

COUNTY OF BATH, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

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**COUNTY OF BATH, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2011**



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**COUNTY OF BATH, VIRGINIA**

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**BOARD OF SUPERVISORS**

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Richard B. Byrd, Chairman

Stuart L. Hall  
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**OTHER OFFICIALS**

Judge of the Circuit Court ..... Humes J. Franklin, Jr.  
Clerk of the Circuit Court.....M. Wayne Winebriner  
Judge of the General District Court.....J. Gregory Mooney  
Judge of the Juvenile & Domestic Relations Court.....Paul A. Tucker  
Commonwealth's Attorney ..... John C. Singleton  
Commissioner of the Revenue..... Leta Norfleet  
Treasurer ..... Mary Susan Blankenship  
Sheriff ..... R. Larry Norfleet  
Superintendent of Schools ..... Sue Hirsh  
Director of Social Services ..... Jason Miller  
County Administrator ..... Bonnie Johnson



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bath, 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 Bath, 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 the 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bath, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2011 on our consideration of the County of Bath, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental 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 Bath, Virginia's financial statements as a whole. The introductory section, other supplementary information and supporting schedules, 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, supporting schedules, 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*

Verona, Virginia  
November 25, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a narrative overview and analysis of the financial activities of the County of Bath, Virginia for the fiscal year ended June 30, 2011.

### **Financial Highlights**

#### **Government-wide Financial Statements**

The assets of the County of Bath, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$9,340,828. Of this amount, \$7,374,898 is unrestricted (an increase of \$2,084,681 from the previous fiscal year), and may be used to meet the government's ongoing obligations to creditors and citizens. Of the net assets, there is \$1,865,865, invested in capital outlay (an increase of \$114,026 from the previous fiscal year). Net assets of \$100,065 are restricted for debt service. The School Board's net assets were \$4,349,933 of which there is an unrestricted deficit in the amount of (\$337,879). (See Exhibit 1.)

The Government's net assets increased by \$2,084,681. The School Board's net assets increased by \$66,854. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$6,450,006. (See Exhibit 3.) This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2010-11 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,362,310 of which \$6,450,006 is available for spending at the government's discretion (unassigned and unrestricted fund balance). (See Exhibit 3.)

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

This discussion and analysis is intended to serve as an introduction to Bath 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 the required supplementary information in addition to the basic financial statements themselves.

Local government accounting and financial reporting originally focused on funds designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with justification from the government that public funds have been used to comply with public decisions and as to 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 reporting of 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 that are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in governments, revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate government activities and business-type activities of the County. The primary sources of funding for government activities are taxes and intergovernmental revenues. Government activities include general government administration, judicial administration, public safety, public works, health and welfare, parks and recreation, cultural, tourism, 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 Bath County Public Service Authority as a component unit that can be classified as a business-type activity.

The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Bath County School Board and 2) the Bath County Public Service Authority. Although the component units are legally separate entities, the County is accountable or financially accountable to them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. 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 operational funding of the component unit.

### Fund Financial Statements

In the fund financial statements, only major or significant funds are presented separately. 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 government 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 at the bottom of 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 Bath County Public Service Authority is a component unit of the County of Bath. The Authority's financial statements are shown as an enterprise fund in the County's fund financial statements. The Authority provides a centralized source for the provisions of public water and sewer services to County residents.

## 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.

## 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.

## 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 Bath, assets exceeded liabilities by \$9,340,828 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 Bath's Net Assets**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 7,798,039	\$ 5,947,058
Capital assets	<u>10,690,865</u>	<u>11,177,569</u>
Total assets	\$ <u>18,488,904</u>	\$ <u>17,124,627</u>
Long-term liabilities	\$ 9,230,019	\$ 9,718,749
Other liabilities	<u>141,548</u>	<u>149,731</u>
Total liabilities	\$ 9,371,567	\$ 9,868,480
Deferred Outflow (High School Loan Interest)	<u>(223,491)</u>	<u>-</u>
Total liabilities	\$ <u>9,148,076</u>	\$ <u>9,868,480</u>
Net assets		
Invested in capital assets, net of related debt	\$ 1,865,865	\$ 1,751,839
Restricted-debt service	100,065	-
Unrestricted	<u>7,374,898</u>	<u>5,504,308</u>
Total net assets	\$ <u>9,340,828</u>	\$ <u>7,256,147</u>

For the County, 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 20 percent of total net assets. The County uses these capital assets to provide services to citizens therefore these 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 debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County had assets restricted for debt service of \$100,065 at June 30, 2011.

The remaining balance of unrestricted net assets, which is \$7,374,898 or 79 percent of total net assets, may be used to meet government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report positive balances in all categories of net assets. The government's net assets increased by \$2,084,681 during the current fiscal year, compared to an increase of \$262,067 in FY 2010. This increase from year to year in net assets represents the degree to which debt is being retired for the creation of capital assets (i.e., the high school renovation), expenditures have been maintained on a level or reduced basis except for maintenance or improvement projects, and a reserve fund has been established sourced from the public service corporation property tax revenues received as the result of an increase in the County's annual sales-assessment ratio. The State Tax Department determines the sales-assessment ratio which is applied against public service corporation assessments prior to the application of County tax rates. The increase in tax revenues generated from the increase in the sales-assessment ratio affecting only public service corporations was set aside in reserve by the Board of Supervisors as protection against future fiscal uncertainties faced by all localities due to the nationwide recession.

### Governmental Activities

Governmental activities increased the County's net assets by \$2,084,681. Key elements of this increase are as follows:

#### **County of Bath's Changes in Net Assets For the Year Ended June 30, 2011**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 158,227	\$ 184,070
Operating grants & contributions	1,453,368	1,624,870
General revenues:		
General property taxes	11,384,262	9,701,561
Other local taxes	1,781,800	1,530,995
Use of money and property	57,130	55,329
Miscellaneous	187,667	58,889
Grants and contributions not restricted to specific programs	233,860	330,014
Total revenues	<u>\$ 15,256,314</u>	<u>\$ 13,485,728</u>
Expenses:		
General government	\$ 1,229,730	\$ 1,721,629
Judicial administration	336,921	329,702
Public safety	1,829,651	1,850,466
Public works	1,100,064	1,120,874
Health and welfare	827,199	797,407
Education	6,460,206	6,062,084
Parks, recreation and cultural	465,168	477,243
Community development	241,827	271,641
Nondepartmental	281,777	180,027
Interest on long-term debt	399,090	412,588
Total expenses	<u>\$ 13,171,633</u>	<u>\$ 13,223,661</u>
Increase (decrease) in net assets	\$ 2,084,681	\$ 262,067
Beginning net assets	<u>\$ 7,256,147</u>	<u>\$ 6,994,080</u>
Ending net assets	<u><u>\$ 9,340,828</u></u>	<u><u>\$ 7,256,147</u></u>

- Overall, County program and services funding was reduced from the prior year but there were increases in expenses related to certain funding categories such as the Constitutional Officers, given reduced State support. There were also reduced shares of State and Federal funding for

education and other programs; continuing increases in State-required fees and local costs (such as solid waste and wastewater permits, contributions to the Department of Forestry and the Health Department as well as the State Treasury, and a required audit of the Clerk of the Court records). The budget integrated unavoidable locally-generated operational cost increases (fuel, health insurance, and solid waste contracted services) and included capital costs allocated to the Schools for safety improvements and to the Boosters Club for a new ball field). The County's actual debt service (principal paid) is not shown in the table above, only the interest expense is reflected. If debt principal repayment (for the high school renovation) is included, total cash outflow increased by over \$700,000.

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

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental funds**

The audit analysis 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. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$7,362,310, an increase of \$2,061,691 from the prior year. Approximately, 88 percent of this total amount constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is earmarked for notes receivable.

The general fund is the chief operating fund of the County. As of June 30, 2011, total fund balance of the general fund was \$6,991,221, of which 92 percent was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total general fund expenditures. The unassigned fund balance represents 49 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$6,160,206. Total fund balance represents 53 percent of total general fund expenditures. It is relied upon for County budget funding until new County taxes are collected each year.

The fund balance of the County's general fund increased by \$1,869,748 during the current fiscal year. Key factors in this increase are as follows:

- Actual expenditures increased \$415,060, from \$13.0 million to \$13.4 million. The net increase reflected \$654,055 in debt service (high school renovation) and a decrease of \$239,035 in governmental expenditures year-to-year, as governmental departments sought to decrease expenditures to assist in the debt repayment. Actual revenues increased, from \$13.3 million in the prior year to \$15.5 million in FY 2011. The increase in revenues represented a higher level of property taxes paid by the public service corporations to the County based on an increase in the sales-assessment ratio from 62.0 percent to 81.6 percent. (This factor is applied to the public corporation property assessments and does not affect the assessment of other property holders). The increased public service corporation revenues were put in reserve to assure future funding for the County in the uncertain economic climate facing localities nationwide.

### **Proprietary funds**

The County's proprietary funds audit provides the same type of information found in the government-wide financial statements and in more detail.



Total net assets of component unit, Bath County Public Service Authority, at the end of the fiscal year were \$9,540,884. As a component unit, the details of the finances of the Bath County Public Service Authority are presented in the financial report for year ended June 30, 2011.

### **General Fund Budgetary Highlights**

Differences between the original budgeted General Fund appropriations and the final amended budget appropriations were \$314,728 less than the original budgeted expenditure appropriations, which is 1.7 percent of the total original budget, and reflects a slight increase in the capital projects and public safety budgets, balanced against decreases in community development and non-departmental expenditures.

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

#### **Capital Assets**

The County's investment in capital assets for its governmental activities as of June 30, 2011 is \$10,690,865 (net of accumulated depreciation and is a decrease of \$486,704 from the previous fiscal year). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. The total net decrease in the County's investment in capital assets for the fiscal year was adjusted to beginning fixed assets and accumulated depreciation balances for governmental activities to reflect the County's capital asset policy of a \$5,000 capitalization threshold.

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 303,240	\$ 303,240
Buildings and improvements	9,752,217	10,323,194
Machinery and equipment	635,408	551,135
Total	<u>\$ 10,690,865</u>	<u>\$ 11,177,569</u>

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

#### **Long-term liabilities**

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

#### **County of Bath's Outstanding Liabilities**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Capital leases	\$ -	\$ 57,187
Revenue bonds	8,825,000	9,485,000
Derivative instrument liability	223,491	-
OPEB Obligation (Note 10)	69,547	53,050
Compensated absences	111,981	123,512
Total	<u>\$ 9,230,019</u>	<u>\$ 9,718,749</u>

All debt reported by the Discretely Presented Component Unit - School Board, has been assumed by the Primary Government as required by Section 15.2-1800.1, Code of Virginia, 1950, as amended.

Additional information on the County's long-term debt can be found in the notes of the financial statements.

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

- The unemployment rate for the County during FY 2010-11 is 4.8 percent (June 2011), which is a decrease compared to the rate of 5.5 percent a year ago (June 2010). This compares favorably to the state's average unemployment rate of 6.3 percent (June 2011) and the national average rate of 9.3 percent (June 2011) (data from VA Workforce Connection/on-line sourced from the U.S. Bureau of Labor Statistics).
- Earnings on investments decreased over the last year due to lower rates of interest.
- The sales tax and the newly-instituted meals tax (originated at one percent) fell below expectations as the nationwide economy declined.
- Due to the uncertain economy affecting jobs and incomes, growth in real estate investments by the average family continued to slow; in addition, developments targeted to those seeking a second home continued to falter along with the pace of the U.S. economy.
- General property tax revenues increased due to an increase in the sales to assessment ratio of local property that impacts the amount of general property tax revenue from the County's primary revenue source (public service corporation property tax).
- A real property reassessment was completed in fiscal year 2010-11 for January 1, 2011, which is a requirement of the State Code. Its results were not available for the formulation of the FY 2010-11 budget, but informed the development of the following year's budget, FY 2011-12.
- The U.S. Census for 2010 found that the population of Bath County had dropped between the years 2000 and 2010 from 5,048 to 4,731.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year. Also, the County considered the other governmental fund requirements, such as the funding of the Constitutional Officers and the Comprehensive Services Act which has specific requirements for funding services affiliated with these funds. The County has lobbied the General Assembly, along with other localities, to continue to maintain its share of mandated programs.

During fiscal year 2011, the unassigned fund balance in the general fund increased \$1,328,533 (from \$5,121,473 to \$6,450,006). This increase was set aside in reserve by the Board of Supervisors due to the nationwide recession and resulting hardships on localities. A portion of the fund balance may be used to finance County services, programs, and projects as determined by the Board of Supervisors. Appropriations for County funds lapse at fiscal year's end, except for those dedicated to tourism.

### **Requests for Information**

This financial report is designed to provide readers with a general overview of the County of Bath's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed the Office of the County Administrator, County of Bath, Post Office Box 309, Warm Springs, Virginia 24484.

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## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Statement of Net Assets  
June 30, 2011

	Primary Government Governmental Activities	Component Units School Board	Service Authority
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,789,993	\$ 723,255	\$ 2,809,362
Receivables (net of allowance for uncollectibles):			
Taxes receivable	268,292	-	-
Accounts receivable	120,622	-	82,587
Interest receivable	-	-	1,257
Due from component unit	125,183	-	-
Due from other governmental units	256,634	103,155	-
Inventories	-	14,572	-
Prepaid expenses	51,150	27,025	4,970
Restricted assets:			
Cash and cash equivalents	100,065	-	58,745
Other assets:			
Unamortized bond issue costs	86,100	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	303,240	238,282	69,165
Buildings and improvements	9,752,217	4,118,758	-
Machinery and equipment	635,408	330,772	57,768
Utility plant in service	-	-	9,332,028
Construction in progress	-	-	159,143
Total assets	<u>\$ 18,488,904</u>	<u>\$ 5,555,819</u>	<u>\$ 12,575,025</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 118,998	\$ -	\$ 36,230
Accrued payroll	-	723,254	-
Customers' deposits	-	-	22,670
Due to primary government	-	125,183	-
Unearned revenue	22,550	-	2,171,114
Long-term liabilities:			
Due within one year	315,000	-	47,722
Due in more than one year	8,915,019	357,449	756,405
Total liabilities	<u>\$ 9,371,567</u>	<u>\$ 1,205,886</u>	<u>\$ 3,034,141</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ (223,491)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES NET OF DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 9,148,076</u>	<u>\$ 1,205,886</u>	<u>\$ 3,034,141</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 1,865,865	\$ 4,687,812	\$ 8,823,661
Restricted -			
Reserve fund	-	-	36,075
Debt service and bond covenants	100,065	-	-
Unrestricted (deficit)	7,374,898	(337,879)	681,148
Total net assets	<u>\$ 9,340,828</u>	<u>\$ 4,349,933</u>	<u>\$ 9,540,884</u>

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



County of Bath, Virginia

Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>					
Governmental activities:					
General government administration	\$ 1,229,730	\$ 18,315	\$ 164,455	\$ -	
Judicial administration	336,921	24,213	202,298	-	
Public safety	1,829,651	51,081	558,024	-	
Public works	1,100,064	55,290	5,910	-	
Health and welfare	827,199	-	421,838	-	
Education	6,460,206	-	-	-	
Parks, recreation, and cultural	465,168	9,328	-	-	
Community development	241,827	-	100,843	-	
Nondepartmental	281,777	-	-	-	
Interest on long-term debt	399,090	-	-	-	
Total governmental activities	<u>\$ 13,171,633</u>	<u>\$ 158,227</u>	<u>\$ 1,453,368</u>	<u>\$ -</u>	
<b>COMPONENT UNITS:</b>					
School Board	\$ 9,040,293	\$ 176,049	\$ 2,308,587	\$ -	
Service Authority	1,481,535	1,010,224	-	-	
Total component units	<u>\$ 10,521,828</u>	<u>\$ 1,186,273</u>	<u>\$ 2,308,587</u>	<u>\$ -</u>	

General revenues:

General property taxes

Other local taxes

Local sales and use taxes

Restaurant food tax

Motor vehicle licenses taxes

Taxes on recordation and wills

Bank stock taxes

Hotel and motel room taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary	Component Units		
Government			
Governmental	School	Service	
Activities	Board	Authority	
\$ (1,046,960)	\$ -	\$ -	
(110,410)	-	-	
(1,220,546)	-	-	
(1,038,864)	-	-	
(405,361)	-	-	
(6,460,206)	-	-	
(455,840)	-	-	
(140,984)	-	-	
(281,777)	-	-	
(399,090)	-	-	
<u>\$ (11,560,038)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (6,555,657)	\$ -	
-	-	(471,311)	
<u>\$ -</u>	<u>\$ (6,555,657)</u>	<u>\$ (471,311)</u>	
\$ 11,384,262	\$ -	\$ -	
687,422	-	-	
195,557	-	-	
72,513	-	-	
68,993	-	-	
30,036	-	-	
707,584	-	-	
19,695	-	-	
57,130	9	62,840	
187,667	31,374	3,648	
233,860	6,591,128	-	
<u>\$ 13,644,719</u>	<u>\$ 6,622,511</u>	<u>\$ 66,488</u>	
\$ 2,084,681	\$ 66,854	\$ (404,823)	
7,256,147	4,283,079	9,945,707	
<u>\$ 9,340,828</u>	<u>\$ 4,349,933</u>	<u>\$ 9,540,884</u>	

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## **FUND FINANCIAL STATEMENTS**



Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Virginia Public Assistance	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,458,643	\$ -	\$ 331,350	\$ 6,789,993
Receivables (net of allowance for uncollectibles):				
Taxes receivable	268,292	-	-	268,292
Accounts receivable	85,251	-	35,371	120,622
Due from other funds	30,141	-	-	30,141
Due from component unit	125,183	-	-	125,183
Due from other governmental units	221,499	30,141	4,994	256,634
Prepaid items	51,150	-	-	51,150
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	100,065	-	-	100,065
Total assets	<u>\$ 7,340,224</u>	<u>\$ 30,141</u>	<u>\$ 371,715</u>	<u>\$ 7,742,080</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 118,372	\$ -	\$ 626	\$ 118,998
Due to other funds	-	30,141	-	30,141
Deferred revenue	230,631	-	-	230,631
Total liabilities	<u>\$ 349,003</u>	<u>\$ 30,141</u>	<u>\$ 626</u>	<u>\$ 379,770</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 51,150	\$ -	\$ -	\$ 51,150
Restricted for:				
Debt service	100,065	-	-	100,065
Committed:				
Special revenue funds	-	-	371,089	371,089
Assigned:				
Health insurance	300,000	-	-	300,000
Line of duty	15,000	-	-	15,000
Volunteer fire department	75,000	-	-	75,000
Unassigned	6,450,006	-	-	6,450,006
Total fund balances	<u>\$ 6,991,221</u>	<u>\$ -</u>	<u>\$ 371,089</u>	<u>\$ 7,362,310</u>
Total liabilities and fund balances	<u>\$ 7,340,224</u>	<u>\$ 30,141</u>	<u>\$ 371,715</u>	<u>\$ 7,742,080</u>

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

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	\$	7,362,310
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,690,865
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		208,081
Issuance costs are recorded as other assets and amortized over the life of the debt and, therefore, are not reported in the funds.		86,100
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(9,006,528)</u>
Net assets of governmental activities	\$	<u>9,340,828</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2011

	General	Virginia Public Assistance	Other Governmental Funds	Total
<b>REVENUES</b>				
General property taxes	\$ 11,579,115	\$ -	\$ -	\$ 11,579,115
Other local taxes	1,428,008	-	353,792	1,781,800
Permits, privilege fees, and regulatory licenses	44,109	-	-	44,109
Fines and forfeitures	245	-	-	245
Revenue from the use of money and property	57,130	-	-	57,130
Charges for services	113,873	-	-	113,873
Miscellaneous	64,271	-	236	64,507
Recovered costs	123,160	-	-	123,160
Intergovernmental revenues:				
Commonwealth	1,161,067	122,520	65,381	1,348,968
Federal	104,323	233,937	-	338,260
Total revenues	<u>\$ 14,675,301</u>	<u>\$ 356,457</u>	<u>\$ 419,409</u>	<u>\$ 15,451,167</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 890,821	\$ -	\$ -	\$ 890,821
Judicial administration	333,562	-	-	333,562
Public safety	1,772,124	-	-	1,772,124
Public works	1,109,988	-	-	1,109,988
Health and welfare	244,083	469,976	116,464	830,523
Education	6,160,206	-	-	6,160,206
Parks, recreation, and cultural	447,482	-	-	447,482
Community development	240,380	-	-	240,380
Nondepartmental	123,594	-	-	123,594
Capital projects	214,300	-	157,894	372,194
Debt service:				
Principal retirement	717,189	-	-	717,189
Interest and other fiscal charges	391,413	-	-	391,413
Total expenditures	<u>\$ 12,645,142</u>	<u>\$ 469,976</u>	<u>\$ 274,358</u>	<u>\$ 13,389,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,030,159</u>	<u>\$ (113,519)</u>	<u>\$ 145,051</u>	<u>\$ 2,061,691</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 160,411	\$ 46,892	\$ 207,303
Transfers out	(160,411)	(46,892)	-	(207,303)
Total other financing sources (uses)	<u>\$ (160,411)</u>	<u>\$ 113,519</u>	<u>\$ 46,892</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,869,748	\$ -	\$ 191,943	\$ 2,061,691
Fund balances - beginning	5,121,473	-	179,146	5,300,619
Fund balances - ending	<u>\$ 6,991,221</u>	<u>\$ -</u>	<u>\$ 371,089</u>	<u>\$ 7,362,310</u>

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



Reconciliation of 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	\$	2,061,691
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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.

	(486,704)
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents deferred revenue.

	(194,852)
--	-----------

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.

	709,512
--	---------

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.

	<u>(4,966)</u>
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Change in net assets of governmental activities	\$	<u><u>2,084,681</u></u>
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The notes to the financial statements are an integral part of this statement.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011

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### **Note 1—Summary of Significant Accounting Policies:**

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The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental 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 Bath, 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. 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.

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

The Bath 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 Bath County School Board does not prepare separate financial statements.

The Bath County Service Authority has been determined to be a component unit of Bath County in accordance with Governmental Accounting Standards Board Statement 14. The Authority is a legally separate organization whose Board members are appointed by the Bath County Board of Supervisors. Since the Board of Supervisors is able to impose its will on the Authority, the Authority is a component unit of Bath County. The Bath County Service Authority does not prepare separate financial statements.

#### **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*.

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

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**B. Government-wide and fund financial statements (continued)**

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 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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 cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in another fund. The general fund includes the activities of the crime prevention, sheriff's carryover, sheriff's forfeited and recycling funds.

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

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

The *special revenue fund* accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds consist of the Virginia Public Assistance Fund.

Additionally, the government reports the following fund types:

*Special Revenue funds* account for and report the proceeds of the specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Comprehensive Services Act, Revenue Maximization, and Lodging Tax funds are non-major special revenue funds of the County.

*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. There are no fiduciary funds at June 30, 2011.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 Authority enterprise fund are charges to customers for sales and services. The Authority 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 nonoperating revenues and expenses.

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

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

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**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.

**2. *Receivables and payables***

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

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

**3. *Inventory***

Inventory is expensed as it is consumed.

**4. *Property Taxes***

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

**5. *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 \$15,061 at June 30, 2011 and is comprised of uncollectible local taxes of the primary government in the amount of \$12,585 and uncollectible water and sewer accounts receivable of the component unit – Service Authority in the amount of \$2,476.

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

---

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

**6. 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.

**7. Restricted assets**

Certain resources are classified as restricted assets on the balance sheet and are maintained in separate bank accounts. The County reports restricted assets of \$100,065 at June 30, 2011 that represents debt service reserves. At June 30, 2011, \$36,075 was set aside for the repayment of the Authority's enterprise fund revenue bonds and their use is limited by applicable bond covenants. In addition, the Authority had \$22,670 in a bank account restricted for customer deposits.

**8. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water and sewer plant 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 the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	30-50
Machinery and equipment	5-15
Utility plant	40

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

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

**9. *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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Assets. No expenditure is reported for these amounts. 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.

**10. *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.

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.

**11. *Fund equity***

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

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

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

**11 Fund equity (continued)**

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

The County establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

**12. 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.



COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

**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 (\$9,006,528) and (\$357,449) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Bonds payable	\$ (8,825,000)	\$ -
OPEB Obligation	(69,547)	(124,453)
Compensated absences	(111,981)	(232,996)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (9,006,528)</u>	<u>\$ (357,449)</u>

**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 that 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 (\$486,704) and \$121,050 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Capital outlay	\$ 168,653	\$ 93,861
Loss on disposal of fixed assets	-	(16,896)
Depreciation expense	(355,357)	(255,915)
Allocation of debt financed school assets based on current year repayments	(300,000)	300,000
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>\$ (486,704)</u>	<u>\$ 121,050</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

**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 that 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 \$709,512 difference in the primary government are as follows:

	<u>Primary Government</u>
Amortization of bond issuance costs	\$ (7,675)
Principal repayments:	
General obligation debt	660,000
Capital Leases	<u>57,187</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>709,512</u></u>

Another element of that reconciliation states that 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 (\$4,966) and (\$41,629) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
OPEB obligation	\$ (16,497)	\$ (33,903)
Compensated absences	<u>11,531</u>	<u>(7,726)</u>
Net adjustment to 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>(4,966)</u></u>	\$ <u><u>(41,629)</u></u>

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

### 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 April 1, 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, Virginia Public Assistance Fund, Lodging Tax Marketing and Capital Fund, School Operating Fund, and School Cafeteria Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts between general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School 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. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

#### B. Excess of expenditures over appropriations

For the year ended June 30, 2011, the following funds incurred expenditures exceeding appropriations:

		Excess of Expenditures over Appropriations
Fund	Function	
Cafeteria	School Food	\$ 26,843
Total All Funds		\$ 26,843

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

### Note 3—Stewardship, Compliance, and Accountability (Continued)

#### 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. According, all deposits are considered fully collateralized.

#### Investments

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

#### Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the County's investing activities are managed under the custody of the County Treasurer. Investing is performed in accordance with investment policies adopted by the County Board of Supervisors complying with state statutes. In accordance with the County's investment policy, County funds may be invested in:

1. Certificates of deposits or other deposits of national banks located within the Commonwealth and state- chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
2. U.S. Treasury Bills (T-Bills).
3. Local Government Investment Pool (LGIP) administered by the Virginia Treasury Board.

The County's rated debt investments as of June 30, 2011 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

#### County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings AAAm</u>
External Investment Pool:	
Local Government Investment Pool	\$ 1,534,014

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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

#### External Investment Pool

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

### Note 5—Due From Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 98,158
Local sales taxes	116,964	-
Communications Tax	18,313	-
Mobile Home tax	360	-
Rolling Stock	285	-
Fire Programs Fund	1,600	-
Jury duty claims reimbursement	1,080	-
Recordation tax	3,860	-
DMV license agent fee	1,387	-
Public assistance and welfare administration	11,105	-
Comprehensive Services Act funds	4,994	-
E-911 mapping	6,667	-
Commonwealth attorney	5,657	-
Clerk of Circuit Court	11,475	-
Treasurer	5,146	-
Commissioner of revenue	7,084	-
Sheriff	40,709	-
Timber sales	911	-
Federal Government:		
Public assistance and welfare administration	19,037	-
School cafeteria	-	4,997
Total	\$ <u>256,634</u>	\$ <u>103,155</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

**Note 6—Interfund Obligations:**

The following balances represent amounts due between funds at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 30,141	\$ -	\$ -	\$ 125,183
VPA Fund	-	30,141	-	-
Total	<u>\$ 30,141</u>	<u>\$ 30,141</u>	<u>\$ -</u>	<u>\$ 125,183</u>
Component Unit-School Board:				
School Fund	\$ -	\$ -	\$ 125,183	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,183</u>	<u>\$ -</u>

The purpose of interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

**Note 7—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 160,411
Virginia Public Assistance Fund	160,411	46,892
CSA Fund	46,892	-
Total	<u>\$ 207,303</u>	<u>\$ 207,303</u>

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.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

**Note 8—Long-Term Liabilities:**

**Primary Government-Governmental Activity Liabilities:**

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

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Capital leases	\$ 57,187	\$ -	\$ 57,187	\$ -
Revenue bonds	9,485,000	-	660,000	8,825,000
Derivative instrument liability	-	223,491	-	223,491
OPEB Obligation (Note 10)	53,050	36,660	20,163	69,547
Compensated absences	123,512	-	11,531	111,981
Total Long-Term Liabilities	<u>\$ 9,718,749</u>	<u>\$ 260,151</u>	<u>\$ 748,881</u>	<u>\$ 9,230,019</u>

Details of long-term liabilities:

	Total Amount	Amount Due Within One Year
Revenue bonds:		
\$9,125,000 2008 Series Public Improvement Note, issued December 17, 2008, due in annual installments of \$300,000 to \$535,000 and a final payment of \$3,820,000 through December 1, 2023, plus monthly interest at 4.2%	\$ 8,825,000	\$ 315,000
Other Obligations:		
Derivative instrument liability	223,491	-
OPEB Obligation	69,547	-
Compensated absences (payable from General Fund)	<u>111,981</u>	<u>-</u>
Total long-term obligations	<u>\$ 9,230,019</u>	<u>\$ 315,000</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

Note 8—Long-Term Liabilities: (Continued)

Primary Government-Governmental Activity Indebtedness: (continued)

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

Years Ending June 30,	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2012	315,000	375,539
2013	330,000	461,438
2014	350,000	346,132
2015	365,000	330,806
2016	385,000	314,843
2017	400,000	297,858
2018	420,000	280,212
2019	445,000	261,392
2020	465,000	241,479
2021	485,000	221,027
2022	510,000	199,498
2023	535,000	176,886
2024	3,820,000	82,655
Total	\$ 8,825,000	\$ 3,589,765

Derivative instrument liability:

In 2008, the County issued a derivative financial instrument in the form of an interest rate swap. The County has implemented Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments during the current fiscal year.

Interest rate swap

*Objective of the interest rate swap.*

As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in December 2008, the County entered into an interest rate swap in connection with its \$9,125,000 VACO / VML variable rate demand revenue bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 3.03%. Utilizing the synthetic instrument method, the County has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms – The bonds and the related swap agreement mature on December 1, 2023. The swap's notional value of \$9,048,491 is more than the balance outstanding on the bonds payable of \$8,825,000. The difference of \$223,491 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the County.



COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

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

A corresponding deferred outflow of resources is reported on the statement of net assets as a reduction to total liabilities before computing net assets. The swap was entered into at the same time as the bonds were issued.

Fair Value. The fair value and change in fair value of the swap are as follows:

		<b>\$8,825,000</b>
Fair value	\$	(223,491)
Change in fair value		N/A

**Discretely Presented Component Unit-Service Authority:**

The following is a summary of long-term liability transactions of the Service Authority for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Revenue bonds	\$ 879,469	\$ -	\$ 85,026	\$ 794,443
Compensated absences	9,684	-	-	9,684
Total Long-Term Liabilities	<u>\$ 889,153</u>	<u>\$ -</u>	<u>\$ 85,026</u>	<u>\$ 804,127</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

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

**Discretely Presented Component Unit-Service Authority: (continued)**

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

Fiscal Year	Revenue Bonds	
	Principal	Interest
2012	\$ 47,722	\$ 7,403
2013	48,526	6,599
2014	49,354	5,771
2015	50,207	4,918
2016	51,085	4,040
2017	51,991	3,134
2018	52,923	2,202
2019	52,444	1,241
2020	37,878	-
2021	21,135	-
2022	21,135	-
2023	21,135	-
2024	21,135	-
2025	21,135	-
2026	21,135	-
2027	21,135	-
2028	21,135	-
2029	21,135	-
2030	21,135	-
2031	21,135	-
2032	21,135	-
2033	21,135	-
2034	21,135	-
2035	21,135	-
2036	21,135	-
2037	14,153	-
Total	\$ <u>794,443</u>	\$ <u>35,559</u>

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

### Note 8—Long-Term Liabilities: (Continued)

#### Discretely Presented Component Unit-Service Authority: (continued)

Details of Long-term Liabilities:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
VRA Revenue Bond Series 2007 - dated April 5, 2007, \$634,057 principal amount available, \$605,939 issued to date, final terms will not be agreed upon until project is complete. Semi-annual principal only payments of \$10,567.62 are due through 2037.	\$ 542,534	\$ 21,135
\$529,670 Virginia Resources Authority Bonds issued August 5, 1998, maturing August 5, 2020 with annual payments of \$36,075 including interest at 3%.	<u>251,909</u>	<u>26,587</u>
Total Revenue Bonds	<u>\$ 794,443</u>	<u>\$ 47,722</u>
Compensated absences (payable from Component Unit Service Authority)	<u>\$ 9,684</u>	<u>\$ -</u>
Total Service Authority Debt	<u>\$ 804,127</u>	<u>\$ 47,722</u>

#### Discretely Presented Component Unit-School Board:

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

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Compensated absences	\$ 225,270	\$ 7,726	\$ -	\$ 232,996
OPEB Obligation	90,550	75,340	41,437	124,453
Total Long-Term Liabilities	<u>\$ 315,820</u>	<u>\$ 83,066</u>	<u>\$ 41,437</u>	<u>\$ 357,449</u>
Accrued compensated absences (payable from School Fund)			<u>\$ 232,996</u>	

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### Note 9—Defined Benefit Pension Plan:

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##### 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 credit. 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 five years of service credit or 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 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.

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 the 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.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### Note 9—Defined Benefit Pension Plan: (Continued)

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##### **A. Plan Description (continued)**

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 the report may be obtained from the VRS Web site 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**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employee contribution rates for the fiscal year ended 2011 were 8.15% and 5.99%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$149,961, \$251,839, and \$365,758, to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010 and 2009, respectively. The contribution rate for 2011 was 3.93% of covered payroll.

##### **C. Annual Pension Cost**

For fiscal year 2011, the County's annual pension cost of \$185,921 was equal to the County's required and actual contributions.

For fiscal year 2011, the County School Board's annual pension cost for the board's non-professional employees was \$41,221 which was equal to the Board's required and actual contributions.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

Note 9—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (continued)

Three-Year Trend Information for the County and School Board			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County: (including the Service Authority)			
June 30, 2009	\$ 148,178	100.00%	\$ -
June 30, 2010	145,654	100.00%	-
June 30, 2011	185,921	100.00%	-
School Board Non-Professional			
June 30, 2009	\$ 41,852	100.00%	\$ -
June 30, 2010	37,741	100.00%	-
June 30, 2011	41,221	100.00%	-

The FY 2011 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) an investment rate of return (net of administrative expenses) of 7.50%, (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 projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the County School Board'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's and School Board'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:

As of June 30, 2010 the most recent actuarial valuation date, the County's plan was 80.37% funded. The actuarial accrued liability for benefits was \$11,309,883, and the actuarial value of assets was \$9,089,404, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,220,479. The covered payroll (annual payroll of active employees covered by the plan) was \$2,268,445 and ratio of the UAAL to the covered payroll was 97.89%.

As of June 30, 2010, the most recent actuarial valuation date, the County School Board's plan was 83.87% funded. The actuarial accrued liability for benefits was \$3,726,594 and the actuarial value of assets was \$3,125,508, resulting in an unfunded actuarial accrued liability (UAAL) of \$601,086. The covered payroll (annual payroll of active employees covered by the plan) was \$688,165, and ratio of the UAAL to the covered payroll was 87.35%.

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 (AAL) for benefits.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### **Note 10—Other Post-Employment Benefits Program:**

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Beginning in fiscal year 2009, the County and School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

#### **County and School Board retiree health insurance plan:**

##### **A. Plan Description**

The County and School Board offer its employees the option to participate in the group health insurance program offered to other employee's upon retirement. The employee is responsible for the full amount of their monthly premium. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. The County reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided.

##### **B. Funding Policy**

The employee is responsible for the full amount of their monthly premium.

##### **C. Annual OPEB Cost and Annual OPEB Net Obligation**

The County and School Board's annual other post-employment benefits cost is calculated based on the annual required contribution (ARC) of the employers. The ARC is 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The table on the next page shows the components of the County and School Board's annual OPEB cost for the year, the estimated contributions to the Plan, and changes in the County's net OPEB obligations to the Plan:

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

Note 10—Other Post-Employment Benefits Program: (Continued)

C. Annual OPEB Cost and Annual OPEB Net Obligation (continued)

	County	School Board
Annual Required Contribution (ARC)	\$ 36,758	\$ 75,542
Interest on OPEB Obligation	1,866	3,834
Adjustment to ARC	(1,964)	(4,036)
Annual OPEB Cost	\$ 36,660	\$ 75,340
Estimated Contributions Made During FY11	(20,163)	(41,437)
Increase in Net OPEB Obligation	\$ 16,497	\$ 33,903
Net OPEB Obligation - beginning of year	53,050	90,550
Net OPEB Obligation - end of year	<u>\$ 69,547</u>	<u>\$ 124,453</u>

Annual OPEB Cost

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
June 30, 2011	\$ 36,660	55%	\$ 69,547
June 30, 2010	56,228	52%	53,050
June 30, 2009	32,000	18%	26,100
School Board:			
June 30, 2011	\$ 75,340	55%	\$ 124,453
June 30, 2010	74,172	52%	90,550
June 30, 2009	92,100	40%	55,000

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011 is as follows:

	County	School Board
Actuarial Accrued liability (AAL)	\$ 414,036	\$ 736,064
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	\$ 414,036	\$ 736,064
Funded ratio (actuarial value of plan assets)	0%	0%
Annual covered payroll	\$ 2,026,116	\$ 3,601,984
UAAL as a percentage of covered payroll	20.43%	20.43%



## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### Note 10—Other Post-Employment Benefits Program: (Continued)

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##### **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 into 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 revisions 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, presents multi-year information 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 (the plan as understood by the employer and the plan members) 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.

##### Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Data is net of any retiree contributions.

##### Actuarial Assumptions

Discount rate	4%
Annual amortization increase rate	2.5%

#### **School Board VRS Health Insurance Credit Program :**

##### **Non-professional plan:**

##### **A. Plan Description**

In September 2009, the School Board began participating in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and 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.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

### Note 10—Other Post-Employment Benefits Program: (Continued)

#### School Board VRS Health Insurance Credit Program (continued):

##### Non-professional plan: (continued)

##### A. Plan Description (continued)

A non-professional employee of the School Board 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 \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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 as previously discussed in Note 9.

##### B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2011 was 1.19% of annual covered payroll.

##### C. OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2011, the School Board's contribution of \$4,129 was equal to the OPEB cost. The School Boards annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 4,129	100%	\$ -
June 30, 2010	7,643	100%	-

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### **Note 10—Other Post-Employment Benefits Program: (Continued)**

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##### **School Board VRS Health Insurance Credit Program (continued):**

##### **Non-professional plan: (continued)**

##### **D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2011 is as follows:

Actuarial Accrued liability (AAL)	\$	81,826
Actuarial value of plan assets		2,683
Unfunded actuarial accrued liability (UAAL)	\$	79,143
Funded ratio (actuarial vlaue of plan assets		3.28%
Annual covered payroll	\$	688,165
UAAL as a percentage of covered payroll		11.50%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. 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 revisions 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, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

##### **E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5% and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining period at June 30, 2010 was 26 years.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### **Note 10—Other Post-Employment Benefits Program: (Continued)**

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##### **School Board VRS Health Insurance Credit Program (continued):**

###### **F. Professional Employees**

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.6% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$22,894, \$29,735, and \$44,837, respectively and equaled the required contributions for each year.

#### **Note 11—Unearned Revenue:**

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Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue of the Primary Government and the Component Unit Service Authority totaling \$22,550 and \$2,171,114, respectively, is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011, but paid in advance by taxpayers totaled \$22,550 at June 30, 2011.

Prepaid Capital Expenditures – The Bath County Public Service Authority entered into a contract with Warm Springs Investment, LLC (WSIC) to provide Wastewater Treatment and Water Supply upgrades to the customers located within Homestead Preserve when such upgrades are deemed necessary based on the number of customers being served. WSIC is making yearly payments to the PSA to offset these future expenses. To date the PSA has received \$2,010,454 from WSIC.

Prepaid Development Fees – Development fees prepaid to the Bath County Public Service Authority by the WSIC totaled \$160,660 at June 30, 2011.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

### Note 12—Capital Assets:

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

#### Primary Government:

#### Governmental activities:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 303,240	\$ -	\$ -	\$ 303,240
Total capital assets not being depreciated	\$ 303,240	\$ -	\$ -	\$ 303,240
Capital assets being depreciated:				
Buildings and improvements	\$ 12,250,908	\$ -	\$ (300,000)	\$ 11,950,908
Machinery and equipment	1,274,474	168,653	(22,059)	1,421,068
Total capital assets being depreciated	\$ 13,525,382	\$ 168,653	\$ (322,059)	\$ 13,371,976
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,927,714)	\$ (270,977)	\$ -	\$ (2,198,691)
Machinery and equipment	(723,339)	(84,380)	22,059	(785,660)
Total accumulated depreciation	\$ (2,651,053)	\$ (355,357)	\$ 22,059	\$ (2,984,351)
Capital assets being depreciated, net	\$ 10,874,329	\$ (186,704)	\$ (300,000)	\$ 10,387,625
Net capital assets	\$ 11,177,569	\$ (186,704)	\$ (300,000)	\$ 10,690,865

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

#### Governmental activities:

General government	\$ 284,632
Judicial administration	1,333
Public safety	54,839
Parks, recreation, cultural	14,553
Total depreciation expense -governmental activities	\$ 355,357

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011 (CONTINUED)

Note 12—Capital Assets: (Continued)

Discretely Presented Component Units:

Component Unit School Board:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and land improvements	\$ 238,282	\$ -	\$ -	\$ 238,282
Total capital assets not being depreciated	\$ 238,282	\$ -	\$ -	\$ 238,282
Capital assets being depreciated:				
Buildings and improvements	\$ 12,494,411	\$ 376,752	\$ -	\$ 12,871,163
Machinery and equipment	1,391,400	17,109	(117,132)	1,291,377
Total capital assets being depreciated	\$ 13,885,811	\$ 393,861	\$ (117,132)	\$ 14,162,540
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (8,584,490)	\$ (167,915)	\$ -	\$ (8,752,405)
Machinery and equipment	(972,841)	(88,000)	100,236	(960,605)
Total accumulated depreciation	\$ (9,557,331)	\$ (255,915)	\$ 100,236	\$ (9,713,010)
Capital assets being depreciated, net	\$ 4,328,480	\$ 137,946	\$ (16,896)	\$ 4,449,530
Net capital assets	\$ 4,566,762	\$ 137,946	\$ (16,896)	\$ 4,687,812
Depreciation expense allocated to education		\$ 255,915		

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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### Note 12—Capital Assets: (Continued)

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#### Discretely Presented Component Units: (continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments on-behalf of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a tenancy in common with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the School Board of Bath Virginia for the year ended June 30, 2011, is that school financed assets in the amount of \$7,790,746 are reported in the Primary Government for financial reporting purposes. The adjustment to capital assets was as follows:

	Balance June 30, 2010	Adjustment	Balance June 30, 2011
Primary Government:			
Buildings and improvements	\$ <u>12,250,908</u>	\$ <u>(300,000)</u>	\$ <u>11,950,908</u>
Discretely Presented Component Unit-School Board			
Buildings and improvements	\$ <u>12,571,163</u>	\$ <u>300,000</u>	\$ <u>12,871,163</u>

The 2011 adjustment to accumulated depreciation was a \$6,000 transfer to the School Board from the Primary Government.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

### Note 12—Capital Assets: (Continued)

#### Discretely Presented Component Units: (continued)

##### Service Authority:

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 69,165	\$ -	\$ -	\$ 69,165
Construction in progress	162,505	53,207	(56,569)	159,143
Total capital assets not being depreciated	\$ 231,670	\$ 53,207	\$ (56,569)	\$ 228,308
Capital assets being depreciated:				
Water System	\$ 9,415,618	\$ 21,927	\$ -	\$ 9,437,545
Sewer System	10,236,311	37,619	-	10,273,930
Equipment	308,398	31,221	-	339,619
Total capital assets being depreciated	\$ 19,960,327	\$ 90,767	\$ -	\$ 20,051,094
Less: Accumulated depreciation for:				
Water System	\$ (3,597,755)	\$ (245,671)	\$ -	\$ (3,843,426)
Sewer System	(6,275,104)	(260,917)	-	(6,536,021)
Equipment	(268,073)	(13,778)	-	(281,851)
Total accumulated depreciation	\$ (10,140,932)	\$ (520,366)	\$ -	\$ (10,661,298)
Capital assets being depreciated, net	\$ 9,819,395	\$ (429,599)	\$ -	\$ 9,389,796
Net capital assets	\$ 10,051,065	\$ (376,392)	\$ (56,569)	\$ 9,618,104

### Note 13—Contingent Liabilities:

Federal programs in which the County participates 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.



## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### **Note 14—Landfill Closure and Post Closure Monitoring Costs:**

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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 for ten years after closure. The County closed its landfill in 1993. The County has recognized as expenses in prior years all anticipated closure/post-closure costs. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. Postclosure care financial assurance requirements are being met through the use of the financial test mechanism. As of June 30, 2011, the County has not initiated final closure procedures to release itself from requirements for monitoring, etc. The County anticipates making this request during upcoming years as funds are available.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

#### **Note 15—Surety Bonds:**

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Hartford Accident and Indemnity Company:	
Wayne Winebriner, Clerk of Circuit Court	\$ 5,000
Mary Susan Blankenship, Treasurer	500,000
Leta Norfleet, Commissioner of the Revenue	3,000
Larry Norfleet, Sheriff	5,000
Jon R. Trees, Supervisor	1,000
Percy C. Nowlin, III, Supervisor	1,000
Stuart L. Hall, Supervisor	1,000
Richard B. Byrd, Supervisor	1,000
Carol Hardbarger, Supervisor	1,000
All County employees; blanket bond	175,000
Virginia School Board Association Property and Casualty Pool:	
Sue Hirsh, Superintendent of Schools	10,000
Justin S. Rider, Finance Director	10,000
All School Board employees; blanket bond	1,000,000
Nationwide Insurance:	
Department of Social Services - Director and Employees	250,000
Western Surety Company:	
County Administrator	2,000

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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#### **Note 16—Risk Management:**

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The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the Association for its general workers compensation insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

(Note: Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.)



## General Fund

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 11,098,851	\$ 11,098,851	\$ 11,579,115	\$ 480,264
Other local taxes	1,562,795	1,562,795	1,428,008	(134,787)
Permits, privilege fees, and regulatory licenses	48,250	48,575	44,109	(4,466)
Fines and forfeitures	50	50	245	195
Revenue from the use of money and property	16,085	16,085	57,130	41,045
Charges for services	114,098	114,098	113,873	(225)
Miscellaneous	35,000	37,700	64,271	26,571
Recovered costs	10,000	17,868	123,160	105,292
Intergovernmental revenues:				
Commonwealth	1,099,373	1,102,554	1,161,067	58,513
Federal	713,127	713,742	104,323	(609,419)
Total revenues	\$ 14,697,629	\$ 14,712,318	\$ 14,675,301	\$ (37,017)
EXPENDITURES				
Current:				
General government administration	\$ 967,827	\$ 979,288	\$ 890,821	\$ 88,467
Judicial administration	342,539	356,896	333,562	23,334
Public safety	1,865,589	1,897,446	1,772,124	125,322
Public works	1,210,093	1,214,847	1,109,988	104,859
Health and welfare	163,985	163,985	244,083	(80,098)
Education	6,260,963	6,260,963	6,160,206	100,757
Parks, recreation, and cultural	481,218	481,218	447,482	33,736
Community development	529,725	523,269	240,380	282,889
Nondepartmental	5,771,374	5,186,373	123,594	5,062,779
Capital projects	50,000	264,300	214,300	50,000
Debt service:				
Principal retirement	717,189	717,189	717,189	-
Interest and other fiscal charges	391,413	391,413	391,413	-
Total expenditures	\$ 18,751,915	\$ 18,437,187	\$ 12,645,142	\$ 5,792,045
Excess (deficiency) of revenues over (under) expenditures	\$ (4,054,286)	\$ (3,724,869)	\$ 2,030,159	\$ 5,755,028
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (250,642)	\$ (250,644)	\$ (160,411)	\$ 90,233
Total other financing sources and uses	\$ (250,642)	\$ (250,644)	\$ (160,411)	\$ 90,233
Net change in fund balances	\$ (4,304,928)	\$ (3,975,513)	\$ 1,869,748	\$ 5,845,261
Fund balances - beginning	1,173,632	1,252,532	5,121,473	3,868,941
Fund balances - ending	\$ (3,131,296)	\$ (2,722,981)	\$ 6,991,221	\$ 9,714,202

## Special Revenue Fund - VPA

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Miscellaneous	\$ 31,064	\$ 31,064	\$ -	\$ (31,064)
Intergovernmental revenues:				
Commonwealth	314,663	314,663	122,520	(192,143)
Federal	44,077	44,077	233,937	189,860
Total revenues	<u>\$ 389,804</u>	<u>\$ 389,804</u>	<u>\$ 356,457</u>	<u>\$ (33,347)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 524,012	\$ 524,012	\$ 469,976	\$ 54,036
Total expenditures	<u>\$ 524,012</u>	<u>\$ 524,012</u>	<u>\$ 469,976</u>	<u>\$ 54,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (134,208)</u>	<u>\$ (134,208)</u>	<u>\$ (113,519)</u>	<u>\$ 20,689</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 191,436	\$ 191,436	\$ 160,411	\$ (31,025)
Transfers out	<u>(42,658)</u>	<u>(42,658)</u>	<u>(46,892)</u>	<u>(4,234)</u>
Total other financing sources and uses	<u>\$ 148,778</u>	<u>\$ 148,778</u>	<u>\$ 113,519</u>	<u>\$ (35,259)</u>
Net change in fund balances	\$ 14,570	\$ 14,570	\$ -	\$ (14,570)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ 14,570</u></u>	<u><u>\$ 14,570</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,570)</u></u>

Schedule of Pension Funding Progress  
As of June 30, 2011

## PRIMARY GOVERNMENT:

## County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/10 \$	9,089,404 \$	11,309,883 \$	2,220,479	80.37% \$	2,268,445	97.89%
06/30/09	9,000,405	9,951,451	951,046	90.44%	2,306,229	41.24%
06/30/08	8,805,416	9,770,308	964,892	90.12%	2,300,264	41.95%
06/30/07	7,948,383	7,847,724	(100,659)	101.28%	2,088,941	-4.82%
06/30/06	7,021,585	7,180,487	158,902	97.79%	2,011,107	7.90%
06/30/05	6,554,332	6,830,004	275,672	95.96%	1,920,821	14.35%

## DISCRETELY PRESENTED COMPONENT UNIT:

## School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/10 \$	3,125,508 \$	3,726,594 \$	601,086	83.87% \$	688,165	87.35%
06/30/09	3,177,329	3,407,079	229,750	93.26%	787,708	29.17%
06/30/08	3,146,690	3,235,741	89,051	97.25%	765,443	11.63%
06/30/07	2,864,971	2,996,970	131,999	95.60%	817,388	16.15%
06/30/06	2,513,611	2,779,031	265,420	90.45%	845,704	31.38%
06/30/05	2,358,269	2,679,323	321,054	88.02%	755,235	42.51%



Other Post-Employment Benefits Program  
Schedule of Pension Funding Progress  
As of June 30, 2011

## PRIMARY GOVERNMENT:

## County Other Post-Employment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA) ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/10 \$	-	\$ 414,036	\$ 414,036	0.00%	\$ 2,026,116	20.43%
06/30/09	-	244,181	244,181	0.00%	n/a	n/a
06/30/08	-	227,700	227,700	0.00%	n/a	n/a

## DISCRETELY PRESENTED COMPONENT UNIT:

## School Board Other Post-Employment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA) ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/10 \$	-	\$ 736,064	\$ 736,064	0.00%	\$ 3,601,984	20.43%
06/30/09	-	941,119	941,119	0.00%	n/a	n/a
06/30/08	-	877,600	877,600	0.00%	n/a	n/a

## School Board Health Insurance Credit Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA) ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/10 \$	2,683	\$ 81,826	\$ 79,143	3.28%	\$ 688,165	11.50%

Fiscal year 2011 is the first year that actuarial data is available for the Health Insurance Credit Program.

## **OTHER SUPPLEMENTARY INFORMATION**



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2011

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Tax	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 134	\$ 331,216	\$ 331,350
Receivables (net of allowance				
Accounts receivable	-	-	35,371	35,371
Due from other governmental units	4,994	-	-	4,994
Total assets	<u>\$ 4,994</u>	<u>\$ 134</u>	<u>\$ 366,587</u>	<u>\$ 371,715</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 626	\$ 626
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626</u>	<u>\$ 626</u>
Fund balances:				
Committed	\$ 4,994	\$ 134	\$ 365,961	\$ 371,089
Total fund balances	<u>\$ 4,994</u>	<u>\$ 134</u>	<u>\$ 365,961</u>	<u>\$ 371,089</u>
Total liabilities and fund balances	<u>\$ 4,994</u>	<u>\$ 134</u>	<u>\$ 366,587</u>	<u>\$ 371,715</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2011

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Fund	Total
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 353,792	\$ 353,792
Miscellaneous	236	-	-	236
Intergovernmental revenues:				
Commonwealth	65,381	-	-	65,381
Total revenues	<u>\$ 65,617</u>	<u>\$ -</u>	<u>\$ 353,792</u>	<u>\$ 419,409</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 116,464	\$ -	\$ -	\$ 116,464
Capital projects	-	-	157,894	157,894
Total expenditures	<u>\$ 116,464</u>	<u>\$ -</u>	<u>\$ 157,894</u>	<u>\$ 274,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (50,847)</u>	<u>\$ -</u>	<u>\$ 195,898</u>	<u>\$ 145,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ 46,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,892</u>
Net change in fund balances	\$ (3,955)	\$ -	\$ 195,898	\$ 191,943
Fund balances - beginning	8,949	134	170,063	179,146
Fund balances - ending	<u>\$ 4,994</u>	<u>\$ 134</u>	<u>\$ 365,961</u>	<u>\$ 371,089</u>

County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2011

	CSA Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	236	236
Intergovernmental revenues:				
Commonwealth	-	-	65,381	65,381
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,617</u>	<u>\$ 65,617</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ 116,464	\$ (116,464)
Capital projects	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,464</u>	<u>\$ (116,464)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,847)</u>	<u>\$ (50,847)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,892</u>	<u>\$ 46,892</u>
Net change in fund balances	\$ -	\$ -	\$ (3,955)	\$ (3,955)
Fund balances - beginning	-	-	8,949	8,949
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,994</u>	<u>\$ 4,994</u>

County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2011

	Revenue Maximization Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	134	134
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 134</u>



Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2011

	Lodging Tax -Marketing/Capital Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ 590,841	\$ 590,841	\$ 353,792	\$ (237,049)
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Total revenues	<u>\$ 590,841</u>	<u>\$ 590,841</u>	<u>\$ 353,792</u>	<u>\$ (237,049)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Capital projects	590,831	590,831	157,894	432,937
Total expenditures	<u>\$ 590,831</u>	<u>\$ 590,831</u>	<u>\$ 157,894</u>	<u>\$ 432,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 195,898</u>	<u>\$ 195,888</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 10	\$ 10	\$ 195,898	\$ 195,888
Fund balances - beginning	-	-	170,063	170,063
Fund balances - ending	<u><u>\$ 10</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 365,961</u></u>	<u><u>\$ 365,951</u></u>

## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

### **MAJOR GOVERNMENTAL FUNDS**

School Operating Fund – The School Operating Fund 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.

Cafeteria Fund – The Cafeteria Fund is a special revenue fund that accounts for the County's school lunch program. Financing is provided from lunch sales and State and Federal reimbursements.

Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2011

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 683,121	\$ 40,134	\$ 723,255
Due from other governmental units	98,158	4,997	103,155
Inventories	-	14,572	14,572
Prepaid items	27,025	-	27,025
Total assets	<u>\$ 808,304</u>	<u>\$ 59,703</u>	<u>\$ 868,007</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued payroll	\$ 683,121	\$ 40,133	\$ 723,254
Due to primary government	125,183	-	125,183
Total liabilities	<u>\$ 808,304</u>	<u>\$ 40,133</u>	<u>\$ 848,437</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 14,572	\$ 14,572
Prepaid items	27,025	-	27,025
Committed:			
School cafeteria	-	4,998	4,998
Unassigned	(27,025)	-	(27,025)
Total fund balances	<u>\$ -</u>	<u>\$ 19,570</u>	<u>\$ 19,570</u>
Total liabilities and fund balances	<u>\$ 808,304</u>	<u>\$ 59,703</u>	<u>\$ 868,007</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above \$ 19,570

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,687,812

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (357,449)

Net assets of governmental activities \$ 4,349,933

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2011

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 9	\$ 9
Charges for services	7,350	168,699	176,049
Miscellaneous	31,374	-	31,374
Intergovernmental revenues:			
Local government	5,976,707	179,750	6,156,457
Commonwealth	1,635,033	4,071	1,639,104
Federal	634,585	169,569	804,154
Total revenues	<u>\$ 8,285,049</u>	<u>\$ 522,098</u>	<u>\$ 8,807,147</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 8,285,049	\$ 534,665	\$ 8,819,714
Total expenditures	<u>\$ 8,285,049</u>	<u>\$ 534,665</u>	<u>\$ 8,819,714</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (12,567)	\$ (12,567)
Net change in fund balances	\$ -	\$ (12,567)	\$ (12,567)
Fund balances - beginning	-	32,137	32,137
Fund balances - ending	<u>\$ -</u>	<u>\$ 19,570</u>	<u>\$ 19,570</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 \$ (12,567)

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. 121,050

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. (41,629)

Change in net assets of governmental activities \$ 66,854

County of Bath, 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 Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	6,800	6,800	7,350	550
Miscellaneous	14,755	14,755	31,374	16,619
Intergovernmental revenues:				
Local government	6,652,958	6,575,229	5,976,707	(598,522)
Commonwealth	1,614,071	1,614,071	1,635,033	20,962
Federal	565,971	635,566	634,585	(981)
Total revenues	<u>\$ 8,854,555</u>	<u>\$ 8,846,421</u>	<u>\$ 8,285,049</u>	<u>\$ (561,372)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 8,249,703</u>	<u>\$ 8,319,298</u>	<u>\$ 8,285,049</u>	<u>\$ 34,249</u>
Total expenditures	<u>\$ 8,249,703</u>	<u>\$ 8,319,298</u>	<u>\$ 8,285,049</u>	<u>\$ 34,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 604,852</u>	<u>\$ 527,123</u>	<u>\$ -</u>	<u>\$ (527,123)</u>
Net change in fund balances	\$ 604,852	\$ 527,123	\$ -	\$ (527,123)
Fund balances - beginning	(604,852)	(527,123)	-	527,123
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 16

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ 9	\$ 9
165,000	165,000	168,699	3,699
-	-	-	-
286,734	286,734	179,750	(106,984)
4,269	4,269	4,071	(198)
100,500	100,500	169,569	69,069
<u>\$ 556,503</u>	<u>\$ 556,503</u>	<u>\$ 522,098</u>	<u>\$ (34,405)</u>
<u>\$ 502,200</u>	<u>\$ 507,822</u>	<u>\$ 534,665</u>	<u>\$ (26,843)</u>
<u>\$ 502,200</u>	<u>\$ 507,822</u>	<u>\$ 534,665</u>	<u>\$ (26,843)</u>
<u>\$ 54,303</u>	<u>\$ 48,681</u>	<u>\$ (12,567)</u>	<u>\$ (61,248)</u>
\$ 54,303	\$ 48,681	\$ (12,567)	\$ (61,248)
(54,303)	(48,681)	32,137	80,818
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,570</u>	<u>\$ 19,570</u>

Statement of Fund Net Assets  
Discretely Presented Component Unit - Service Authority  
June 30, 2011

	<b>Component Unit Service Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,809,362
Interest receivable	1,257
Accounts receivable, net of allowances for uncollectibles	82,587
Prepaid expenses	4,970
Total current assets	<u>\$ 2,898,176</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (restricted for debt service)	\$ 36,075
Cash and cash equivalents (restricted for security deposits)	22,670
Total restricted assets	<u>\$ 58,745</u>
Capital assets:	
Land and land rights	\$ 69,165
Machinery and equipment	339,619
Utility plant in service	19,711,475
Construction in progress	159,143
Less accumulated depreciation	<u>(10,661,298)</u>
Total capital assets	<u>\$ 9,618,104</u>
Total noncurrent assets	<u>\$ 9,676,849</u>
Total assets	<u>\$ 12,575,025</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 36,230
Customer deposits payable	22,670
Deferred revenue	2,171,114
Bonds payable - current portion	47,722
Total current liabilities	<u>\$ 2,277,736</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 746,721
Compensated absences	9,684
Total noncurrent liabilities	<u>\$ 756,405</u>
Total liabilities	<u>\$ 3,034,141</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 8,823,661
Restricted - reserve fund	36,075
Unrestricted	681,148
Total net assets	<u><u>\$ 9,540,884</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Discretely Presented Component Unit - Service Authority  
For the Year Ended June 30, 2011

	<b>Component Unit Service Authority</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 664,628
Sewer revenues	325,997
Late fees	19,599
Miscellaneous	3,648
Total operating revenues	<u>\$ 1,013,872</u>
<b>OPERATING EXPENSES</b>	
Payroll and related benefits	\$ 480,902
Water	49,776
Sewer	106,953
Administration	34,113
Laboratory and engineering	11,018
Maintenance	27,736
Utilities and transportation	221,804
Insurance claims and premiums	19,908
Depreciation	520,366
Total operating expenses	<u>\$ 1,472,576</u>
Operating income (loss)	<u>\$ (458,704)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	\$ 62,840
Interest expense	(8,959)
Total nonoperating revenues (expenses)	<u>\$ 53,881</u>
Income before contributions and transfers	<u>\$ (404,823)</u>
Change in net assets	<u>\$ (404,823)</u>
Total net assets - beginning	<u>\$ 9,945,707</u>
Total net assets - ending	<u><u>\$ 9,540,884</u></u>



## Statement of Cash Flows

Discretely Presented Component Unit - Service Authority

For the Year Ended June 30, 2011

	<b>Component Unit Service Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,017,575
Payments to suppliers	(466,464)
Payments to employees	(480,902)
Other receipts (payments)	3,648
Net cash provided by (used in) operating activities	\$ <u>73,857</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to utility plant	\$ (87,405)
Principal payments on bonds	(85,024)
Deferred Development Fees	106,232
Interest payments	(8,959)
Net cash provided by (used in) capital and related financing activities	\$ <u>(75,156)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ <u>64,535</u>
Net cash provided by (used in) investing activities	\$ <u>64,535</u>
Net increase (decrease) in cash and cash equivalents	\$ 63,236
Cash and cash equivalents - beginning - including restricted	\$ <u>2,804,871</u>
Cash and cash equivalents - ending - including restricted	\$ <u><u>2,868,107</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ <u>(458,704)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	\$ 520,366
(Increase) decrease in accounts receivable	1,848
(Increase) decrease in prepaid expenses	1
Increase (decrease) in customer deposits	5,503
Increase (decrease) in accounts payable	4,843
Total adjustments	\$ <u>532,561</u>
Net cash provided by (used in) operating activities	\$ <u><u>73,857</u></u>

## **SUPPORTING SCHEDULES**

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,990,546	\$ 3,990,546	\$ 4,370,676	\$ 380,130
Real and personal public service corporation taxes	6,943,100	6,943,100	6,982,676	39,576
Personal property taxes	143,676	143,676	168,377	24,701
Mobile home taxes	9,529	9,529	-	(9,529)
Penalties	10,000	10,000	36,142	26,142
Interest	2,000	2,000	21,244	19,244
Total general property taxes	<u>\$ 11,098,851</u>	<u>\$ 11,098,851</u>	<u>\$ 11,579,115</u>	<u>\$ 480,264</u>
Other local taxes:				
Local sales and use taxes	\$ 794,491	\$ 794,491	\$ 687,422	\$ (107,069)
Consumption tax	19,000	19,000	19,494	494
Mixed beverage license taxes	1,304	1,304	201	(1,103)
Motor vehicle license taxes	73,500	73,500	72,513	(987)
Bank stock taxes	15,000	15,000	30,036	15,036
Taxes on recordation and wills	24,500	24,500	68,993	44,493
Hotel and motel room taxes	385,000	385,000	353,792	(31,208)
Restaurant food taxes	250,000	250,000	195,557	(54,443)
Total other local taxes	<u>\$ 1,562,795</u>	<u>\$ 1,562,795</u>	<u>\$ 1,428,008</u>	<u>\$ (134,787)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,000	\$ 1,000	\$ 1,795	\$ 795
Permits and other licenses	47,250	47,575	42,314	(5,261)
Total permits, privilege fees, and regulatory licenses	<u>\$ 48,250</u>	<u>\$ 48,575</u>	<u>\$ 44,109</u>	<u>\$ (4,466)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 50	\$ 50	\$ 245	\$ 195
Revenue from use of money and property:				
Revenue from use of money	\$ 7,500	\$ 7,500	\$ 12,194	\$ 4,694
Revenue from use of property	8,585	8,585	44,936	36,351
Total revenue from use of money and property	<u>\$ 16,085</u>	<u>\$ 16,085</u>	<u>\$ 57,130</u>	<u>\$ 41,045</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 5,000	\$ 5,000	\$ 5,254	\$ 254
Charges for courthouse maintenance	2,200	2,200	3,642	1,442
Courthouse security fee	12,000	12,000	19,307	7,307
Concealed weapons permits	500	500	1,215	715
Charges for Commonwealth's Attorney	100	100	254	154
Sheriff's fees	348	348	371	23
Law library fees	600	600	765	165
Soil and erosion fees	300	300	0	(300)
Charges for sanitation and waste removal	75,000	75,000	55,290	(19,710)
Charges for parks and recreation	5,500	5,500	9,328	3,828
Charges for other protection	50	50	132	82
Charges for other services	12,500	12,500	18,315	5,815
Total charges for services	<u>\$ 114,098</u>	<u>\$ 114,098</u>	<u>\$ 113,873</u>	<u>\$ (225)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 35,000	\$ 37,700	\$ 64,271	\$ 26,571
Refunds and recoveries	10,000	17,868	123,160	105,292
Total miscellaneous revenue	<u>\$ 45,000</u>	<u>\$ 55,568</u>	<u>\$ 187,431</u>	<u>\$ 131,863</u>
Total revenue from local sources	<u>\$ 12,885,129</u>	<u>\$ 12,896,022</u>	<u>\$ 13,409,911</u>	<u>\$ 513,889</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock taxes	\$ 8,000	\$ 8,000	\$ 285	\$ (7,715)
Mobile home titling tax	-	-	2,432	2,432
Communications taxes	100,000	100,000	120,252	20,252
Fire programs fund	14,400	14,400	16,000	1,600
Personal property tax relief funds	-	-	40,276	40,276
Reduction in state aid	(40,000)	(39,819)	(35,166)	4,653
Total noncategorical aid	<u>\$ 89,900</u>	<u>\$ 90,081</u>	<u>\$ 144,079</u>	<u>\$ 53,998</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 66,871	\$ 66,871	\$ 66,248	\$ (623)
Sheriff	492,260	492,260	486,290	(5,970)
Commissioner of revenue	74,463	74,463	73,506	(957)
Treasurer	65,983	65,983	62,837	(3,146)
Registrar/electoral board	27,655	27,655	28,112	457
Clerk of the Circuit Court	137,043	137,043	136,050	(993)
Total shared expenses	<u>\$ 864,275</u>	<u>\$ 864,275</u>	<u>\$ 853,043</u>	<u>\$ (11,232)</u>
Other categorical aid:				
Shared expenses - Mountain Soil and Water				
Conservation District	\$ 94,743	\$ 94,743	\$ 91,471	\$ (3,272)
Emergency medical services division fees	5,225	5,225	6,171	946
E-911 Addressing/Mapping/Implementation Project	37,500	40,500	42,429	1,929
Virginia Juvenile Community Crime Control Act	6,730	6,730	6,544	(186)
Litter grant	-	-	5,910	5,910
Seized funds	-	-	10,871	10,871
Other state funds	1,000	1,000	549	(451)
Total other categorical aid	<u>\$ 145,198</u>	<u>\$ 148,198</u>	<u>\$ 163,945</u>	<u>\$ 15,747</u>
Total categorical aid	<u>\$ 1,009,473</u>	<u>\$ 1,012,473</u>	<u>\$ 1,016,988</u>	<u>\$ 4,515</u>
Total revenue from the Commonwealth	<u>\$ 1,099,373</u>	<u>\$ 1,102,554</u>	<u>\$ 1,161,067</u>	<u>\$ 58,513</u>
Revenue from the federal government:				
Noncategorical aid:				
Payment in Lieu of Taxes	105,000	105,000	89,781	(15,219)
Total noncategorical aid	<u>105,000</u>	<u>105,000</u>	<u>89,781</u>	<u>(15,219)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the federal government (continued):				
Categorical aid:				
Community development block grant	\$ 600,000	\$ 600,615	\$ 9,372	\$ (591,243)
Secure Rural Schools	8,127	8,127	-	(8,127)
Homeland security grant program	-	-	5,000	5,000
State and community highway safety	-	-	170	170
Total categorical aid	<u>\$ 608,127</u>	<u>\$ 608,742</u>	<u>\$ 14,542</u>	<u>\$ (594,200)</u>
Total revenue from the federal government	<u>\$ 713,127</u>	<u>\$ 713,742</u>	<u>\$ 104,323</u>	<u>\$ (609,419)</u>
Total General Fund	<u>\$ 14,697,629</u>	<u>\$ 14,712,318</u>	<u>\$ 14,675,301</u>	<u>\$ (37,017)</u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 31,064	\$ 31,064	\$ -	\$ (31,064)
Total revenue from local sources	<u>\$ 31,064</u>	<u>\$ 31,064</u>	<u>\$ -</u>	<u>\$ (31,064)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 314,663	\$ 314,663	\$ 122,520	\$ (192,143)
Total revenue from the Commonwealth	<u>\$ 314,663</u>	<u>\$ 314,663</u>	<u>\$ 122,520</u>	<u>\$ (192,143)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 44,077	\$ 44,077	\$ 233,937	\$ 189,860
Total categorical aid	<u>\$ 44,077</u>	<u>\$ 44,077</u>	<u>\$ 233,937</u>	<u>\$ 189,860</u>
Total revenue from the federal government	<u>\$ 44,077</u>	<u>\$ 44,077</u>	<u>\$ 233,937</u>	<u>\$ 189,860</u>
Total Virginia Public Assistance Fund	<u>\$ 389,804</u>	<u>\$ 389,804</u>	<u>\$ 356,457</u>	<u>\$ (33,347)</u>
<b>CSA Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Refund to foster care	\$ -	\$ -	\$ 236	\$ 236
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ -	\$ -	\$ 65,381	\$ 65,381
Total CSA Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,617</u>	<u>\$ 65,617</u>
<b>Lodging Tax- Marketing /Capital Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes-designated for marketing	\$ 245,828	\$ 245,828	\$ 176,896	\$ (68,932)
Hotel and motel room taxes-designated for capital improvem.	345,013	345,013	176,896	(168,117)
Total other local taxes	<u>\$ 590,841</u>	<u>\$ 590,841</u>	<u>\$ 353,792</u>	<u>\$ (237,049)</u>
Total revenue from local sources	<u>\$ 590,841</u>	<u>\$ 590,841</u>	<u>\$ 353,792</u>	<u>\$ (237,049)</u>
Total Lodging Tax -Marketing/Capital Fund	<u>\$ 590,841</u>	<u>\$ 590,841</u>	<u>\$ 353,792</u>	<u>\$ (237,049)</u>
Total Primary Government	<u>\$ 15,678,274</u>	<u>\$ 15,692,963</u>	<u>\$ 15,451,167</u>	<u>\$ (241,796)</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2011 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Charges for services:				
Tuition and payments from another county or city	\$ 6,800	\$ 6,800	\$ 7,350	\$ 550
Miscellaneous revenue:				
Refunds and recoveries	\$ 14,755	\$ 14,755	\$ 31,374	\$ 16,619
Total revenue from local sources	\$ 21,555	\$ 21,555	\$ 38,724	\$ 17,169
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	\$ 6,652,958	\$ 6,575,229	\$ 5,976,707	\$ (598,522)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 552,140	\$ 552,140	\$ 574,711	\$ 22,571
Basic school aid	663,002	663,002	624,257	(38,745)
Gifted and talented	5,715	5,715	5,674	(41)
Remedial education	9,144	9,144	9,078	(66)
Special Education	118,618	118,618	117,766	(852)
Textbook payment	6,672	6,672	1,984	(4,688)
Vocational standards of quality payments	41,291	41,291	31,270	(10,021)
Fringe benefits	66,421	66,421	65,944	(477)
At risk	6,730	6,730	6,681	(49)
English as a second language	1,295	1,295	1,835	540
Homebound payment	143	143	124	(19)
Early reading intervention	1,215	1,215	1,823	608
Remedial summer school	4,580	4,580	3,023	(1,557)
Lottery proceeds	-	-	4,641	4,641
Individual student alternative education program	7,859	7,859	7,859	-
Vocational occupational preparedness	-	-	9,098	9,098
Special education - foster children	-	-	33,961	33,961
Technology	128,000	128,000	128,000	-
Standards of Learning algebra readiness	1,246	1,246	1,246	-
Other state funds	-	-	6,058	6,058
Total categorical aid	\$ 1,614,071	\$ 1,614,071	\$ 1,635,033	\$ 20,962
Revenue from the federal government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 160,000	\$ 160,000	\$ 134,671	\$ (25,329)
Categorical aid:				
Title VI-B, special education handicapped	\$ 158,000	\$ 158,000	\$ 152,045	\$ (5,955)
Title I	53,000	53,000	64,908	11,908
Vocational education	7,847	7,847	8,995	1,148
Title VI-B, special education pre-school	-	-	3,946	3,946
Drug free schools	-	-	1,707	1,707
State Fiscal Stabilization Funds ARRA	-	69,595	75,217	5,622

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Improving Teacher Quality	\$ 27,000	\$ 27,000	\$ 27,336	\$ 336
Rural education achievement program	30,114	30,114	30,114	-
DEQ royalty grant	-	-	1,621	1,621
Forest reserve	130,010	130,010	134,025	4,015
Total categorical aid	<u>\$ 405,971</u>	<u>\$ 475,566</u>	<u>\$ 499,914</u>	<u>\$ 24,348</u>
Total revenue from the federal government	<u>\$ 565,971</u>	<u>\$ 635,566</u>	<u>\$ 634,585</u>	<u>\$ (981)</u>
Total School Operating Fund	<u>\$ 8,854,555</u>	<u>\$ 8,846,421</u>	<u>\$ 8,285,049</u>	<u>\$ (561,372)</u>
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 9	\$ 9
Charges for services:				
Cafeteria sales	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 168,699</u>	<u>\$ 3,699</u>
Total revenue from local sources	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 168,708</u>	<u>\$ 3,708</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	<u>\$ 286,734</u>	<u>\$ 286,734</u>	<u>\$ 179,750</u>	<u>\$ (106,984)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 4,269</u>	<u>\$ 4,269</u>	<u>\$ 4,071</u>	<u>\$ (198)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 100,500</u>	<u>\$ 100,500</u>	<u>\$ 144,443</u>	<u>\$ 43,943</u>
USDA donated food	<u>-</u>	<u>-</u>	<u>25,126</u>	<u>25,126</u>
Total revenue from the federal government	<u>\$ 100,500</u>	<u>\$ 100,500</u>	<u>\$ 169,569</u>	<u>\$ 69,069</u>
Total School Cafeteria Fund	<u>\$ 556,503</u>	<u>\$ 556,503</u>	<u>\$ 522,098</u>	<u>\$ (34,405)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 9,411,058</u>	<u>\$ 9,402,924</u>	<u>\$ 8,807,147</u>	<u>\$ (595,777)</u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 162,208	\$ 162,208	\$ 118,699	\$ 43,509
General and financial administration:				
County administrator	\$ 212,489	\$ 212,489	\$ 188,707	\$ 23,782
Commissioner of revenue	187,575	191,406	190,697	709
Assessors	66,110	74,539	74,402	137
Treasurer	198,822	201,022	195,434	5,588
Data Processing	51,160	51,160	42,961	8,199
Other general and financial administration	9,855	6,855	5,764	1,091
Total general and financial administration	\$ 726,011	\$ 737,471	\$ 697,965	\$ 39,506
Board of elections:				
Registrar	\$ 56,994	\$ 56,994	\$ 54,767	\$ 2,227
Electoral board and officials	22,614	22,615	19,390	3,225
Total board of elections	\$ 79,608	\$ 79,609	\$ 74,157	\$ 5,452
Total general government administration	\$ 967,827	\$ 979,288	\$ 890,821	\$ 88,467
Judicial administration:				
Courts:				
Circuit court	\$ 14,143	\$ 18,503	\$ 17,098	\$ 1,405
General district court	19,375	19,375	13,003	6,372
Special magistrates	1,100	1,101	566	535
Clerk of the circuit court	199,936	208,710	198,855	9,855
Total courts	\$ 234,554	\$ 247,689	\$ 229,522	\$ 18,167
Commonwealth's attorney:				
Commonwealth's attorney	\$ 107,985	\$ 109,207	\$ 104,040	\$ 5,167
Total commonwealth's attorney	\$ 107,985	\$ 109,207	\$ 104,040	\$ 5,167
Total judicial administration	\$ 342,539	\$ 356,896	\$ 333,562	\$ 23,334
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 999,463	\$ 1,029,281	\$ 1,004,210	\$ 25,071
Total law enforcement and traffic control	\$ 999,463	\$ 1,029,281	\$ 1,004,210	\$ 25,071
Fire and rescue services:				
Fire department	\$ 175,310	\$ 176,116	\$ 176,114	\$ 2
Contribution to fire and rescue	136,228	135,422	135,137	285
Total fire and rescue services	\$ 311,538	\$ 311,538	\$ 311,251	\$ 287
Correction and detention:				
County/City operated institutions	\$ 125,000	\$ 125,000	\$ 78,541	\$ 46,459
Total correction and detention	\$ 125,000	\$ 125,000	\$ 78,541	\$ 46,459
Inspections:				
Building	\$ 170,544	\$ 172,032	\$ 154,559	\$ 17,473
Total inspections	\$ 170,544	\$ 172,032	\$ 154,559	\$ 17,473
Other protection:				
Animal control	\$ 112,631	\$ 112,996	\$ 104,081	\$ 8,915
Emergency communications	136,675	136,861	110,637	26,224
Medical examiner (coroner)	238	238	20	218
VJCCCA	9,500	9,500	8,825	675
Total other protection	\$ 259,044	\$ 259,595	\$ 223,563	\$ 36,032
Total public safety	\$ 1,865,589	\$ 1,897,446	\$ 1,772,124	\$ 125,322



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Public works:				
Sanitation and waste removal:				
General engineering/administration	\$ 966,038	\$ 970,792	\$ 894,550	\$ 76,242
Total sanitation and waste removal	\$ 966,038	\$ 970,792	\$ 894,550	\$ 76,242
Maintenance of general buildings and grounds:				
General engineering/administration	\$ 244,055	\$ 244,055	\$ 215,438	\$ 28,617
Total maintenance of general buildings and grounds	\$ 244,055	\$ 244,055	\$ 215,438	\$ 28,617
Total public works	\$ 1,210,093	\$ 1,214,847	\$ 1,109,988	\$ 104,859
Health and welfare:				
Health:				
Local health department	\$ 77,323	\$ 77,323	\$ 77,149	\$ 174
Total health	\$ 77,323	\$ 77,323	\$ 77,149	\$ 174
Mental health and mental retardation:				
Administration	\$ 28,952	\$ 28,952	\$ 28,952	\$ -
Total mental health and mental retardation	\$ 28,952	\$ 28,952	\$ 28,952	\$ -
Welfare:				
Welfare administration				-
Public welfare	\$ 57,710	\$ 57,710	\$ 56,560	\$ 1,150
Tax relief for the elderly	-	-	81,422	(81,422)
Total welfare	\$ 57,710	\$ 57,710	\$ 137,982	\$ (80,272)
Total health and welfare	\$ 163,985	\$ 163,985	\$ 244,083	\$ (80,098)
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 3,749	\$ 3,749	\$ 3,749	\$ -
Contributions to County School Board	6,257,214	6,257,214	6,156,457	100,757
Total education	\$ 6,260,963	\$ 6,260,963	\$ 6,160,206	\$ 100,757
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 331,343	\$ 331,343	\$ 297,607	\$ 33,736
Total parks and recreation	\$ 331,343	\$ 331,343	\$ 297,607	\$ 33,736
Library:				
Regional library	\$ 149,875	\$ 149,875	\$ 149,875	\$ -
Total library	\$ 149,875	\$ 149,875	\$ 149,875	\$ -
Total parks, recreation, and cultural	\$ 481,218	\$ 481,218	\$ 447,482	\$ 33,736
Community development:				
Planning and community development:				
Planning	\$ 371,422	\$ 364,859	\$ 101,496	\$ 263,363
Total planning and community development	\$ 371,422	\$ 364,859	\$ 101,496	\$ 263,363
Environmental management:				
Administration	\$ 116,243	\$ 116,350	\$ 113,078	\$ 3,272
Total environmental management	\$ 116,243	\$ 116,350	\$ 113,078	\$ 3,272
Cooperative extension program:				
Administration	\$ 42,060	\$ 42,060	\$ 25,806	\$ 16,254
Total cooperative extension program	\$ 42,060	\$ 42,060	\$ 25,806	\$ 16,254
Total community development	\$ 529,725	\$ 523,269	\$ 240,380	\$ 282,889

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Miscellaneous	\$ 5,771,374	\$ 5,186,373	\$ 123,594	\$ 5,062,779
Total nondepartmental	\$ 5,771,374	\$ 5,186,373	\$ 123,594	\$ 5,062,779
Capital outlay:				
Capital projects	\$ 50,000	\$ 264,300	\$ 214,300	\$ 50,000
Total capital outlay	\$ 50,000	\$ 264,300	\$ 214,300	\$ 50,000
Debt service:				
Principal retirement	\$ 717,189	\$ 717,189	\$ 717,189	\$ -
Interest and other fiscal charges	391,413	391,413	391,413	-
Total debt service	\$ 1,108,602	\$ 1,108,602	\$ 1,108,602	\$ -
Total General Fund	\$ 18,751,915	\$ 18,437,187	\$ 12,645,142	\$ 5,792,045
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 430,343	\$ 430,343	\$ 423,262	\$ 7,081
Purchased services	73,257	73,457	42,573	30,884
Child care	20,412	20,212	4,141	16,071
Total health and welfare	\$ 524,012	\$ 524,012	\$ 469,976	\$ 54,036
Total Virginia Public Assistance Fund	\$ 524,012	\$ 524,012	\$ 469,976	\$ 54,036
<b>CSA Fund:</b>				
Health and welfare:				
Welfare and social services:				
Comprehensive services	\$ -	\$ -	\$ 116,464	\$ (116,464)
Total CSA Fund	\$ -	\$ -	\$ 116,464	\$ (116,464)
<b>Lodging Tax Marketing &amp; Capital Fund:</b>				
Economic development	\$ 590,841	\$ 590,831	\$ 157,894	\$ 432,937
Total Marketing/Capital Fund	\$ 590,841	\$ 590,831	\$ 157,894	\$ 432,937
Total Primary Government	\$ 19,866,768	\$ 19,552,030	\$ 13,389,476	\$ 6,162,554
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Instruction	\$ 5,863,017	\$ 5,918,621	\$ 5,836,831	\$ 81,790
Operating costs:				
Administration, attendance and health services	\$ 370,600	\$ 370,980	\$ 368,821	\$ 2,159
Pupil transportation	757,743	766,028	753,470	12,558
Operation and maintenance of school plant	1,258,343	1,263,669	1,325,927	(62,258)
Total operating costs	\$ 2,386,686	\$ 2,400,677	\$ 2,448,218	\$ (47,541)
Total education	\$ 8,249,703	\$ 8,319,298	\$ 8,285,049	\$ 34,249
Total School Operating Fund	\$ 8,249,703	\$ 8,319,298	\$ 8,285,049	\$ 34,249

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special revenue fund:</b>				
<b>Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 502,200	\$ 507,822	\$ 534,665	\$ (26,843)
Total Cafeteria Fund	<u>\$ 502,200</u>	<u>\$ 507,822</u>	<u>\$ 534,665</u>	<u>\$ (26,843)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 8,751,903</u>	<u>\$ 8,827,120</u>	<u>\$ 8,819,714</u>	<u>\$ 7,406</u>

## **STATISTICAL TABLES**



## Statistical Section

### Contents

### Tables

#### Financial Trends

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

1 - 6

#### Revenue Capacity

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

7 - 10

#### Debt Capacity

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

11 - 12

#### Demographic and Economic Information

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

13

#### Operating Information

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

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2004; schedules presenting government-wide information include information beginning in that year.



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

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 1,524,370	\$ 1,738,678	\$ 2,015,106	\$ 2,780,565	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865
Restricted	2,528,339	-	-	-	-	-	-	100,065
Unrestricted	6,898,394	8,275,170	7,298,565	6,029,869	4,283,623	4,504,735	5,504,308	7,374,898
Total governmental activities net assets	\$ <u>10,951,103</u>	\$ <u>10,013,848</u>	\$ <u>9,313,671</u>	\$ <u>8,810,434</u>	\$ <u>6,696,150</u>	\$ <u>6,994,080</u>	\$ <u>7,256,147</u>	\$ <u>9,340,828</u>
Primary government								
Invested in capital assets, net of related debt	\$ 1,524,370	\$ 1,738,678	\$ 2,015,106	\$ 2,780,565	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865
Restricted	2,528,339	-	-	-	-	-	-	100,065
Unrestricted	6,898,394	8,275,170	7,298,565	6,029,869	4,283,623	4,504,735	5,504,308	7,374,898
Total primary government net assets	\$ <u>10,951,103</u>	\$ <u>10,013,848</u>	\$ <u>9,313,671</u>	\$ <u>8,810,434</u>	\$ <u>6,696,150</u>	\$ <u>6,994,080</u>	\$ <u>7,256,147</u>	\$ <u>9,340,828</u>

Note: Accrual-basis financial information is available back to fiscal year 2004 when the County implemented GASB 34.



Changes in Net Assets  
Last Eight Fiscal Years  
(accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
Governmental activities:								
General government administration	\$ 822,773	\$ 849,302	\$ 812,657	\$ 1,128,216	\$ 1,748,192	\$ 1,302,485	\$ 1,721,629	\$ 1,229,730
Judicial administration	273,795	302,653	338,815	361,440	347,080	331,725	329,702	336,921
Public safety	1,497,304	1,858,083	2,039,547	1,603,440	1,683,552	2,233,245	1,850,466	1,829,651
Public works	1,115,654	1,201,687	1,331,678	1,889,642	1,307,268	1,080,364	1,120,874	1,100,064
Health and welfare	723,923	632,961	1,228,542	1,045,187	782,304	768,099	797,407	827,199
Education	6,903,012	6,888,684	7,325,783	7,050,754	7,151,033	6,528,980	6,062,084	6,460,206
Parks, recreation and cultural	464,736	481,137	550,337	553,650	498,344	602,237	477,243	465,168
Community development	427,480	952,375	651,494	831,774	285,774	284,996	271,641	241,827
Nondepartmental	-	-	-	-	45,333	60,783	180,027	281,777
Interest on long-term debt	49,308	34,253	30,421	104,707	256,604	270,256	412,588	399,090
Total governmental activities expenses	\$ 12,277,985	\$ 13,201,135	\$ 14,309,274	\$ 14,568,810	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633
Total primary government expenses	\$ 12,277,985	\$ 13,201,135	\$ 14,309,274	\$ 14,568,810	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government administration	\$ 4,767	\$ 16,400	\$ 14,042	\$ 16,479	\$ 17,695	\$ 14,214	\$ 14,629	\$ 18,315
Judicial administration	7,865	8,845	11,401	10,708	14,142	17,265	21,222	24,213
Public safety	54,363	86,606	145,520	143,143	91,746	69,465	77,630	51,081
Public works	150,210	100,232	86,694	75,961	83,748	73,972	62,381	55,290
Parks, recreation and cultural	30,497	41,772	34,926	34,265	9,008	8,510	8,208	9,328
Operating grants and contributions	1,424,381	1,823,783	1,099,837	2,478,120	1,560,001	1,734,588	1,624,870	1,453,368
Total governmental activities program revenues	\$ 1,672,083	\$ 2,077,638	\$ 1,392,420	\$ 2,758,676	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595
Total primary government program revenues	\$ 1,672,083	\$ 2,077,638	\$ 1,392,420	\$ 2,758,676	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595
Net (expense) / revenue								
Governmental activities	\$ (10,605,902)	\$ (11,123,497)	\$ (12,916,854)	\$ (11,810,134)	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)
Total primary government net expense	\$ (10,605,902)	\$ (11,123,497)	\$ (12,916,854)	\$ (11,810,134)	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	\$ 9,356,163	\$ 8,539,461	\$ 10,051,605	\$ 9,036,106	\$ 8,072,448	\$ 9,893,321	\$ 9,701,561	\$ 11,384,262
Local sales and use taxes	842,340	862,771	798,631	872,074	1,078,576	797,508	729,748	687,422
Restaurant food tax	-	-	-	-	-	-	-	195,557
Motor vehicle licenses taxes	32,764	33,551	1,711	-	-	70,691	77,576	72,513
Taxes on recordation and wills	67,103	116,934	109,023	150,329	85,196	69,523	62,594	68,993
Bank stock taxes	30,888	23,107	36,751	28,777	25,841	25,896	27,963	30,036
Hotel and motel room taxes	-	279,173	406,100	511,717	451,775	360,138	326,434	707,584
Other local taxes	1,505	20,197	20,050	21,395	19,478	2,763	306,680	19,695
Unrestricted grants and contributions	257,082	113,706	465,158	101,623	102,530	333,018	330,014	233,860
Unrestricted revenues from use of money and property	162,749	185,885	316,023	433,669	289,694	94,642	55,329	57,130
Miscellaneous	68,056	11,457	11,625	151,207	88,546	229,282	55,889	187,667
Loss on disposition of capital assets	(8,264)	-	-	-	-	(4,015)	-	-
Total governmental activities	\$ 10,810,386	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719
Total primary government	\$ 10,810,386	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719
<b>Change in Net Assets</b>								
Governmental activities	\$ 204,484	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681
Total primary government	\$ 204,484	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681

Note: Accrual-basis financial information is available back to fiscal year 2004 when the County implemented GASB 34.

Governmental Activities Tax Revenues by Source  
 Last Seven Fiscal Years  
*(accrual basis of accounting)*

Fiscal Year	Property Tax	Local sales and use Tax	Restaurant Food Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Hotel and Motel Taxes	Other Local Taxes	Total
2011	\$ 11,384,262	\$ 687,422	\$ 195,557	\$ 72,513	\$ 68,993	\$ 707,584	\$ 49,731	\$ 13,166,062
2010	9,701,561	729,748	-	77,576	62,594	611,092	295,680	11,478,251
2009	9,893,321	797,508	-	70,691	69,523	360,138	47,229	11,238,410
2008	8,072,448	1,078,576	-	-	85,196	451,775	45,319	9,733,314
2007	9,036,106	872,074	-	-	150,329	511,717	50,172	10,620,398
2006	10,051,605	798,631	-	1,711	109,023	406,100	56,801	11,423,871
2005	8,539,461	862,771	-	33,551	116,934	279,173	43,304	9,875,194
2004	9,356,163	842,340	-	32,764	67,103	-	51,268	10,349,638

Note: Accrual-basis financial information is available back to fiscal year 2004 when the County implemented GASB 34.

County of Bath, Virginia

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
General fund					
Reserved	\$ 48,351	\$ 48,251	\$ 48,251	\$ 48,251	\$ 48,251
Unreserved	6,030,488	6,851,908	6,801,456	8,232,393	7,260,245
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 6,078,839</u>	<u>\$ 6,900,159</u>	<u>\$ 6,849,707</u>	<u>\$ 8,280,644</u>	<u>\$ 7,308,496</u>
All other governmental funds					
Committed for:					
Special revenue funds	\$ -	\$ 13,717	\$ 12,131	\$ 10,347	\$ 2,379
Capital projects funds	<u>1,943,502</u>	<u>2,494,628</u>	<u>2,528,339</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,943,502</u>	<u>\$ 2,508,345</u>	<u>\$ 2,540,470</u>	<u>\$ 10,347</u>	<u>\$ 2,379</u>

Table 4

Fiscal Year				
2007	2008	2009	2010	2011
\$ 48,251	\$ 48,251	\$ -	\$ -	\$ -
8,048,086	4,172,476	4,975,240	5,121,473	-
-	-	-	-	51,150
-	-	-	-	100,065
-	-	-	-	390,000
-	-	-	-	6,450,006
<u>\$ 8,096,337</u>	<u>\$ 4,220,727</u>	<u>\$ 4,975,240</u>	<u>\$ 5,121,473</u>	<u>\$ 6,991,221</u>
\$ 4,567	\$ 10,927	\$ 7,649	\$ 179,146	\$ 371,089
-	-	-	-	-
<u>\$ 4,567</u>	<u>\$ 10,927</u>	<u>\$ 7,649</u>	<u>\$ 179,146</u>	<u>\$ 371,089</u>

# County of Bath, Virginia

## Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues</b>				
General property taxes	10,078,948	\$ 10,112,970	\$ 9,331,163	\$ 8,594,217
Other local taxes	878,263	932,578	993,475	1,335,733
Permits, privilege fees and regulatory licenses	35,668	43,362	45,459	78,244
Fines and forfeitures	163	241	223	125
Revenue from use of money and property	220,013	232,951	162,749	185,885
Charges for services	190,058	195,468	202,020	175,486
Miscellaneous	105,838	113,658	68,056	11,457
Recovered costs	-	-	18,519	46,040
Intergovernmental:				
Commonwealth	1,207,138	1,069,228	1,217,490	1,369,196
Federal	277,516	298,970	463,973	568,293
Total revenues	<u>12,993,605</u>	<u>\$ 12,999,426</u>	<u>\$ 12,503,127</u>	<u>\$ 12,364,676</u>
<b>Expenditures</b>				
General government administration	578,993	\$ 591,514	\$ 680,617	\$ 718,972
Judicial administration	267,665	282,058	281,265	327,412
Public safety	1,059,536	1,128,204	1,244,615	1,467,711
Public works	888,945	1,352,160	1,143,284	1,204,373
Health and welfare	689,179	632,041	662,539	631,892
Education	20,127	5,926,077	6,519,485	6,513,855
Parks, recreation and cultural	425,422	429,554	465,598	514,141
Community development	398,260	398,232	427,043	943,988
Nondepartmental	40,092	26,716	40,481	62,952
Capital projects	434,341	278,741	578,617	763,048
Debt service:				
Principal	510,674	1,499,325	427,250	280,850
Interest and other fiscal charges	111,588	140,141	50,660	34,668
Total expenditures	<u>5,424,822</u>	<u>\$ 12,684,763</u>	<u>\$ 12,521,454</u>	<u>\$ 13,463,862</u>
Excess of revenues over (under) expenditures	<u>7,568,783</u>	<u>\$ 314,663</u>	<u>\$ (18,327)</u>	<u>\$ (1,099,186)</u>
Other financing sources (uses)				
Transfers in	300,000	\$ 639,012	\$ 126,198	\$ 2,714,381
Transfers out	(6,071,510)	(639,012)	(126,198)	(2,714,381)
Issuance of indebtedness	-	1,071,500	-	-
Total other financing sources (uses)	<u>(5,771,510)</u>	<u>\$ 1,071,500</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	<u>1,797,273</u>	<u>\$ 1,386,163</u>	<u>\$ (18,327)</u>	<u>\$ (1,099,186)</u>
Debt service as a percentage of noncapital expenditures				
	12.4690%	13.2151%	4.0016%	2.4842%

Table 5

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 10,043,202	\$ 8,988,828	\$ 8,068,136	\$ 9,820,700	\$ 9,507,978	\$ 11,579,115
1,372,266	1,584,292	1,660,866	1,345,089	1,530,995	1,781,800
135,042	134,976	86,019	62,368	68,806	44,109
44	50	38	55	1,108	245
316,023	433,669	289,694	94,642	55,329	57,130
157,497	145,530	131,058	121,003	114,156	113,873
11,625	22,930	48,759	181,280	155,431	64,507
90,419	128,277	58,953	17,455	41,263	123,160
1,212,859	1,479,756	1,412,926	1,689,706	1,396,191	1,348,968
352,136	1,099,987	230,439	408,447	420,888	338,260
\$ 13,691,113	\$ 14,018,295	\$ 11,986,888	\$ 13,740,745	\$ 13,292,145	\$ 15,451,167
\$ 761,839	\$ 797,212	\$ 955,323	\$ 879,294	\$ 908,384	\$ 890,821
332,216	361,440	347,080	322,987	326,046	333,562
1,776,193	1,634,764	1,680,543	2,121,207	1,776,576	1,772,124
1,301,048	1,891,595	1,307,050	1,078,993	1,119,666	1,109,988
1,223,866	1,039,709	775,468	764,271	798,550	830,523
6,857,731	7,050,754	7,151,033	6,528,980	6,017,182	6,160,206
518,396	550,619	498,063	580,440	460,647	447,482
649,316	834,884	285,774	284,996	268,388	240,380
36,833	45,484	45,333	59,452	64,038	123,594
908,543	3,183,429	6,374,681	964,911	766,235	372,194
274,250	280,850	490,790	8,995,833	63,094	717,189
30,998	92,526	-	109,125	405,610	391,413
\$ 14,671,229	\$ 17,763,266	\$ 19,911,138	\$ 22,690,489	\$ 12,974,416	\$ 13,389,476
\$ (980,116)	\$ (3,744,971)	\$ (7,924,250)	\$ (8,949,744)	\$ 317,729	\$ 2,061,691
\$ 250,234	\$ 171,535	\$ 188,507	\$ 137,257	\$ 159,353	\$ 207,303
(250,234)	(171,535)	(188,507)	(137,257)	(159,353)	(207,303)
-	4,535,000	4,055,000	9,749,230	-	-
\$ -	\$ 4,535,000	\$ 4,055,000	\$ 9,749,230	\$ -	\$ -
\$ (980,116)	\$ 790,029	\$ (3,869,250)	\$ 799,486	\$ 317,729	\$ 2,061,691
2.2179%	2.5609%	3.6257%	41.9089%	3.6125%	8.2797%

General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year	Property Tax	Local sales and use Tax	Meals Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Hotel and Motel Room Tax	Other Local Taxes	Total
2011	\$ 11,579,115	687,422	\$ 195,557	\$ 72,513	\$ 68,993	\$ 707,584	\$ 49,731	\$ 13,360,915
2010	9,507,978	729,748	-	77,576	62,594	611,091	49,985	11,038,972
2009	9,820,700	797,508	-	70,691	69,523	360,138	47,229	11,165,789
2008	8,068,136	1,078,576	-	-	85,196	451,775	45,319	9,729,002
2007	8,988,828	872,074	-	-	150,329	511,717	50,172	10,573,120
2006	10,043,202	798,631	-	1,711	109,023	406,100	56,801	11,415,468
2005	8,594,217	862,771	-	33,551	116,934	279,173	43,304	9,929,950
2004	9,331,163	842,340	-	32,764	67,103	-	51,268	10,324,638
2003	10,112,970	802,476	-	32,159	61,152	-	36,791	11,045,548
2002	10,078,948	737,711	-	32,691	68,859	-	39,002	10,957,211

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (1)
2011	\$ 785,355,013	\$ 58,144,700	\$ 268,200	\$ 1,270,143,889	\$ 2,113,911,802	\$ 804,584,300	97.61%
2010	739,333,542	58,748,900	59,900	974,004,286	1,772,146,628	796,900,200	92.78%
2009	754,137,000	62,405,200	66,500	1,016,138,462	1,832,747,162	790,724,600	95.37%
2008	711,421,700	57,033,500	84,100	1,059,460,297	1,827,999,597	742,455,000	95.82%
2007	686,187,300	53,290,700	182,800	1,297,733,110	2,037,393,910	709,310,833	96.74%
2006	657,528,300	54,448,400	224,600	1,549,842,388	2,262,043,688	680,450,800	96.63%
2005	477,084,800	49,178,700	78,700	1,218,373,189	1,744,715,389	647,920,252	73.63%
2004	471,229,430	53,072,500	77,400	1,384,778,102	1,909,157,432	611,245,521	77.09%
2003	462,253,930	49,822,400	157,400	1,552,193,153	2,064,426,883	565,968,075	81.67%
2002	458,807,200	54,416,800	933,000	1,540,515,454	2,054,672,454	558,783,714	82.11%
2001	436,831,950	53,583,400	970,400	1,598,559,795	2,089,945,545	498,914,030	87.56%

Source: Commissioner of Revenue

(1) Provided for real estate values only.



Property Tax Rates (1)  
 Direct and Overlapping Governments  
 Last Ten Fiscal Years

Fiscal Years	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2011	\$ 0.55	\$ 0.35	\$ 0.55	\$ 0.35
2010	0.55	0.35	0.55	0.35
2009	0.55	0.35	0.55	0.35
2008	0.45	0.20	0.45	0.20
2007	0.45	0.20	0.45	0.20
2006	0.45	0.20	0.45	0.20
2005	0.50	0.20	0.50	0.20
2004	0.50	0.20	0.50	0.20
2003	0.50	0.20	0.50	0.20
2002	0.50	0.20	0.50	0.20
2001	0.50	0.20	0.50	0.20

(1) Per \$100 of assessed value

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2011		Fiscal Year 2002	
		2009 Assessed Valuation	% of Total Assessed Valuation	2001 Assessed Valuation	% of Total Assessed Valuation
Public Service	Utilities (Power, etc.)	\$ 1,270,143,889	71.673%	\$ 1,552,193,153	74.270%
The Homestead LC	Hotel	99,794,900	5.631%	76,958,700	3.682%
Warm Springs Investment	R.E. Prop. & invst.	41,437,600	2.338%	N.A.	
The Owners Club	Timeshares	23,316,600	1.316%	16,736,700	0.801%
Cambata Industries	Farming; aviation	10,128,000	0.572%	12,111,600	0.580%
Plecker & Son	Construction	2,651,900	0.150%	2,718,400	0.130%
CA Partners	Real Estate Dev.	2,779,700	0.157%	N.A.	
Fort Lewis Lodge	Lodging	4,269,400	0.241%	N.A.	
Virginia Hot Springs Building	Real Estate Dev.	3,543,100	0.200%	N.A.	
Lockridge Enterprises	Real Estate Dev.	1,612,900	0.091%	N.A.	
		<u>\$ 1,459,677,989</u>	<u>82.37%</u>	<u>\$ 1,660,718,553</u>	<u>79.46%</u>

Source: Commissioner of Revenue

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 11,327,270	\$ 11,123,491	98.20%	\$ -	\$ 11,123,491	98.20%
2010	9,671,942	9,282,256	95.97%	340,413	9,622,669	99.49%
2009	9,917,942	9,726,824	98.07%	171,196	9,898,020	99.80%
2008	7,987,935	7,880,740	98.66%	103,026	7,983,766	99.95%
2007	8,939,212	8,797,853	98.42%	138,922	8,936,775	99.97%
2006	9,944,394	9,793,315	98.48%	145,323	9,938,638	99.94%
2005	8,522,863	8,479,786	99.49%	41,989	8,521,775	99.99%
2004	9,328,632	9,221,796	98.85%	106,722	9,328,518	100.00%
2003	10,117,868	9,934,875	98.19%	182,953	10,117,828	100.00%
2002	10,055,784	9,970,784	99.15%	84,990	10,055,774	100.00%

Source: Commissioner of Revenue, County Treasurer's office

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases			
2011	\$ -	\$ -	\$ 8,825,000	\$ -	\$ 8,825,000	5.11%	\$ 1,865
2010	-	-	9,485,000	57,187	9,542,187	5.53%	2,017
2009	-	-	9,515,000	90,978	9,605,978	5.57%	2,024
2008	-	-	8,590,000	-	8,590,000	4.79%	1,754
2007	233,800	-	4,535,000	-	4,768,800	2.72%	985
2006	501,900	12,750	-	-	514,650	0.33%	101
2005	763,400	25,500	-	-	788,900	0.52%	162
2004	1,031,500	38,250	-	-	1,069,750	0.68%	219
2003	1,446,000	51,000	-	-	1,497,000	1.03%	301
2002	1,835,000	89,825	-	-	1,924,825	1.37%	384

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 13.

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2011	\$ 8,825,000	\$ 100,065	\$ 8,724,935	0.41%	\$ 1,844
2010	9,485,000	-	9,485,000	0.54%	2,005
2009	9,515,000	-	9,515,000	0.52%	1,957
2008	8,590,000	-	8,590,000	0.47%	1,754
2007	4,768,800	-	4,768,800	0.23%	985
2006	514,650	-	514,650	0.02%	101
2005	788,900	-	788,900	0.05%	162
2004	1,069,750	-	1,069,750	0.06%	219
2003	1,497,000	-	1,497,000	0.07%	301
2002	1,924,825	-	1,924,825	0.09%	385

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13.

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

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

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2011	4,731 (2)	172,536,000 (1) \$	38,495	47	658	4.70% (3)
2010	4,731	172,536,000 (1)	38,495	47	670	6.30%
2009	4,863	172,536,000	38,495	42	693	6.40%
2008	4,898	179,397,000	39,238	42	715	4.10%
2007	4,843	175,473,000	37,663	44	764	3.10%
2006	5,120	156,715,000	33,458	44	778	3.20%
2005	4,878	152,061,000	31,785	44	778	3.50%
2004	4,895	157,578,000	32,403	44	787	3.60%
2003	4,968	144,916,000	29,371	43	788	4.60%
2002	5,017	140,797,000	28,182	42	794	4.40%

(1) not available - estimated based on 2009

(2) based on 2010 census

(3) May 2011 rate

Source: Weldon Cooper Center; Bureau of Economic Analysis, Regional Economic Accounts; VA Department of Education, Division of Technology, Reports; U.S. Census Bureau; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2011			Fiscal Year 2002		
	(1) Employees	Rank	% of Total County Employment	(1) Employees	Rank	% of Total County Employment
The Homestead	750	1	27.59%	750	1	27.85%
KSL Homestead Management (2)	375	2	13.80%	-	-	0.00%
Bath County Public Schools	175	3	6.44%	175	2	6.50%
Bath County Community Hospital	175	4	6.44%	175	3	6.50%
VA Electric and Power Co., Inc.	75	5	2.76%	75	4	2.78%
AFS of Hot Springs, Inc. (Springs Nursing Center)	75	6	2.76%	75	7	2.78%
County of Bath	75	7	2.76%	75	5	2.78%
BARC Electric Co-Op	35	8	1.29%	75	6	2.78%
VA Department of Conservation	35	9	1.29%	35	8	1.30%
F. Clayton Plecker & Sons	35	10	1.29%	35	12	1.30%
Phantom Eage, LLC (2)	35	11	1.29%	-	-	0.00%
Cuccis at the Varsity (2)	35	12	1.29%	-	-	0.00%
VA Hot Springs Realty (2)	35	13	1.29%	-	-	0.00%
Country Café	15	14	0.55%	15	20	0.56%
Voith Siemens Hydro Power, Inc. (2)	15	15	0.55%	-	-	0.00%
The Inn at Gristmill Square	15	16	0.55%	15	23	0.56%
Valley Supermarket	15	17	0.55%	15	18	0.56%
Augusta Lumber LLC	15	18	0.55%	15	22	0.56%
Gkn Hayward Baker, Inc. (2)	15	19	0.55%	-	-	0.00%
U.S. Department of Agriculture	15	20	0.55%	35	13	1.30%
Waste Operations (2)	15	21	0.55%	-	-	0.00%
Postal Service	15	22	0.55%	7	37	0.26%
Ilex Construction & Development (2)	15	23	0.55%	-	-	0.00%
Kevin Armstrong Construction, Inc. (2)	15	24	0.55%	-	-	0.00%
Kool Dri	15	25	0.55%	15	21	0.56%
Totals	<u>2,090</u>		<u>76.89%</u>	<u>1,587</u>		<u>58.93%</u>
Total estimated jobs in County	2,718			2,693		

(1) Estimated numbers are provided. Ranges of employees were available for employers. The mid point of the range was used for this table.

(2) Company not in operation in 2002.

Sources:

VA Employment Commission, 7/23/2011, [www.vec.virginia.gov](http://www.vec.virginia.gov) (50 Largest Employers in Bath County for fourth quarter 2011 - latest available - and 2002).

VA Workforce Connection, 7/23/2011, [www.vawc.virginia.gov](http://www.vawc.virginia.gov) (Virginia Workforce Connection - Labor Market Services - Area Profile for Bath County: Labor Force, Employment and Unemployment Statistics); total employment for May 2011 and 2002 annual.

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## County of Bath, Virginia

Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General government	10	10	10	10	10	10
Judicial administration	5	5	5	5	5	5
Public safety						
Sheriff's department	17	17	17	17	17	17
911 Administrator	0	0	0	0	0	0
Building inspections	1	1	1	2	2	2
Animal control	2	2	2	2	2	2
Public works						
General maintenance	2	2	2	2	2	2
Landfill	3	3	2	2	2	0
Health and welfare						
Department of social services	7	7	7	7	7	7
Culture and recreation						
Parks and recreation	3	3	3	3	3	3
Library	2	2	2	2	2	1
Community development						
Planning	1	1	1	2	2	2
Totals	<u>53</u>	<u>53</u>	<u>52</u>	<u>54</u>	<u>54</u>	<u>51</u>

Source: Individual county departments; excludes part-time and Board of Supervisors members.

Table 15

---

Fiscal Year			
2008	2009	2010	2011
10	10	10	11
5	5	5	5
18	18	17	17
1	1	1	1
2	2	1	1
2	2	2	2
2	2	2	2
0	0	0	0
7	7	7	7
3	3	3	3
1	2	1	1
2	2	2	2
53	54	51	52

# County of Bath, Virginia

## Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Public safety						
Sheriff's department:						
Physical arrests	151	129	94	128	92	70
Traffic violations	15	14	31	23	8	10
Civil papers	1,671	1,461	1,529	1,507	1,338	1,210
Building inspections:						
Inspections made	376	285	597	804	580	374
Permits issued	173	155	230	213	173	128
Animal control:						
Number of calls answered	558	575	522	610	646	665
Public works						
Landfill:						
Refuse collected (tons/day) (1)	29.3	26.1	26.6	26.1	N/A	N/A
Recycling (tons/day) (1)	2.6	4.3	2.3	1.6	N/A	N/A
Health and welfare						
Department of Social Services:						
Caseload	517	540	571	579	582	560
Culture and recreation						
Parks and recreation:						
After-school program participants	446	504	932	868	594	n/a
Youth sports participants	500	540	545	525	500	515
Component Unit - School Board						
Education:						
School age population (2)	912	912	912	931	931	757
Number of teachers (2)	81	84	84	85	85	78
Local expenditures per pupil (2)	\$7,363	\$7,598	\$8,424	\$8,712	\$8,712	\$12,939

Source: Individual county departments, Superintendent's Annual Report, Virginia Department of Education, Solid Waste information and Assessment Forms, DEQ Annual Recycling Reports.

(1) Daily waste and recycling are based on 5.5 days/week of transfer operation (286 days).

(2) County of Bath Annual School Report

Table 16

Fiscal Year			
2008	2009	2010	2011
94	93	103	62
27	53	31	10
1,438	1,098	1,105	1,101
351	641	74	77
65	114	99	90
669	611	540	547
27	20	20	20
3	3	5	5
596	693	726	775
n/a	n/a	n/a	n/a
599	811	553	523
717	692	672	630
71	71	70	69
\$10,194	\$14,341	\$13,443	\$9,888

# County of Bath, Virginia

## Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General government						
Administration buildings	4	4	4	4	4	5
Vehicles	2	2	2	2	2	2
Public safety						
Sheriff's department:						
Patrol units	11	11	12	13	13	14
Animal control:						
Vehicles	1	1	1	1	1	1
Public works						
Vehicles	2	2	2	2	2	2
Sites	1	1	1	1	1	1
Culture and recreation						
Parks and recreation:						
Vehicles	1	1	1	1	1	2
Swimming pools	2	2	2	2	2	2
Community development						
Planning:						
Vehicles	1	1	1	2	1	1
Component Unit - School Board						
Education:						
Schools	4	4	4	4	4	4
School buses	16	14	14	15	14	13

Source: Individual county departments/ excludes part-time and Board of Supervisors members.

Table 17

Fiscal Year			
2008	2009	2010	2011
4	5	5	5
1	1	1	1
12	12	10	12
1	1	1	1
1	1	1	1
1	1	1	1
2	2	2	2
2	2	2	2
1	1	1	1
4	4	5	5
18	21	19	18

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## **COMPLIANCE**





# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bath, Virginia as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 25, 2011. 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.

#### **Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the County of Bath, 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 Bath, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Bath, 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 financial statements of the County of Bath, Virginia 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 the 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 considered to be material weaknesses, as defined above.

#### **Compliance and Other Matters:**

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

We noted certain matters that we reported to management of the County of Bath, Virginia in a separate letter dated November 25, 2011.

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

*Robinson, Finner, Cox Associates*

Verona, Virginia  
November 25, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

#### Compliance

We have audited County of Bath, 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 County of Bath, Virginia's major federal programs for the year ended June 30, 2011. The County of Bath, 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 Bath, Virginia's management. Our responsibility is to express an opinion on the County of Bath, 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 Bath, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of County of Bath, Virginia's compliance with those requirements.

In our opinion, County of Bath, 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 Bath, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Bath, 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 purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Bath, 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, Fann, & Associates*

Verona, Virginia  
November 25, 2011

County of Bath, Virginia

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	09050110/09050111	\$ 4,066
Temporary Assistance for Needy Families (TANF)	93.558	0400110/0400111	44,622
Refugee and Entrant Assistance - State administered programs	93.566	0500110/0500111	113
Low-Income Home Energy Assistance	93.568	0600410'0600411	4,646
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770110	1,543
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	9,018
ARRA, Child Care and Development Block Grant	93.713		154
Child Welfare Services - State Grants	93.645	0900110/0900111	223
Foster Care - Title IV-E	93.658	1100110/1100111	19,232
Adoption Assistance	93.659	1120110/1120111	9,107
ARRA, Adoption Assistance	93.659	1120110/1120111	526
subtotal	93.659		9,633
Social Services Block Grant	93.667	100110/100110/1000111	34,777
Chafee Foster Care Independence Program	93.674	9150110/9150111	368
State Children's Insurance Program	93.767		1,879
		8020188/8020288/802038	
Medical Assistance Program (Title XIX)	93.778	8/8060188/8130188	38,518
Total Dept. Health & Human Services-pass through			\$ 168,792
Total Department of Health and Human Services			\$ 168,792
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555		\$ 25,126
Department of Education:			
Child Nutrition Cluster:			
National school lunch program	10.555		109,363
subtotal	10.555		134,489
National school breakfast program	10.553		35,080
Secure Payments for States and Counties Containing Federal Lands	10.665		134,025
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0010111/0040111	64,519
ARRA, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0010111/0040111	626
subtotal	10.561		65,145
Total Department of Agriculture - pass-through payments			\$ 368,739
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228		\$ 9,372
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		\$ 224,452

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Catalog Number	Pass-through entity identifying number	Federal Expenditures
Department of Homeland Security: Pass Through Payments: Department of Emergency Services: Emergency management preparedness grant	97.042		\$ 5,000
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: Alcohol Open Container Requirements	20.607		\$ 170
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ royalty grants	66.000		\$ 1,621
Department of Education: Pass Through Payments: Department of Education: Title I: Grants to Local Educational Agencies Special Education Cluster: Special Education state grants Special Education preschool grants Career and Technical Education: Basic grants to states Improving Teacher Quality State Grants Safe and Drug free schools and communities Rural Education Achievement Program ARRA, Education Jobs Fund	84.010 84.027 84.173 84.048 84.367 84.186 84.358 84.410	S010A100046 H027A100107 H173100112 V048A10046 S367A09044 S358A092437 S410A10047	\$ 64,908 152,045 3,946 8,995 27,336 1,707 30,114 75,217
Total Department of Education			\$ 364,268
Total Expenditures of Federal Awards			\$ 1,142,414

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Bath, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Bath, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Bath.

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 allowable or are limited as to reimbursement.

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

NOTE C - FOOD DISTRIBUTION

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

**County of Bath, Virginia**Schedule of Expenditures of Federal Awards (continued)  
For the Year Ended June 30, 2011

<b>Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through entity identifying number</b>	<b>Federal Expenditures</b>
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## NOTE D - RELATIONSHIP TO FINANCIAL STATEMENTS

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental funds \$ 338,260

Total primary government \$ 338,260

Discretely presented component unit - School Board:

School operating fund \$ 634,585

School cafeteria fund 169,569

Total discretely presented component unit - School Board \$ 804,154

Total federal expenditures per basic financial statements \$ 1,142,414

Total federal expenditures per the Schedule of Expenditures of Federal awards \$ 1,142,414



County of Bath, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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**Section I-Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?        yes   x   no

- Significant deficiency(ies) identified?        yes   x   none reported

Non compliance material to financial statements noted?        yes   x   no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?        yes   x   no

- Significant deficiency(ies) identified?        yes   x   none reported

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

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?        yes   x   no

Identification of major programs:

<i>CFDA</i> <i>Numbers</i>	<i>Name of Federal Program or Cluster</i>
Child Nutrition Cluster:	
10.553	.... School Breakfast Program
10.555	.... National School Lunch Program
10.555	.... Food Distribution
Special Education Cluster:	
84.027	.... Special Education state grants
84.173	.... Special Education-preschool grants

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

Auditee qualified as low-risk auditee?   x   yes        no

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**Section II-Financial Statement Findings**

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None

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

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None

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**Section IV-Summary Schedule of Prior Year Findings**

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There were no prior year findings.