| <i>Child Care and Development Funds Cluster:</i>   |                           |   |                         |                   |
| Child Care and Development Block Grant   | 93.575                    | 0770110   |                         | 116,364           |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund               | 93.596                    | 0760110/0760111                                 |                         | 106,151           |
| <i>Foster Care Cluster:</i>  |                           |   |                         |                   |
| Foster Care - Title IV E   | 93.658                    | 1100110/1100111                                 | \$ 41,666               |                   |
| ARRA - Foster Care   | 93.658                    | 1100110/1100111                                 | <u>8</u>                | <u>41,674</u>     |
| <i>Adoption Assistance Cluster:</i>  |                           |   |                         |                   |
| Adoption Assistance  | 93.659                    | 1120110/1120111                                 | \$ 57,048               |                   |
| ARRA - Adoption Assistance   | 93.659                    | 1120110/1120111                                 | <u>3,137</u>            | <u>60,185</u>     |
| Total Department of Health and Human Services  |                           |   |                         | <u>\$ 698,370</u> |

## COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title    | Federal<br>CFDA<br>Number | Pass-through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|---|-------------------------|
| <b>U. S. DEPARTMENT OF HOMELAND SECURITY:</b>                            |                           |   |                         |
| Pass through payments from:  |                           |   |                         |
| <i>Department of Emergency Management:</i>                               |                           |   |                         |
| Law Enforcement Terrorism Prevention                                     | 97.074                    | 52749   | \$ 14,170               |
| State Homeland Security Grant Program                                    | 97.073                    | 52709   | 296,263                 |
| Total U. S. Department of Homeland Security                              |                           |   | <u>\$ 310,433</u>       |
| <b>DEPARTMENT OF TRANSPORTATION:</b>                                     |                           |   |                         |
| Pass through payments from:  |                           |   |                         |
| <i>Department of Motor Vehicles:</i>                                     |                           |   |                         |
| State and Community Highway Safety                                       | 20.600                    | 50326   | \$ 2,576                |
| Alcohol Open Container Requirements                                      | 20.607                    | 154AL-2010                                      | 8,373                   |
| Total Department of Transportation                                       |                           |   | <u>\$ 10,949</u>        |
| <b>DEPARTMENT OF EDUCATION:</b>  |                           |   |                         |
| Pass through payments from:  |                           |   |                         |
| <i>Department of Education:</i>  |                           |   |                         |
| State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recove  | 84.394                    | 62532   | 739,672                 |
| Career and Technical Education -- Basic Grants to States                 | 84.048                    | 61095   | 45,245                  |
| Adult Education - Basic Grants to States                                 | 84.002                    | 42801   | 20,656                  |
| Improving Teacher Quality State Grants                                   | 84.367                    | 61480   | 113,670                 |
| Education Jobs Fund, Recovery Act  | 84.410                    | 62700   | 110,133                 |
| Safe and Drug-Free Schools and Communities_State Grants                  | 84.186                    | 60511   | 10,475                  |
| <i>Title I, Part A Cluster:</i>  |                           |   |                         |
| Title I Grants to Local Educational Agencies (Title 1 - Part A Cluster)  | 84.010                    | 42901   | \$ 293,865              |
| Title I Grants to Local Educational Agencies, Recovery Act (Title 1 - Pa | 84.389                    | 42913   | 202,795                 |
| <i>Special Education Cluster (IDEA):</i>                                 |                           |   |                         |
| Special Education - Grants to States (Special Education Cluster (IDEA)   | 84.027                    | 73071   | 942,076                 |
| Special Education Grants to States, Recovery Act (Special Education C    | 84.391                    | 61245   | 220,999                 |
| Special Education - Preschool Grants (Special Education Cluster (IDEA)   | 84.173                    | 62521   | 27,456                  |
| Special Education - Preschool Grants, Recovery Act (Special Educatior    | 84.392                    | 61247   | 50,032                  |
| <i>Education Technology Cluster:</i>                                     |                           |   |                         |
| Educational Technology State Grants                                      | 84.318                    | 61600   | 5,389                   |
| Educational Technology State Grants, Recovery Act                        | 84.386                    | 60897   | 10,856                  |
| Total Department of Education  |                           |   | <u>\$ 2,793,319</u>     |
| Total Expenditures of Federal Awards                                     |                           |   | <u>\$ 4,887,556</u>     |

## Note A--Basis of Presentation:

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

## COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

## Note B--Summary of Significant Accounting Policies

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

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

## Note C--Food Distribution

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

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

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

|   |                                |
|---|--------------------------------|
| Primary government:   |                                |
| General Fund  | \$ 1,301,226                   |
| Component Unit Schools:   |                                |
| School Operating Fund   | <u>\$ 3,586,330</u>            |
| <br>Total federal expenditures per the Schedule of Expenditures of Federal Awards | <br><u><u>\$ 4,887,556</u></u> |

**County of Botetourt, Virginia**

Schedule of Findings, Responses and Questioned Costs  
 Year Ended June 30, 2011

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

**Financial Statements**

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

**Federal Awards**

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | No            |
| Significant deficiencies identified?   | None reported |
| Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? | No            |

Identification of major programs:

| <u>CFDA #</u>               | <u>Name of Federal Program or Cluster</u>                                     |
|-----------------------------|---|
| 84.027/84.173/84.391/84.392 | Special Education Cluster (IDEA)  |
| 84.010/84.389               | Title 1 , Part A Cluster  |
| 84.394                      | State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act |
| 10.553/10.555               | Child Nutrition Cluster   |

|   |           |
|---|-----------|
| 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, 2011

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**Section II - Financial Statement Findings**

None reported

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Status of Prior Audit Findings and Questioned Costs**

There were no prior audit findings related to federal awards.