

COUNTY OF BATH, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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YEAR ENDED JUNE 30, 2012

COUNTY OF BATH, VIRGINIA

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Commissioner of the Revenue Leta Norfleet
Treasurer..... Pamela H. Webb
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Superintendent of Schools Sue Hirsh
Director of Social Services Jason Miller
County Administrator Matthew L. Walker

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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, 2012, 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.

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, 2012, and the respective changes in financial position, 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 February 8, 2013 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

Staunton, Virginia
February 8, 2013

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, 2012.

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 \$11,209,993. Of this amount, \$10,001,253 is unrestricted (an increase of \$2,626,355 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 \$1,108,675 invested in capital outlay (a decrease of \$757,190 from the previous fiscal year). The School Board's net assets were \$4,746,344 of which there is an unrestricted deficit in the amount of \$358,426. (See Exhibit 1.)

The Government's net assets increased by \$1,869,165. The School Board's net assets increased by \$396,411. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$7,542,031. (See Exhibit 3.) This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2011-12 budgets. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,323,288 of which \$7,542,031 is available for spending at the government's discretion (unassigned 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 for 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

The fund financial statements will be familiar to past financial statement users. Only major or significant funds are presented. 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 \$11,209,993 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>2012</u>	<u>2011</u>
Current and other assets	\$ 9,840,589	\$ 7,798,039
Capital assets	<u>10,223,832</u>	<u>10,690,865</u>
Total assets	<u>\$ 20,064,421</u>	<u>\$ 18,488,904</u>
Long-term liabilities	\$ 8,914,305	\$ 9,230,019
Other liabilities	<u>163,614</u>	<u>141,548</u>
Total liabilities	\$ 9,077,919	\$ 9,371,567
Deferred Outflow (High School Loan Interest)		(223,491)
Total liabilities	<u>\$ 9,077,919</u>	<u>\$ 9,148,076</u>
Net assets		
Invested in capital assets, net of related debt	\$ 1,108,675	\$ 1,865,865
Restricted-debt service	100,065	100,065
Unrestricted	<u>10,001,253</u>	<u>7,374,898</u>
Total net assets	<u>\$ 11,209,993</u>	<u>\$ 9,340,828</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 15.2 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 has restricted assets in the amount of \$100,065 for debt service and bond covenants at June 30, 2012.

The remaining balance of unrestricted net assets, which is \$10,001,253 or 89.2 percent of total net assets, may be used to meet government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$1,869,165 during the current fiscal year, compared to an increase of \$2,084,681 in FY 2011. 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), while expenditures have been maintained on level or reduced as property tax assessments fluctuate from the pumped storage public service corporation, a cyclical occurrence between reassessments.

Governmental Activities

Governmental activities increased the County's net assets by \$1,869,165. Key elements of this increase are as follows:

County of Bath's Changes in Net Assets For the Year Ended June 30, 2012

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 174,984	\$ 158,227
Operating grants & contributions	1,784,659	1,453,368
General revenues:		
General property taxes	11,409,502	11,384,262
Other local taxes	2,551,966	1,781,800
Use of money and property	51,966	57,130
Miscellaneous	99,066	187,667
Grants and contributions not restricted to specific programs	231,527	233,860
Total revenues	<u>\$ 16,303,670</u>	<u>\$ 15,256,314</u>
Expenses:		
General government	\$ 1,211,724	\$ 1,229,730
Judicial administration	344,405	336,921
Public safety	2,040,286	1,829,651
Public works	1,064,089	1,100,064
Health and welfare	826,654	827,199
Education	6,904,010	6,460,206
Parks, recreation and cultural	467,408	465,168
Community development	1,145,116	241,827
Nondepartmental	47,199	281,777
Interest on long-term debt	383,614	399,090
Total expenses	<u>\$ 14,434,505</u>	<u>\$ 13,171,633</u>
Increase (decrease) in net assets	\$ 1,869,165	\$ 2,084,681
Beginning net assets	<u>\$ 9,340,828</u>	<u>\$ 7,256,147</u>
Ending net assets	<u><u>\$ 11,209,993</u></u>	<u><u>\$ 9,340,828</u></u>

Other local taxes increased \$770,166, this is a good indicator of the County's revenue stream. Table 5 provides a detailed explanation of the increase in revenues.

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 \$9,323,288, an increase of \$1,960,978 from the prior year. Approximately, 81 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.

The general fund is the chief operating fund of the County. As of June 30, 2012, total fund balance of the general fund was \$8,903,359, of which \$7,542,031 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 56.3 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$6,402,503. Total fund balance represents 66.5 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$1,912,138 during the current fiscal year.

Key factors in this increase are as follows:

- Actual expenditures increased to \$13.3 million including \$1.1 million of capital and debt expenses, from the \$12.6 million spent the prior year. Actual revenues increased, from \$14.6 million the prior year to \$15.5 million in FY 2012. Reference Table 5 for further detail.

Proprietary funds

The County's proprietary funds provide 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 \$9,240,753. 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, 2012.

General Fund Budgetary Highlights

The general fund original budgeted appropriations amounted to \$15,733,963 while the final amended general fund budget was \$15,982,797 representing an increase of \$248,834, or 1.5 percent of the original general fund budget. The change reflects a slight increase in the capital projects, community development, and contributions to the County School Board.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2012 is \$10,223,832 (net of accumulated depreciation and is a decrease of \$467,033 from the previous fiscal year). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress.

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

	Governmental Activities	
	2012	2011
Land	\$ 303,240	\$ 303,240
Buildings and improvements	9,209,647	9,752,217
Machinery and equipment	649,044	635,408
Construction in progress	61,901	-
Total	<u>\$ 10,223,832</u>	<u>\$ 10,690,865</u>

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

Long-term debt

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

County of Bath's Outstanding Debt For the Year Ended June 30, 2012

	Governmental Activities	
	2012	2011
Revenue bonds	\$ 8,510,000	\$ 8,825,000
Derivative instrument liability	828,648	223,491
OPEB Obligation (Note 10)	82,058	69,547
Compensated absences	98,756	111,981
Total	<u>\$ 9,519,462</u>	<u>\$ 9,230,019</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 2011-12 averaged 4.4 percent (November 2011), which was lower compared to the rate of 4.9 percent this year (November 2012). This compares favorably to the state's average unemployment rate of 5.3 percent (November 2012) and the national average rate of 7.4 percent (November 2012) (data U.S. Bureau of Labor Statistics).

The sales tax, lodging tax, and bank stock tax came in as expectations as the nationwide economy recovered.

Due to increasing mortgage rates and high turnover values, growth in real estate investments by the average family continued to lag; in addition, developments targeted to those seeking a second home continued to struggle.

General property tax revenues increased due to an increase in the sales to assessment ratio of local property that positively impacts the amount of general property tax revenue from the County's primary revenue source (public service corporation property tax).

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

During fiscal year 2012, the unassigned fund balance in the general fund increased \$1,092,025 (from \$6,450,006 to \$7,542,031). The fund balance is an important working financial resource. The county of Bath has secured the services of Davenport and Associates to assist in the development of a written Fund Balance Policy to determine a best management practice in budgeting for and potential utilization of the County's Fund balances.

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 to 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, 2012

	Primary Government Governmental Activities	Component Units School Board	Service Authority
ASSETS			
Cash and cash equivalents	\$ 8,475,940	\$ 723,075	\$ 3,035,288
Receivables (net of allowance for uncollectibles):			
Taxes receivable	365,245	-	-
Accounts receivable	175,380	245	90,593
Interest receivable	-	-	1,164
Due from component unit	176,085	-	-
Due from other governmental units	460,682	105,007	-
Inventories	-	18,626	-
Prepaid expenses	8,767	70,833	5,033
Restricted assets:			
Cash and cash equivalents	100,065	-	59,207
Other assets:			
Unamortized bond issue costs	78,425	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	303,240	238,282	69,165
Buildings and improvements	9,209,647	4,391,495	-
Machinery and equipment	649,044	464,286	41,317
Utility plant in service	-	-	8,862,905
Construction in progress	61,901	10,707	200,749
Total assets	<u>\$ 20,064,421</u>	<u>\$ 6,022,556</u>	<u>\$ 12,365,421</u>
LIABILITIES			
Accounts payable	\$ 145,156	\$ -	\$ 30,261
Accrued payroll	-	709,329	-
Customers' deposits	-	-	23,132
Due to primary government	-	176,085	-
Unearned revenue	18,458	-	2,314,046
Long-term liabilities:			
Due within one year	330,000	-	48,526
Due in more than one year	9,189,462	390,798	708,703
Total liabilities	<u>\$ 9,683,076</u>	<u>\$ 1,276,212</u>	<u>\$ 3,124,668</u>
DEFERRED OUTFLOW OF RESOURCES	<u>\$ (828,648)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES NET OF DEFERRED OUTFLOW OF RESOURCES	<u>\$ 8,854,428</u>	<u>\$ 1,276,212</u>	<u>\$ 3,124,668</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,108,675	\$ 5,104,770	\$ 8,427,160
Restricted -			
Reserve fund	-	-	36,075
Debt service and bond covenants	100,065	-	-
Unrestricted (deficit)	10,001,253	(358,426)	777,518
Total net assets	<u>\$ 11,209,993</u>	<u>\$ 4,746,344</u>	<u>\$ 9,240,753</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,211,724	\$ 16,135	\$ 165,897	\$ -
Judicial administration	344,405	17,805	201,274	-
Public safety	2,040,286	70,979	526,904	-
Public works	1,064,089	60,820	27,000	-
Health and welfare	826,654	-	421,319	-
Education	6,904,010	-	-	-
Parks, recreation, and cultural	467,408	9,245	-	-
Community development	1,145,116	-	442,265	-
Nondepartmental	47,199	-	-	-
Interest on long-term debt	383,614	-	-	-
Total governmental activities	<u>\$ 14,434,505</u>	<u>\$ 174,984</u>	<u>\$ 1,784,659</u>	<u>\$ -</u>
COMPONENT UNITS:				
School Board	\$ 9,280,942	\$ 179,902	\$ 2,419,835	\$ 16,494
Service Authority	1,407,083	1,026,178	-	24,906
Total component units	<u>\$ 10,688,025</u>	<u>\$ 1,206,080</u>	<u>\$ 2,419,835</u>	<u>\$ 41,400</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	
\$ (1,029,692)	\$ -	\$ -	
(125,326)	-	-	
(1,442,403)	-	-	
(976,269)	-	-	
(405,335)	-	-	
(6,904,010)	-	-	
(458,163)	-	-	
(702,851)	-	-	
(47,199)	-	-	
(383,614)	-	-	
<u>\$ (12,474,862)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (6,664,711)	\$ -	
-	-	(355,999)	
<u>\$ -</u>	<u>\$ (6,664,711)</u>	<u>\$ (355,999)</u>	
\$ 11,409,502	\$ -	\$ -	
807,325	-	-	
804,380	-	-	
72,341	-	-	
91,714	-	-	
32,266	-	-	
721,982	-	-	
21,958	-	-	
51,966	10	53,787	
99,066	38,011	2,081	
231,527	7,023,101	-	
<u>\$ 14,344,027</u>	<u>\$ 7,061,122</u>	<u>\$ 55,868</u>	
\$ 1,869,165	\$ 396,411	\$ (300,131)	
9,340,828	4,349,933	9,540,884	
<u>\$ 11,209,993</u>	<u>\$ 4,746,344</u>	<u>\$ 9,240,753</u>	

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FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2012

	General	Virginia Public Assistance	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 8,080,229	\$ -	\$ 395,711	\$ 8,475,940
Receivables (net of allowance for uncollectibles):				
Taxes receivable	365,245	-	-	365,245
Accounts receivable	143,736	-	31,644	175,380
Due from other funds	43,190	-	-	43,190
Due from component unit	176,085	-	-	176,085
Due from other governmental units	417,492	28,133	15,057	460,682
Prepaid items	8,767	-	-	8,767
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	100,065	-	-	100,065
Total assets	<u>\$ 9,334,809</u>	<u>\$ 28,133</u>	<u>\$ 442,412</u>	<u>\$ 9,805,354</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 137,730	\$ -	\$ 7,426	\$ 145,156
Due to other funds	-	28,133	15,057	43,190
Deferred revenue	293,720	-	-	293,720
Total liabilities	<u>\$ 431,450</u>	<u>\$ 28,133</u>	<u>\$ 22,483</u>	<u>\$ 482,066</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 8,767	\$ -	\$ -	\$ 8,767
Restricted for:				
Debt service	100,065	-	-	100,065
Committed:				
Special revenue funds	-	-	419,929	419,929
Animal shelter capital project	565,873	-	-	565,873
High school locker room capital project	124,518	-	-	124,518
Pinehurst local rehab reserve	28,170	-	-	28,170
Assigned:				
Health insurance	300,000	-	-	300,000
Line of duty	15,000	-	-	15,000
Capital projects	143,935	-	-	143,935
Volunteer fire department	75,000	-	-	75,000
Unassigned	7,542,031	-	-	7,542,031
Total fund balances	<u>\$ 8,903,359</u>	<u>\$ -</u>	<u>\$ 419,929</u>	<u>\$ 9,323,288</u>
Total liabilities and fund balances	<u>\$ 9,334,809</u>	<u>\$ 28,133</u>	<u>\$ 442,412</u>	<u>\$ 9,805,354</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 9,323,288
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,223,832
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	275,262
Issuance costs are recorded as other assets and amortized over the life of the debt and, therefore, are not reported in the funds.	78,425
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,690,814)</u>
Net assets of governmental activities	<u>\$ 11,209,993</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, 2012

	General	Virginia Public Assistance	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 11,342,321	\$ -	\$ -	\$ 11,342,321
Other local taxes	2,190,456	-	361,510	2,551,966
Permits, privilege fees, and regulatory licenses	63,894	-	-	63,894
Fines and forfeitures	312	-	-	312
Revenue from the use of money and property	51,966	-	-	51,966
Charges for services	110,778	-	-	110,778
Miscellaneous	41,228	200	5,882	47,310
Recovered costs	51,756	-	-	51,756
Intergovernmental revenues:				
Commonwealth	1,168,972	122,618	64,426	1,356,016
Federal	425,895	234,275	-	660,170
Total revenues	<u>\$ 15,447,578</u>	<u>\$ 357,093</u>	<u>\$ 431,818</u>	<u>\$ 16,236,489</u>
EXPENDITURES				
Current:				
General government administration	\$ 892,324	\$ -	\$ -	\$ 892,324
Judicial administration	342,536	-	-	342,536
Public safety	1,835,699	-	-	1,835,699
Public works	1,062,139	-	-	1,062,139
Health and welfare	248,277	437,619	146,769	832,665
Education	6,595,610	-	-	6,595,610
Parks, recreation, and cultural	446,139	-	-	446,139
Community development	773,001	-	307,676	1,080,677
Nondepartmental	67,108	-	-	67,108
Capital projects	429,675	-	-	429,675
Debt service:				
Principal retirement	315,000	-	-	315,000
Interest and other fiscal charges	375,939	-	-	375,939
Total expenditures	<u>\$ 13,383,447</u>	<u>\$ 437,619</u>	<u>\$ 454,445</u>	<u>\$ 14,275,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,064,131</u>	<u>\$ (80,526)</u>	<u>\$ (22,627)</u>	<u>\$ 1,960,978</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 151,993	\$ 71,467	\$ 223,460
Transfers out	(151,993)	(71,467)	-	(223,460)
Total other financing sources (uses)	<u>\$ (151,993)</u>	<u>\$ 80,526</u>	<u>\$ 71,467</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,912,138	\$ -	\$ 48,840	\$ 1,960,978
Fund balances - beginning	6,991,221	-	371,089	7,362,310
Fund balances - ending	<u>\$ 8,903,359</u>	<u>\$ -</u>	<u>\$ 419,929</u>	<u>\$ 9,323,288</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, 2012

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

Net change in fund balances - total governmental funds	\$	1,960,978
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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.	(467,033)
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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.	67,181
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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.	307,325
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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>714</u>
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Change in net assets of governmental activities	\$ <u><u>1,869,165</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, 2012

Note 1—Summary of Significant Accounting Policies:

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. Financial 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.

Statement of Net Assets – The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expenses – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories (1) invested in capital assets and, net of related debt; 2) restricted and 3) unrestricted.

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds 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.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

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

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

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. 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 (trust and agency 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, 2012.

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.

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

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

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.

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.

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

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

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 5th and December 5th. 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 \$20,535 at June 30, 2012 and is comprised of uncollectible local taxes of the primary government in the amount of \$18,059 and uncollectible water and sewer accounts receivable of the component unit – Service Authority in the amount of \$2,476.

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, 2012 that represents debt service reserves. At June 30, 2012, \$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 \$23,132 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.

Note 1--Summary of Significant Accounting Policies: (Continued)**D. Assets, liabilities, and net assets or equity (continued)****8. Capital assets (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. 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 improvements	30-50
Machinery and equipment	5-15
Utility plant	40

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 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.

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

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

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;
- 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, 2012 (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 (\$8,690,814) and (\$390,798) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ (8,510,000)	\$ -
OPEB Obligation	(82,058)	(146,842)
Compensated absences	(98,756)	(243,956)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (8,690,814)</u>	<u>\$ (390,798)</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 (\$467,033) and \$416,958 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 214,535	\$ 393,942
Loss on disposal of capital assets	-	(17,082)
Depreciation expense	(373,168)	(268,302)
Allocation of debt financed school assets based on current year repayments	(308,400)	308,400
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>\$ (467,033)</u>	<u>\$ 416,958</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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 \$307,325 difference in the primary government are as follows:

	<u>Primary Government</u>
Amortization of bond issuance costs	\$ (7,675)
Principal repayments:	
General obligation debt	<u>315,000</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>307,325</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 \$714 and (\$33,349) 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	\$ (12,511)	\$ (22,389)
Compensated absences	<u>13,225</u>	<u>(10,960)</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>714</u></u>	\$ <u><u>(33,349)</u></u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (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, 2012, the following fund incurred expenditures exceeding appropriations:

Fund	Function	Excess of Expenditures over Appropriations
CSA Fund	Health and Welfare	\$ 146,769
Cafeteria	School Food	\$ 14,605
Total All Funds		\$ 161,374

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

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

C. Deficit fund equity

At June 30, 2012, there were no funds with deficit fund equity.

Note 4--Deposits and Investments:

Deposits

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

Investments

Statutes authorize 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, 2012 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	\$ <u>1,536,286</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (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	\$ -	\$ 98,497
Local sales taxes	141,264	-
Mobile Home tax	3,663	-
Rolling Stock	150	-
Jury duty claims reimbursement	30	-
Recordation tax	2,251	-
DMV license agent fee	1,063	-
Public assistance and welfare administration	9,399	-
Comprehensive Services Act funds	15,062	-
E-911 mapping	3,333	-
Commonwealth attorney	5,657	-
Clerk of Circuit Court	11,475	-
Treasurer	5,317	-
Commissioner of revenue	6,102	-
Sheriff	39,663	-
Fuel administration	137	-
Asset forfeiture	347	-
Timber sales	157	-
Federal Government:		
Public assistance and welfare administration	18,732	-
Community development block grant	196,880	-
School cafeteria	-	6,510
Total	\$ <u>460,682</u>	\$ <u>105,007</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (CONTINUED)

Note 6—Interfund Component-Unit Obligations:

The following balances represent amounts due between funds at June 30, 2012:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 43,190	\$ -	\$ -	\$ 176,085
CSA Fund	-	15,057	-	-
VPA Fund	-	28,133	-	-
Total	<u>\$ 43,190</u>	<u>\$ 43,190</u>	<u>\$ -</u>	<u>\$ 176,085</u>
Component Unit-School Board:				
School Fund	\$ -	\$ -	\$ 176,085	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,085</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, 2012 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 151,993
Virginia Public Assistance Fund	151,993	71,467
CSA Fund	71,467	-
Total	<u>\$ 223,460</u>	<u>\$ 223,460</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, 2012 (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, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Revenue bonds	\$ 8,825,000	\$ -	\$ 315,000	\$ 8,510,000
Derivative instrument liability	223,491	605,157	-	828,648
OPEB Obligation (Note 10)	69,547	41,405	28,894	82,058
Compensated absences	111,981	-	13,225	98,756
Total Long-Term Liabilities	<u>\$ 9,230,019</u>	<u>\$ 646,562</u>	<u>\$ 357,119</u>	<u>\$ 9,519,462</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%.	\$ 8,510,000	\$ 330,000
Other Obligations:		
Derivative instrument liability	828,648	-
OPEB Obligation	82,058	-
Compensated absences (payable from General Fund)	98,756	-
Total long-term obligations	<u>\$ 9,519,462</u>	<u>\$ 330,000</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

Note 8—Long-Term Liabilities: (Continued)

Primary Government-Governmental Activity Indebtedness: (continued)

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

Years Ending June 30,	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
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	\$ 8,510,000	\$ 3,214,226

Derivative instrument liability:

In 2008, the County issued a derivative financial instrument in the form of an interest rate swap. The County implemented Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments during fiscal year 2011.

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 \$9,338,648 is more than the balance outstanding on the bonds payable of \$8,510,000. The difference of \$828,648 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, 2012 (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:

		<u>\$8,510,000</u>
Fair value as of June 30, 2011	\$	(223,491)
Fair value as of June 30, 2012		<u>(828,648)</u>
Change in fair value	\$	<u><u>(605,157)</u></u>

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, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Revenue bonds	\$ 794,443	\$ -	\$ 47,467	\$ 746,976
Compensated absences	9,684	569	-	10,253
Total Long-Term Liabilities	<u>\$ 804,127</u>	<u>\$ 569</u>	<u>\$ 47,467</u>	<u>\$ 757,229</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (CONTINUED)

Note 8—Long-Term Liabilities: (Continued)

Discretely Presented Component Unit-Service Authority: (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
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	251
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	14,408	-
Total	\$ <u>746,976</u>	\$ <u>28,156</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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.	\$ 522,061	\$ 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>224,915</u>	<u>27,391</u>
Total Revenue Bonds	\$ <u>746,976</u>	\$ <u>48,526</u>
Compensated absences (payable from Component Unit Service Authority)	\$ <u>10,253</u>	\$ <u>-</u>
Total Service Authority Debt	\$ <u>757,229</u>	\$ <u>48,526</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, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Compensated absences	\$ 232,996	\$ 10,960	\$ -	\$ 243,956
OPEB Obligation	124,453	74,095	51,706	146,842
Total Long-Term Liabilities	\$ <u>357,449</u>	\$ <u>85,055</u>	\$ <u>51,706</u>	\$ <u>390,798</u>
Accrued compensated absences (payable from School Fund)			\$ <u>243,956</u>	

Note 9—Defined Benefit Pension Plan:

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 five years of service credit or age 50 with at least 10 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, 2012 (CONTINUED)

Note 9—Defined Benefit Pension Plan: (Continued)

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 most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-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 2012 were 8.15% and 5.99%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$242,458, \$149,961, and \$251,839, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010, respectively. The contribution rate for 2012 was 6.33% of covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$183,293 was equal to the County's required and actual contributions.

For fiscal year 2012, the County School Board's annual pension cost for the board's non-professional employees was \$42,525 which was equal to the Board's required and actual contributions.

COUNTY OF BATH, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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, 2010	145,654	100.00%	-
June 30, 2011	185,921	100.00%	-
June 30, 2012	183,293	100.00%	-
School Board Non-Professional			
June 30, 2010	37,741	100.00%	-
June 30, 2011	41,221	100.00%	-
June 30, 2012	42,525	100.00%	-

The FY 2012 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 payrolls 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, 2011 the most recent actuarial valuation date, the County's plan was 81.89% funded. The actuarial accrued liability for benefits was \$11,449,953, and the actuarial value of assets was \$9,376,362, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,073,591. The covered payroll (annual payroll of active employees covered by the plan) was \$2,240,182 and ratio of the UAAL to the covered payroll was 92.56%.

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's plan was 82.14% funded. The actuarial accrued liability for benefits was \$3,826,118 and the actuarial value of assets was \$3,142,800, resulting in an unfunded actuarial accrued liability (UAAL) of \$683,318. 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 99.30%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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, 2012 (CONTINUED)

Note 10—Other Post-Employment Benefits Program:

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 and School Board's subsidies were funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County and School Board 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 and School Board. 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 as well as any premiums for spouses and dependents.

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, 2012 (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)	\$ 41,513	\$ 74,287
Interest on OPEB Obligation	2,796	5,004
Adjustment to ARC	(2,904)	(5,196)
Annual OPEB Cost	\$ 41,405	\$ 74,095
Estimated Contributions Made During FY12	(28,894)	(51,706)
Increase in Net OPEB Obligation	\$ 12,511	\$ 22,389
Net OPEB Obligation - beginning of year	69,547	124,453
Net OPEB Obligation - end of year	\$ 82,058	\$ 146,842

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 2012 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, 2012	\$ 41,405	70%	\$ 82,058
June 30, 2011	36,660	55%	69,547
June 30, 2010	56,228	52%	53,050
School Board:			
June 30, 2012	\$ 74,095	70%	\$ 146,842
June 30, 2011	75,340	55%	124,453
June 30, 2010	74,172	52%	90,550

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 is as follows:

	County	School Board
Actuarial Accrued liability (AAL)	\$ 431,604	\$ 767,296
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	\$ 431,604	\$ 767,296
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	21.30%	21.30%

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

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

D. Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far 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

The School Board began participates 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, 2012 (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 2012 was .60% 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 2012, the School Board's contribution of \$4,260 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 2012 and the preceding two years 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, 2012	\$	4,260	100%	\$	-
June 30, 2011		4,129	100%		-
June 30, 2010		7,643	100%		-

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

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

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, 2012 is as follows:

Actuarial Accrued liability (AAL)	\$ 85,138
Actuarial value of plan assets	3,066
Unfunded actuarial accrued liability (UAAL)	\$ 82,072
Funded ratio (actuarial vlaue of plan assets	3.60%
Annual covered payroll	\$ 688,165
UAAL as a percentage of covered payroll	11.93%

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 30 years.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

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

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, 2012, 2011, and 2010 were \$22,982, \$22,894, and \$29,735, respectively and equaled the required contributions for each year.

Note 11—Deferred/Unearned Revenue:

Deferred/unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue of the Primary Government and the Component Unit Service Authority totaling \$293,720 and \$2,314,046, respectively, is comprised of the following:

Deferred Property Tax Revenue – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$275,262 at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012, but paid in advance by taxpayers totaled \$18,458 at June 30, 2012.

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 \$2,110,786 from WSIC.

Prepaid Development Fees – Development fees prepaid to the Bath County Public Service Authority by the WSIC totaled \$203,260 at June 30, 2012.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

Note 12—Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government:

Governmental activities:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 303,240	\$ -	\$ -	\$ 303,240
Construction in progress	-	61,901	-	61,901
Total capital assets not being depreciated	\$ 303,240	\$ 61,901	\$ -	\$ 365,141
Capital assets being depreciated:				
Buildings and improvements	\$ 11,950,908	\$ 44,285	\$ (315,000)	\$ 11,680,193
Machinery and equipment	1,421,068	108,349	(19,689)	1,509,728
Total capital assets being depreciated	\$ 13,371,976	\$ 152,634	\$ (334,689)	\$ 13,189,921
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (2,198,691)	\$ (278,455)	\$ 6,600	\$ (2,470,546)
Machinery and equipment	(785,660)	(94,713)	19,689	(860,684)
Total accumulated depreciation	\$ (2,984,351)	\$ (373,168)	\$ 26,289	\$ (3,331,230)
Capital assets being depreciated, net	\$ 10,387,625	\$ (220,534)	\$ (308,400)	\$ 9,858,691
Net capital assets	\$ 10,690,865	\$ (158,633)	\$ (308,400)	\$ 10,223,832

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

Governmental activities:

General government administration	\$ 296,107
Judicial administration	1,333
Public safety	56,514
Parks, recreation, cultural	19,214
Total depreciation expense -governmental activities	\$ 373,168

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (CONTINUED)

Note 12—Capital Assets: (Continued)

Discretely Presented Component Units:

Component Unit School Board:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land and land improvements	\$ 238,282	\$ -	\$ -	\$ 238,282
Construction in progress	-	10,707	-	10,707
Total capital assets not being depreciated	\$ 238,282	\$ 10,707	\$ -	\$ 248,989
Capital assets being depreciated:				
Buildings and improvements	\$ 12,871,163	\$ 450,269	\$ -	\$ 13,321,432
Machinery and equipment	1,291,377	247,966	(109,867)	1,429,476
Total capital assets being depreciated	\$ 14,162,540	\$ 698,235	\$ (109,867)	\$ 14,750,908
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (8,752,405)	\$ (177,532)	\$ -	\$ (8,929,937)
Machinery and equipment	(960,605)	(97,370)	92,785	(965,190)
Total accumulated depreciation	\$ (9,713,010)	\$ (274,902)	\$ 92,785	\$ (9,895,127)
Capital assets being depreciated, net	\$ 4,449,530	\$ 423,333	\$ (17,082)	\$ 4,855,781
Net capital assets	\$ 4,687,812	\$ 434,040	\$ (17,082)	\$ 5,104,770
Depreciation expense allocated to education		\$ 274,902		

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (CONTINUED)

Note 12—Capital Assets: (Continued)

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, 2012, 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, 2011	Increases	Adjustment	Balance June 30, 2012
Primary Government:				
Buildings and improvements	\$ <u>11,950,908</u>	\$ <u>44,285</u>	\$ <u>(315,000)</u>	\$ <u>11,680,193</u>
Discretely Presented Component Unit-School Board				
Buildings and improvements	\$ <u>12,871,163</u>	\$ <u>135,269</u>	\$ <u>315,000</u>	\$ <u>13,321,432</u>

The 2012 adjustment to accumulated depreciation was a \$6,600 transfer to the School Board from the Primary Government.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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, 2012 was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 69,165	\$ -	\$ -	\$ 69,165
Construction in progress	159,143	41,606	-	200,749
Total capital assets not being depreciated	\$ 228,308	\$ 41,606	\$ -	\$ 269,914
Capital assets being depreciated:				
Water System	\$ 9,437,545	\$ 937	\$ -	\$ 9,438,482
Sewer System	10,273,930	19,561	-	10,293,491
Equipment	339,619	221	-	339,840
Total capital assets being depreciated	\$ 20,051,094	\$ 20,719	\$ -	\$ 20,071,813
Less: Accumulated depreciation for:				
Water System	\$ (3,843,426)	\$ (227,550)	\$ -	\$ (4,070,976)
Sewer System	(6,536,021)	(262,071)	-	(6,798,092)
Equipment	(281,851)	(16,672)	-	(298,523)
Total accumulated depreciation	\$ (10,661,298)	\$ (506,293)	\$ -	\$ (11,167,591)
Capital assets being depreciated, net	\$ 9,389,796	\$ (485,574)	\$ -	\$ 8,904,222
Net capital assets	\$ 9,618,104	\$ (443,968)	\$ -	\$ 9,174,136

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, 2012 (CONTINUED)

Note 14—Landfill Closure and Post Closure Monitoring Costs:

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, 2012, 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:

Hartford Accident and Indemnity Company:	
Wayne Winebriner, Clerk of Circuit Court	\$ 5,000
Pam Webb, 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, 2012 (CONTINUED)

Note 16—Risk Management:

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.

Note 17—Subsequent Event:

In August 2012 the County issued a Series 2012 SunTrust Refunding bond in the amount of \$9,545,000. The issuance refinanced the existing 2008 Series Public Improvement Note which funded school improvements.

Note 18—Litigation:

At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

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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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 11,301,800	\$ 11,301,800	\$ 11,342,321	\$ 40,521
Other local taxes	1,977,854	1,977,854	2,190,456	212,602
Permits, privilege fees, and regulatory licenses	30,200	30,200	63,894	33,694
Fines and forfeitures	50	50	312	262
Revenue from the use of money and property	41,000	41,000	51,966	10,966
Charges for services	101,998	101,998	110,778	8,780
Miscellaneous	57,000	53,760	41,228	(12,532)
Recovered costs	47,900	61,935	51,756	(10,179)
Intergovernmental revenues:				
Commonwealth	1,127,951	1,141,571	1,168,972	27,401
Federal	1,531,000	1,531,000	425,895	(1,105,105)
Total revenues	<u>\$ 16,216,753</u>	<u>\$ 16,241,168</u>	<u>\$ 15,447,578</u>	<u>\$ (793,590)</u>
EXPENDITURES				
Current:				
General government administration	\$ 911,454	\$ 938,410	\$ 892,324	\$ 46,086
Judicial administration	370,862	370,850	342,536	28,314
Public safety	1,997,325	2,008,962	1,835,699	173,263
Public works	1,264,423	1,264,423	1,062,139	202,284
Health and welfare	170,404	170,404	248,277	(77,873)
Education	6,708,457	6,774,441	6,595,610	178,831
Parks, recreation, and cultural	465,502	477,197	446,139	31,058
Community development	1,789,283	1,834,783	773,001	1,061,782
Nondepartmental	420,063	423,406	67,108	356,298
Capital projects	914,885	998,616	429,675	568,941
Debt service:				
Principal retirement	345,366	345,366	315,000	30,366
Interest and other fiscal charges	375,939	375,939	375,939	-
Total expenditures	<u>\$ 15,733,963</u>	<u>\$ 15,982,797</u>	<u>\$ 13,383,447</u>	<u>\$ 2,599,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 482,790</u>	<u>\$ 258,371</u>	<u>\$ 2,064,131</u>	<u>\$ 1,805,760</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (212,047)</u>	<u>\$ (212,047)</u>	<u>\$ (151,993)</u>	<u>\$ 60,054</u>
Total other financing sources (uses)	<u>\$ (212,047)</u>	<u>\$ (212,047)</u>	<u>\$ (151,993)</u>	<u>\$ 60,054</u>
Net change in fund balances	\$ 270,743	\$ 46,324	\$ 1,912,138	\$ 1,865,814
Fund balances - beginning	<u>(270,743)</u>	<u>(46,324)</u>	<u>6,991,221</u>	<u>7,037,545</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,903,359</u>	<u>\$ 8,903,359</u>

Special Revenue Fund - VPA

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 31,064	\$ 31,064	\$ 200	\$ (30,864)
Intergovernmental revenues:				
Commonwealth	314,633	314,633	122,618	(192,015)
Federal	46,067	46,067	234,275	188,208
Total revenues	<u>\$ 391,764</u>	<u>\$ 391,764</u>	<u>\$ 357,093</u>	<u>\$ (34,671)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 533,961	\$ 533,961	\$ 437,619	\$ 96,342
Total expenditures	<u>\$ 533,961</u>	<u>\$ 533,961</u>	<u>\$ 437,619</u>	<u>\$ 96,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (142,197)</u>	<u>\$ (142,197)</u>	<u>\$ (80,526)</u>	<u>\$ 61,671</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 212,047	\$ 212,047	\$ 151,993	\$ (60,054)
Transfers out	(69,850)	(69,850)	(71,467)	(1,617)
Total other financing sources (uses)	<u>\$ 142,197</u>	<u>\$ 142,197</u>	<u>\$ 80,526</u>	<u>\$ (61,671)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Schedule of Pension Funding Progress
As of June 30, 2012

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)
06/30/11 \$	9,376,362 \$	11,449,953 \$	2,073,591 \$	81.89% \$	2,240,182	92.56%
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%

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)
06/30/11 \$	3,142,800 \$	3,826,118 \$	683,318	82.14% \$	688,165	99.30%
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%

Other Post-Employment Benefits Program
 Schedule of Funding Progress
 As of June 30, 2012

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)
06/30/11	\$ -	\$ 431,604	\$ 431,604	0.00%	\$ 2,026,116	21.30%
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)
06/30/11	\$ -	\$ 767,296	\$ 767,296	0.00%	\$ 3,601,984	21.30%
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)
06/30/11	\$ 3,066	\$ 85,138	\$ 82,072	3.60%	\$ 688,165	11.93%
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, 2012

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Tax	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 134	\$ 395,577	\$ 395,711
Receivables (net of allowance)				
Accounts receivable	-	-	31,644	31,644
Due from other governmental units	15,057	-	-	15,057
Total assets	<u>\$ 15,057</u>	<u>\$ 134</u>	<u>\$ 427,221</u>	<u>\$ 442,412</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 7,426	\$ 7,426
Due to other funds	15,057	-	-	15,057
Total liabilities	<u>\$ 15,057</u>	<u>\$ -</u>	<u>\$ 7,426</u>	<u>\$ 22,483</u>
Fund balances:				
Committed	\$ -	\$ 134	\$ 419,795	\$ 419,929
Total fund balances	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 419,795</u>	<u>\$ 419,929</u>
Total liabilities and fund balances	<u>\$ 15,057</u>	<u>\$ 134</u>	<u>\$ 427,221</u>	<u>\$ 442,412</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2012

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Fund	Total
REVENUES				
Other local taxes	\$ -	\$ -	\$ 361,510	\$ 361,510
Miscellaneous	5,882	-	-	5,882
Intergovernmental revenues:				
Commonwealth	64,426	-	-	64,426
Total revenues	<u>\$ 70,308</u>	<u>\$ -</u>	<u>\$ 361,510</u>	<u>\$ 431,818</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 146,769	\$ -	\$ -	\$ 146,769
Community development	-	-	307,676	307,676
Total expenditures	<u>\$ 146,769</u>	<u>\$ -</u>	<u>\$ 307,676</u>	<u>\$ 454,445</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (76,461)</u>	<u>\$ -</u>	<u>\$ 53,834</u>	<u>\$ (22,627)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 71,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,467</u>
Net change in fund balances	\$ (4,994)	\$ -	\$ 53,834	\$ 48,840
Fund balances - beginning	4,994	134	365,961	371,089
Fund balances - ending	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 419,795</u>	<u>\$ 419,929</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, 2012

	CSA Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	5,882	5,882
Intergovernmental revenues:				
Commonwealth	-	-	64,426	64,426
Total revenues	\$ -	\$ -	\$ 70,308	\$ 70,308
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ 146,769	\$ (146,769)
Community development	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 146,769	\$ (146,769)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (76,461)	\$ (76,461)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 71,467	\$ 71,467
Net change in fund balances	\$ -	\$ -	\$ (4,994)	\$ (4,994)
Fund balances - beginning	-	-	4,994	4,994
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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, 2012

	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	\$ -	\$ -	\$ -	\$ -
Community development	-	-	-	-
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, 2012

	Lodging Tax -Marketing/Capital Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 714,000	\$ -	\$ 361,510	\$ 361,510
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Total revenues	<u>\$ 714,000</u>	<u>\$ -</u>	<u>\$ 361,510</u>	<u>\$ 361,510</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Community development	714,000	1,304,841	307,676	997,165
Total expenditures	<u>\$ 714,000</u>	<u>\$ 1,304,841</u>	<u>\$ 307,676</u>	<u>\$ 997,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (1,304,841)</u>	<u>\$ 53,834</u>	<u>\$ 1,358,675</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (1,304,841)	\$ 53,834	\$ 1,358,675
Fund balances - beginning	-	-	365,961	365,961
Fund balances - ending	<u>\$ -</u>	<u>\$ (1,304,841)</u>	<u>\$ 419,795</u>	<u>\$ 1,724,636</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, 2012

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 673,446	\$ 49,629	\$ 723,075
Receivables (net of allowance for uncollectibles):			
Accounts receivable	245	-	245
Due from other governmental units	105,007	-	105,007
Inventories	-	18,626	18,626
Prepaid items	70,833	-	70,833
Total assets	<u>\$ 849,531</u>	<u>\$ 68,255</u>	<u>\$ 917,786</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued payroll	\$ 673,446	\$ 35,883	\$ 709,329
Due to primary government	176,085	-	176,085
Total liabilities	<u>\$ 849,531</u>	<u>\$ 35,883</u>	<u>\$ 885,414</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 18,626	\$ 18,626
Prepaid items	70,833	-	70,833
Committed:			
School cafeteria	-	13,746	13,746
Unassigned:	(70,833)	-	(70,833)
Total fund balances	<u>\$ -</u>	<u>\$ 32,372</u>	<u>\$ 32,372</u>
Total liabilities and fund balances	<u>\$ 849,531</u>	<u>\$ 68,255</u>	<u>\$ 917,786</u>

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

Total fund balances per above	\$ 32,372
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,104,770
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(390,798)
Net assets of governmental activities	<u>\$ 4,746,344</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 10	\$ 10
Charges for services	6,400	173,502	179,902
Miscellaneous	38,011	-	38,011
Intergovernmental revenues:			
Local government	6,402,503	189,358	6,591,861
Commonwealth	1,701,612	4,892	1,706,504
Federal	683,130	186,617	869,747
Total revenues	<u>\$ 8,831,656</u>	<u>\$ 554,379</u>	<u>\$ 9,386,035</u>
EXPENDITURES			
Current:			
Education	\$ 8,831,656	\$ 541,577	\$ 9,373,233
Total expenditures	<u>\$ 8,831,656</u>	<u>\$ 541,577</u>	<u>\$ 9,373,233</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 12,802	\$ 12,802
Net change in fund balances	\$ -	\$ 12,802	\$ 12,802
Fund balances - beginning	-	19,570	19,570
Fund balances - ending	<u>\$ -</u>	<u>\$ 32,372</u>	<u>\$ 32,372</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	\$ 12,802
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.	434,040
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(17,082)
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.	(33,349)
Change in net assets of governmental activities	<u>\$ 396,411</u>

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, 2012

	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	6,400	(400)
Miscellaneous	14,755	14,755	38,011	23,256
Intergovernmental revenues:				
Local government	6,652,958	6,575,229	6,402,503	(172,726)
Commonwealth	1,612,893	1,612,893	1,701,612	88,719
Federal	506,810	558,515	683,130	124,615
Total revenues	<u>\$ 8,794,216</u>	<u>\$ 8,768,192</u>	<u>\$ 8,831,656</u>	<u>\$ 63,464</u>
EXPENDITURES				
Current:				
Education	<u>\$ 8,940,440</u>	<u>\$ 9,098,023</u>	<u>\$ 8,831,656</u>	<u>\$ 266,367</u>
Total expenditures	<u>\$ 8,940,440</u>	<u>\$ 9,098,023</u>	<u>\$ 8,831,656</u>	<u>\$ 266,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (146,224)</u>	<u>\$ (329,831)</u>	<u>\$ -</u>	<u>\$ 329,831</u>
Net change in fund balances	<u>\$ (146,224)</u>	<u>\$ (329,831)</u>	<u>\$ -</u>	<u>\$ 329,831</u>
Fund balances - beginning	<u>146,224</u>	<u>329,831</u>	<u>-</u>	<u>(329,831)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 16

School Cafeteria Fund				
Budgeted Amounts			Variance with Final Budget Positive (Negative)	
Original	Final	Actual		
\$ -	\$ -	\$ 10	\$ 10	
165,000	165,000	173,502	8,502	
-	-	-	-	
-	-	189,358	189,358	
4,269	4,269	4,892	623	
100,500	100,500	186,617	86,117	
<u>\$ 269,769</u>	<u>\$ 269,769</u>	<u>\$ 554,379</u>	<u>\$ 284,610</u>	
<u>\$ 526,972</u>	<u>\$ 526,972</u>	<u>\$ 541,577</u>	<u>\$ (14,605)</u>	
<u>\$ 526,972</u>	<u>\$ 526,972</u>	<u>\$ 541,577</u>	<u>\$ (14,605)</u>	
<u>\$ (257,203)</u>	<u>\$ (257,203)</u>	<u>\$ 12,802</u>	<u>\$ 270,005</u>	
<u>\$ (257,203)</u>	<u>\$ (257,203)</u>	<u>\$ 12,802</u>	<u>\$ 270,005</u>	
<u>257,203</u>	<u>257,203</u>	<u>19,570</u>	<u>(237,633)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,372</u>	<u>\$ 32,372</u>	

Statement of Fund Net Assets
Discretely Presented Component Unit - Service Authority
June 30, 2012

	Component Unit Service Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,035,288
Interest receivable	1,164
Accounts receivable, net of allowances for uncollectibles	90,593
Prepaid expenses	5,033
Total current assets	<u>\$ 3,132,078</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (restricted for debt service)	\$ 36,075
Cash and cash equivalents (restricted for security deposits)	23,132
Total restricted assets	<u>\$ 59,207</u>
Capital assets:	
Land and land rights	\$ 69,165
Machinery and equipment	339,840
Utility plant in service	19,731,973
Construction in progress	200,749
Less accumulated depreciation	<u>(11,167,591)</u>
Total capital assets	<u>\$ 9,174,136</u>
Total noncurrent assets	<u>\$ 9,233,343</u>
Total assets	<u>\$ 12,365,421</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 30,261
Customer deposits payable	23,132
Deferred revenue	2,314,046
Bonds payable - current portion	48,526
Total current liabilities	<u>\$ 2,415,965</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 698,450
Compensated absences	10,253
Total noncurrent liabilities	<u>\$ 708,703</u>
Total liabilities	<u>\$ 3,124,668</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 8,427,160
Restricted - reserve fund	36,075
Unrestricted	777,518
Total net assets	<u><u>\$ 9,240,753</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Service Authority
For the Year Ended June 30, 2012

	<u>Component Unit Service Authority</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 671,468
Sewer revenues	326,100
Late fees	28,610
Miscellaneous	2,081
Total operating revenues	<u>\$ 1,028,259</u>
OPERATING EXPENSES	
Payroll and related benefits	\$ 462,462
Water	43,951
Sewer	100,715
Administration	35,038
Laboratory and engineering	8,901
Maintenance	9,452
Utilities and transportation	213,387
Insurance claims and premiums	19,880
Depreciation	506,293
Total operating expenses	<u>\$ 1,400,079</u>
Operating income (loss)	<u>\$ (371,820)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	\$ 53,787
Interest expense	(7,004)
Total nonoperating revenues (expenses)	<u>\$ 46,783</u>
Income before contributions	<u>\$ (325,037)</u>
Capital contributions and construction grants	<u>\$ 24,906</u>
Change in net assets	<u>\$ (300,131)</u>
Total net assets - beginning	<u>\$ 9,540,884</u>
Total net assets - ending	<u><u>\$ 9,240,753</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Service Authority
For the Year Ended June 30, 2012

	Component Unit Service Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,018,634
Payments to suppliers	(437,356)
Payments to employees	(461,893)
Other receipts (payments)	2,081
Net cash provided by (used for) operating activities	<u>\$ 121,466</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (62,325)
Principal payments on bonds	(47,467)
Capital contributions	24,906
Deferred Development Fees	142,932
Interest payments	(7,004)
Tap fees	
Net cash provided by (used for) capital and related financing activities	<u>\$ 51,042</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 53,880
Net cash provided by (used for) investing activities	<u>\$ 53,880</u>
Net increase (decrease) in cash and cash equivalents	\$ 226,388
Cash and cash equivalents - beginning - including restricted	\$ 2,868,107
Cash and cash equivalents - ending - including restricted	<u><u>\$ 3,094,495</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (371,820)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 506,293
(Increase) decrease in accounts receivable	(8,006)
(Increase) decrease in prepaid expenses	(63)
Increase (decrease) in customer deposits	462
Increase (decrease) in accounts payable	(5,969)
Increase (decrease) in compensated absences	569
Total adjustments	<u>\$ 493,286</u>
Net cash provided by (used for) operating activities	<u><u>\$ 121,466</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,185,737	\$ 4,185,737	\$ 4,283,683	\$ 97,946
Real and personal public service corporation taxes	6,943,163	6,943,163	6,869,729	(73,434)
Personal property taxes	151,500	151,500	158,975	7,475
Mobile home taxes	9,400	9,400	-	(9,400)
Penalties	10,000	10,000	20,680	10,680
Interest	2,000	2,000	9,254	7,254
Total general property taxes	<u>\$ 11,301,800</u>	<u>\$ 11,301,800</u>	<u>\$ 11,342,321</u>	<u>\$ 40,521</u>
Other local taxes:				
Local sales and use taxes	\$ 750,000	\$ 750,000	\$ 807,325	\$ 57,325
Consumption tax	19,000	19,000	18,751	(249)
Mixed beverage license taxes	1,304	1,304	3,207	1,903
Motor vehicle license taxes	72,800	72,800	72,341	(459)
Bank stock taxes	15,000	15,000	32,266	17,266
Taxes on recordation and wills	24,750	24,750	91,714	66,964
Hotel and motel room taxes	375,000	375,000	360,472	(14,528)
Restaurant food taxes	720,000	720,000	804,380	84,380
Total other local taxes	<u>\$ 1,977,854</u>	<u>\$ 1,977,854</u>	<u>\$ 2,190,456</u>	<u>\$ 212,602</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,000	\$ 1,000	\$ 1,839	\$ 839
Permits and other licenses	29,200	29,200	62,055	32,855
Total permits, privilege fees, and regulatory licenses	<u>\$ 30,200</u>	<u>\$ 30,200</u>	<u>\$ 63,894</u>	<u>\$ 33,694</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 50	\$ 50	\$ 312	\$ 262
Revenue from use of money and property:				
Revenue from use of money	\$ 7,000	\$ 7,000	\$ 14,662	\$ 7,662
Revenue from use of property	34,000	34,000	37,304	3,304
Total revenue from use of money and property	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 51,966</u>	<u>\$ 10,966</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 5,000	\$ 5,000	\$ 5,360	\$ 360
Charges for courthouse maintenance	2,200	2,200	2,775	575
Courthouse security fee	15,000	15,000	12,930	(2,070)
Concealed weapons permits	750	750	990	240
Charges for Commonwealth's Attorney	100	100	522	422
Sheriff's fees	348	348	524	176
Law library fees	500	500	1,266	766
Soil and erosion fees	50	50	550	500
Charges for sanitation and waste removal	60,000	60,000	60,270	270
Charges for parks and recreation	5,500	5,500	9,245	3,745
Charges for other protection	50	50	211	161
Charges for other services	12,500	12,500	16,135	3,635
Total charges for services	<u>\$ 101,998</u>	<u>\$ 101,998</u>	<u>\$ 110,778</u>	<u>\$ 8,780</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (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>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 57,000	\$ 53,760	\$ 41,228	\$ (12,532)
Refunds and recoveries	47,900	61,935	51,756	(10,179)
Total miscellaneous revenue	<u>\$ 104,900</u>	<u>\$ 115,695</u>	<u>\$ 92,984</u>	<u>\$ (22,711)</u>
Total revenue from local sources	<u>\$ 13,557,802</u>	<u>\$ 13,568,597</u>	<u>\$ 13,852,711</u>	<u>\$ 284,114</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock taxes	\$ 8,880	\$ 8,880	\$ 8,717	\$ (163)
Mobile home titling tax	-	-	6,933	6,933
Communications taxes	110,000	110,000	117,811	7,811
Fire programs fund	14,400	14,400	-	(14,400)
Personal property tax relief funds	32,221	32,221	40,276	8,055
Reduction in state aid	(40,000)	(35,492)	(35,492)	-
Total noncategorical aid	<u>\$ 133,001</u>	<u>\$ 137,509</u>	<u>\$ 138,245</u>	<u>\$ 736</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 66,175	\$ 66,175	\$ 65,981	\$ (194)
Sheriff	481,167	481,167	461,103	(20,064)
Commissioner of revenue	73,100	73,100	71,965	(1,135)
Treasurer	63,421	63,421	59,754	(3,667)
Registrar/electoral board	26,713	34,205	34,178	(27)
Clerk of the Circuit Court	135,146	135,146	135,293	147
Total shared expenses	<u>\$ 845,722</u>	<u>\$ 853,214</u>	<u>\$ 828,274</u>	<u>\$ (24,940)</u>
Other categorical aid:				
Shared expenses - Mountain Soil and Water Conservation District				
	\$ 94,703	\$ 94,703	\$ 109,652	\$ 14,949
Emergency medical services division fees	5,225	5,225	5,968	743
E-911 Addressing/Mapping/Implementation Project	39,000	39,000	43,000	4,000
Virginia Juvenile Community Crime Control Act	4,900	4,900	6,585	1,685
Litter grant	5,000	5,000	27,000	22,000
Seized funds	-	1,620	7,240	5,620
Other state funds	400	400	3,008	2,608
Total other categorical aid	<u>\$ 149,228</u>	<u>\$ 150,848</u>	<u>\$ 202,453</u>	<u>\$ 51,605</u>
Total categorical aid	<u>\$ 994,950</u>	<u>\$ 1,004,062</u>	<u>\$ 1,030,727</u>	<u>\$ 26,665</u>
Total revenue from the Commonwealth	<u>\$ 1,127,951</u>	<u>\$ 1,141,571</u>	<u>\$ 1,168,972</u>	<u>\$ 27,401</u>
Revenue from the federal government:				
Noncategorical aid:				
Payment in Lieu of Taxes	\$ 89,000	\$ 89,000	\$ 93,282	\$ 4,282
Total noncategorical aid	<u>\$ 89,000</u>	<u>\$ 89,000</u>	<u>\$ 93,282</u>	<u>\$ 4,282</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (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>
General Fund: (Continued)				
Revenue from the federal government (continued):				
Categorical aid:				
Community development block grant	\$ 1,400,000	\$ 1,400,000	\$ 332,613	\$ (1,067,387)
Secure Rural Schools	27,000	27,000	-	(27,000)
Total categorical aid	<u>\$ 1,442,000</u>	<u>\$ 1,442,000</u>	<u>\$ 332,613</u>	<u>\$ (1,109,387)</u>
Total revenue from the federal government	<u>\$ 1,531,000</u>	<u>\$ 1,531,000</u>	<u>\$ 425,895</u>	<u>\$ (1,105,105)</u>
Total General Fund	<u>\$ 16,216,753</u>	<u>\$ 16,241,168</u>	<u>\$ 15,447,578</u>	<u>\$ (793,590)</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 31,064	\$ 31,064	\$ 200	\$ (30,864)
Total miscellaneous revenue	<u>\$ 31,064</u>	<u>\$ 31,064</u>	<u>\$ 200</u>	<u>\$ (30,864)</u>
Total revenue from local sources	<u>\$ 31,064</u>	<u>\$ 31,064</u>	<u>\$ 200</u>	<u>\$ (30,864)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 314,633	\$ 314,633	\$ 122,618	\$ (192,015)
Total revenue from the Commonwealth	<u>\$ 314,633</u>	<u>\$ 314,633</u>	<u>\$ 122,618</u>	<u>\$ (192,015)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 46,067	\$ 46,067	\$ 234,275	\$ 188,208
Total categorical aid	<u>\$ 46,067</u>	<u>\$ 46,067</u>	<u>\$ 234,275</u>	<u>\$ 188,208</u>
Total revenue from the federal government	<u>\$ 46,067</u>	<u>\$ 46,067</u>	<u>\$ 234,275</u>	<u>\$ 188,208</u>
Total Virginia Public Assistance Fund	<u>\$ 391,764</u>	<u>\$ 391,764</u>	<u>\$ 357,093</u>	<u>\$ (34,671)</u>
CSA Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Refund to foster care	\$ -	\$ -	\$ 5,882	\$ 5,882
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ -	\$ -	\$ 64,426	\$ 64,426
Total CSA Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,308</u>	<u>\$ 70,308</u>
Lodging Tax- Marketing /Capital Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes-designated for marketing	\$ 317,000	\$ -	\$ 181,280	\$ 181,280
Hotel and motel room taxes-designated for capital improvem.	397,000	-	180,230	180,230
Total other local taxes	<u>\$ 714,000</u>	<u>\$ -</u>	<u>\$ 361,510</u>	<u>\$ 361,510</u>
Total revenue from local sources	<u>\$ 714,000</u>	<u>\$ -</u>	<u>\$ 361,510</u>	<u>\$ 361,510</u>
Total Lodging Tax -Marketing/Capital Fund	<u>\$ 714,000</u>	<u>\$ -</u>	<u>\$ 361,510</u>	<u>\$ 361,510</u>
Total Primary Government	<u>\$ 17,322,517</u>	<u>\$ 16,632,932</u>	<u>\$ 16,236,489</u>	<u>\$ (396,443)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (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>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from another county or city	\$ 6,800	\$ 6,800	\$ 6,400	\$ (400)
Miscellaneous revenue:				
Refunds and recoveries	\$ 14,755	\$ 14,755	\$ 38,011	\$ 23,256
Total revenue from local sources	\$ 21,555	\$ 21,555	\$ 44,411	\$ 22,856
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	\$ 6,652,958	\$ 6,575,229	\$ 6,402,503	\$ (172,726)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 594,876	\$ 594,876	\$ 595,813	\$ 937
Basic school aid	621,424	621,424	659,174	37,750
Gifted and talented	5,324	5,324	5,599	275
Remedial education	8,591	8,591	9,035	444
Special Education	113,014	113,014	118,850	5,836
Textbook payment	4,908	4,908	-	(4,908)
Vocational standards of quality payments	38,233	38,233	50,806	12,573
Fringe benefits	75,383	75,383	79,276	3,893
At risk	6,414	6,414	6,762	348
English as a second language	2,643	2,643	2,092	(551)
School Construction	-	-	16,494	16,494
Homebound payment	132	132	9	(123)
Early reading intervention	1,823	1,823	2,431	608
Remedial summer school	3,023	3,023	-	(3,023)
Lottery proceeds	-	-	5,161	5,161
Individual student alternative education program	7,859	7,859	7,859	-
Vocational occupational preparedness	-	-	2,809	2,809
Special education - foster children	-	-	41,344	41,344
Technology	128,000	128,000	96,220	(31,780)
Standards of Learning algebra readiness	1,246	1,246	1,246	-
Other state funds	-	-	632	632
Total categorical aid	\$ 1,612,893	\$ 1,612,893	\$ 1,701,612	\$ 88,719
Revenue from the federal government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 134,500	\$ 134,500	\$ 139,922	\$ 5,422
Categorical aid:				
Title VI-B, special education handicapped	\$ 106,000	\$ 106,000	\$ 151,340	\$ 45,340
Title I	65,000	65,000	63,386	(1,614)
ARRA Title I	-	-	35,503	35,503
Vocational education	8,000	8,000	8,879	879
Title VI-B, special education pre-school	-	-	3,938	3,938
State Fiscal Stabilization Funds ARRA	-	51,705	80,292	28,587

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Improving Teacher Quality	\$ 26,800	\$ 26,800	\$ 20,948	\$ (5,852)
Rural education achievement program	29,000	29,000	12,076	(16,924)
DEQ royalty grant	-	-	687	687
Medicaid	7,500	7,500	14,136	6,636
Forest reserve	130,010	130,010	152,023	22,013
Total categorical aid	<u>\$ 372,310</u>	<u>\$ 424,015</u>	<u>\$ 543,208</u>	<u>\$ 119,193</u>
Total revenue from the federal government	<u>\$ 506,810</u>	<u>\$ 558,515</u>	<u>\$ 683,130</u>	<u>\$ 124,615</u>
Total School Operating Fund	<u>\$ 8,794,216</u>	<u>\$ 8,768,192</u>	<u>\$ 8,831,656</u>	<u>\$ 63,464</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 10	\$ 10
Charges for services:				
Cafeteria sales	\$ 165,000	\$ 165,000	\$ 173,502	\$ 8,502
Total revenue from local sources	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 173,512</u>	<u>\$ 8,512</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	\$ -	\$ -	\$ 189,358	\$ 189,358
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,269	\$ 4,269	\$ 4,892	\$ 623
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 100,500	\$ 100,500	\$ 167,878	\$ 67,378
USDA donated food	-	-	18,739	18,739
Total revenue from the federal government	<u>\$ 100,500</u>	<u>\$ 100,500</u>	<u>\$ 186,617</u>	<u>\$ 86,117</u>
Total School Cafeteria Fund	<u>\$ 269,769</u>	<u>\$ 269,769</u>	<u>\$ 554,379</u>	<u>\$ 284,610</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 9,063,985</u>	<u>\$ 9,037,961</u>	<u>\$ 9,386,035</u>	<u>\$ 348,074</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 130,307	\$ 131,473	\$ 127,613	\$ 3,860
General and financial administration:				
County administrator	\$ 208,419	\$ 228,706	\$ 227,925	\$ 781
Commissioner of revenue	197,930	201,848	201,700	148
Assessors	5,250	1,276	-	1,276
Treasurer	214,586	214,597	197,306	17,291
Data Processing	57,160	55,160	46,826	8,334
Other general and financial administration	8,026	5,231	-	5,231
Total general and financial administration	\$ 691,371	\$ 706,818	\$ 673,757	\$ 33,061
Board of elections:				
Registrar	\$ 59,862	\$ 61,981	\$ 54,170	\$ 7,811
Electoral board and officials	29,914	38,138	36,784	1,354
Total board of elections	\$ 89,776	\$ 100,119	\$ 90,954	\$ 9,165
Total general government administration	\$ 911,454	\$ 938,410	\$ 892,324	\$ 46,086
Judicial administration:				
Courts:				
Circuit court	\$ 21,394	\$ 22,360	\$ 15,475	\$ 6,885
General district court	19,450	19,450	16,100	3,350
Special magistrates	1,100	1,100	483	617
Clerk of the circuit court	216,209	216,198	202,495	13,703
Total courts	\$ 258,153	\$ 259,108	\$ 234,553	\$ 24,555
Commonwealth's attorney:				
Commonwealth's attorney	\$ 112,709	\$ 111,742	\$ 107,983	\$ 3,759
Total commonwealth's attorney	\$ 112,709	\$ 111,742	\$ 107,983	\$ 3,759
Total judicial administration	\$ 370,862	\$ 370,850	\$ 342,536	\$ 28,314
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,069,273	\$ 1,070,482	\$ 1,018,189	\$ 52,293
Total law enforcement and traffic control	\$ 1,069,273	\$ 1,070,482	\$ 1,018,189	\$ 52,293
Fire and rescue services:				
Fire department	\$ 192,938	\$ 192,938	\$ 187,473	\$ 5,465
Contribution to fire and rescue	160,404	170,691	150,141	20,550
Total fire and rescue services	\$ 353,342	\$ 363,629	\$ 337,614	\$ 26,015
Correction and detention:				
County/City operated institutions	\$ 125,000	\$ 125,000	\$ 91,184	\$ 33,816
Total correction and detention	\$ 125,000	\$ 125,000	\$ 91,184	\$ 33,816
Inspections:				
Building	\$ 180,158	\$ 180,158	\$ 155,012	\$ 25,146
Total inspections	\$ 180,158	\$ 180,158	\$ 155,012	\$ 25,146
Other protection:				
Animal control	\$ 118,872	\$ 118,872	\$ 111,102	\$ 7,770
Emergency communications	140,942	141,083	114,274	26,809
Medical examiner (coroner)	238	238	140	98
VJCCCA	9,500	9,500	8,184	1,316
Total other protection	\$ 269,552	\$ 269,693	\$ 233,700	\$ 35,993
Total public safety	\$ 1,997,325	\$ 2,008,962	\$ 1,835,699	\$ 173,263

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public works:				
Sanitation and waste removal:				
General engineering/administration	\$ 982,332	\$ 982,332	\$ 893,626	\$ 88,706
Total sanitation and waste removal	\$ 982,332	\$ 982,332	\$ 893,626	\$ 88,706
Maintenance of general buildings and grounds:				
General engineering/administration	\$ 282,091	\$ 282,091	\$ 168,513	\$ 113,578
Total maintenance of general buildings and grounds	\$ 282,091	\$ 282,091	\$ 168,513	\$ 113,578
Total public works	\$ 1,264,423	\$ 1,264,423	\$ 1,062,139	\$ 202,284
Health and welfare:				
Health:				
Local health department	\$ 82,163	\$ 82,163	\$ 79,125	\$ 3,038
Total health	\$ 82,163	\$ 82,163	\$ 79,125	\$ 3,038
Mental health and mental retardation:				
Administration	\$ 29,156	\$ 29,156	\$ 29,156	\$ -
Total mental health and mental retardation	\$ 29,156	\$ 29,156	\$ 29,156	\$ -
Welfare:				
Welfare administration				-
Public welfare	\$ 59,085	\$ 59,085	\$ 53,035	\$ 6,050
Tax relief for the elderly	-	-	86,961	(86,961)
Total welfare	\$ 59,085	\$ 59,085	\$ 139,996	\$ (80,911)
Total health and welfare	\$ 170,404	\$ 170,404	\$ 248,277	\$ (77,873)
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 3,749	\$ 3,749	\$ 3,749	\$ -
Contributions to County School Board	6,704,708	6,770,692	6,591,861	178,831
Total education	\$ 6,708,457	\$ 6,774,441	\$ 6,595,610	\$ 178,831
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 330,617	\$ 342,312	\$ 311,254	\$ 31,058
Total parks and recreation	\$ 330,617	\$ 342,312	\$ 311,254	\$ 31,058
Library:				
Regional library	\$ 134,885	\$ 134,885	\$ 134,885	\$ -
Total library	\$ 134,885	\$ 134,885	\$ 134,885	\$ -
Total parks, recreation, and cultural	\$ 465,502	\$ 477,197	\$ 446,139	\$ 31,058
Community development:				
Planning and community development:				
Planning	\$ 1,630,920	\$ 1,676,420	\$ 609,415	\$ 1,067,005
Total planning and community development	\$ 1,630,920	\$ 1,676,420	\$ 609,415	\$ 1,067,005
Environmental management:				
Administration	\$ 116,303	\$ 116,303	\$ 122,557	\$ (6,254)
Total environmental management	\$ 116,303	\$ 116,303	\$ 122,557	\$ (6,254)
Cooperative extension program:				
Administration	\$ 42,060	\$ 42,060	\$ 41,029	\$ 1,031
Total cooperative extension program	\$ 42,060	\$ 42,060	\$ 41,029	\$ 1,031
Total community development	\$ 1,789,283	\$ 1,834,783	\$ 773,001	\$ 1,061,782

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Nondepartmental:				
Miscellaneous	\$ 420,063	\$ 423,406	\$ 67,108	\$ 356,298
Total nondepartmental	\$ 420,063	\$ 423,406	\$ 67,108	\$ 356,298
Capital outlay:				
Capital projects	\$ 914,885	\$ 998,616	\$ 429,675	\$ 568,941
Total capital outlay	\$ 914,885	\$ 998,616	\$ 429,675	\$ 568,941
Debt service:				
Principal retirement	\$ 345,366	\$ 345,366	\$ 315,000	\$ 30,366
Interest and other fiscal charges	375,939	375,939	375,939	-
Total debt service	\$ 721,305	\$ 721,305	\$ 690,939	\$ 30,366
Total General Fund	\$ 15,733,963	\$ 15,982,797	\$ 13,383,447	\$ 2,599,350
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 438,600	\$ 438,600	\$ 379,908	\$ 58,692
Purchased services	74,949	64,949	36,036	28,913
Child care	20,412	30,412	21,675	8,737
Total health and welfare	\$ 533,961	\$ 533,961	\$ 437,619	\$ 96,342
Total Virginia Public Assistance Fund	\$ 533,961	\$ 533,961	\$ 437,619	\$ 96,342
CSA Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services	\$ -	\$ -	\$ 146,769	\$ (146,769)
Total CSA Fund	\$ -	\$ -	\$ 146,769	\$ (146,769)
Lodging Tax Marketing & Capital Fund:				
Economic development	\$ 714,000	\$ 1,304,841	\$ 307,676	\$ 997,165
Total Marketing/Capital Fund	\$ 714,000	\$ 1,304,841	\$ 307,676	\$ 997,165
Total Primary Government	\$ 16,981,924	\$ 17,821,599	\$ 14,275,511	\$ 3,546,088
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction	\$ 6,038,036	\$ 6,104,020	\$ 5,951,958	\$ 152,062
Operating costs:				
Administration, attendance and health services	\$ 382,993	\$ 382,993	\$ 380,094	\$ 2,899
Pupil transportation	812,311	864,016	799,045	64,971
Operation and maintenance of school plant	1,707,100	1,746,994	1,700,559	46,435
Total operating costs	\$ 2,902,404	\$ 2,994,003	\$ 2,879,698	\$ 114,305
Total education	\$ 8,940,440	\$ 9,098,023	\$ 8,831,656	\$ 266,367
Total School Operating Fund	\$ 8,940,440	\$ 9,098,023	\$ 8,831,656	\$ 266,367

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (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>
Discretely Presented Component Unit - School Board: (Continued)				
Special revenue fund:				
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 526,972	\$ 526,972	\$ 541,577	\$ (14,605)
Total Cafeteria Fund	<u>\$ 526,972</u>	<u>\$ 526,972</u>	<u>\$ 541,577</u>	<u>\$ (14,605)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 9,467,412</u>	<u>\$ 9,624,995</u>	<u>\$ 9,373,233</u>	<u>\$ 251,762</u>

STATISTICAL TABLES

Statistical Section

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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 - 5

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These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes. 6 - 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 relates to the services the County provides and the activities it performs. 14-17

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 Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 1,108,675
Restricted	2,528,339	-	-	-	-	-	-	100,065	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	10,001,253
Total governmental activities net assets	\$ 10,951,103	\$ 10,013,848	\$ 9,313,671	\$ 8,810,434	\$ 6,696,150	\$ 6,994,080	\$ 7,256,147	\$ 9,340,828	\$ 11,209,993
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	\$ 1,108,675
Restricted	2,528,339	-	-	-	-	-	-	100,065	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	10,001,253
Total primary government net assets	\$ 10,951,103	\$ 10,013,848	\$ 9,313,671	\$ 8,810,434	\$ 6,696,150	\$ 6,994,080	\$ 7,256,147	\$ 9,340,828	\$ 11,209,993

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

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
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	\$ 1,211,724
Judicial administration	273,795	302,653	338,815	361,440	347,080	331,725	329,702	336,921	344,405
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	2,040,286
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	1,064,089
Health and welfare	723,923	632,961	1,228,542	1,045,187	782,304	768,099	797,407	827,199	826,654
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	6,904,010
Parks, recreation and cultural	464,736	481,137	550,337	553,650	498,344	602,237	477,243	465,168	467,408
Community development	427,480	952,375	651,494	831,774	285,774	284,996	271,641	241,827	1,145,116
Nondepartmental	-	-	-	-	45,333	60,783	180,027	281,777	47,199
Interest on long-term debt	49,308	34,253	30,421	104,707	256,604	270,256	412,588	399,090	383,614
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	\$ 14,434,505
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	\$ 14,434,505
Program Revenues									
Governmental activities:									
Charges for services:									
General government administration	\$ 4,767	\$ 16,400	\$ 14,042	\$ 16,479	\$ 17,695	\$ 14,214	\$ 14,629	\$ 18,315	\$ 16,135
Judicial administration	7,865	8,845	11,401	10,708	14,142	17,265	21,222	24,213	17,805
Public safety	54,363	86,606	145,520	143,143	91,746	69,465	77,630	51,081	70,979
Public works	150,210	100,232	86,694	75,961	83,748	73,972	62,381	55,290	60,820
Parks, recreation and cultural	30,497	41,772	34,926	34,265	9,008	8,510	8,208	9,328	9,245
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	1,784,659
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	\$ 1,959,643
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	\$ 1,959,643
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)	\$ (12,474,862)
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)	\$ (12,474,862)
General Revenues and Other Changes in Net Assets									
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	\$ 11,409,502
Local sales and use taxes	842,340	862,771	798,631	872,074	1,078,576	797,508	729,748	687,422	807,325
Restaurant food tax	-	-	-	-	-	-	-	195,557	804,380
Motor vehicle licenses taxes	32,764	33,551	1,711	-	-	70,691	77,576	72,513	72,341
Taxes on recordation and wills	67,103	116,934	109,023	150,329	85,196	69,523	62,594	68,993	91,714
Bank stock taxes	30,888	23,107	36,751	28,777	25,841	25,896	27,963	30,036	32,266
Hotel and motel room taxes	-	279,173	406,100	511,717	451,775	360,138	326,434	707,584	721,982
Other local taxes	1,505	20,197	20,050	21,395	19,478	2,763	306,680	19,695	21,958
Unrestricted grants and contributions	257,082	113,706	465,158	101,623	102,530	333,018	330,014	233,860	231,527
Unrestricted revenues from use of money and property	162,749	185,885	316,023	433,669	289,694	94,642	55,329	57,130	51,966
Miscellaneous	68,056	11,457	11,625	151,207	88,546	229,282	55,889	187,667	99,066
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	\$ 14,344,027
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	\$ 14,344,027
Change in Net Assets									
Governmental activities	\$ 204,484	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165
Total primary government	\$ 204,484	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165

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 Nine Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Restaurant Food Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Hotel and Motel Taxes	Other Local Taxes	Total
2012	\$ 11,409,502	\$ 807,325	\$ 804,380	\$ 72,341	\$ 91,714	\$ 721,982	\$ 54,224	\$ 13,961,468
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				
	2003	2004	2005	2006	2007
General fund					
Reserved	\$ 48,251	\$ 48,251	\$ 48,251	\$ 48,251	\$ 48,251
Unreserved	6,851,908	6,801,456	8,232,393	7,260,245	8,048,086
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 6,900,159</u>	<u>\$ 6,849,707</u>	<u>\$ 8,280,644</u>	<u>\$ 7,308,496</u>	<u>\$ 8,096,337</u>
All other governmental funds					
Committed for:					
Special revenue funds	\$ 13,717	\$ 12,131	\$ 10,347	\$ 2,379	\$ 4,567
Capital projects funds	2,494,628	2,528,339	-	-	-
Total all other governmental funds	<u>\$ 2,508,345</u>	<u>\$ 2,540,470</u>	<u>\$ 10,347</u>	<u>\$ 2,379</u>	<u>\$ 4,567</u>

Note: The County implemented GASB 54 during fiscal year 2011.

Table 4

Fiscal Year				
2008	2009	2010	2011	2012
\$ 48,251	\$ -	\$ -	\$ -	\$ -
4,172,476	4,975,240	5,121,473	-	-
-	-	-	51,150	8,767
-	-	-	100,065	100,065
-	-	-	-	718,561
-	-	-	390,000	533,935
-	-	-	6,450,006	7,542,031
<u>\$ 4,220,727</u>	<u>\$ 4,975,240</u>	<u>\$ 5,121,473</u>	<u>\$ 6,991,221</u>	<u>\$ 8,903,359</u>
\$ 10,927	\$ 7,649	\$ 179,146	\$ 371,089	\$ 419,929
-	-	-	-	-
<u>\$ 10,927</u>	<u>\$ 7,649</u>	<u>\$ 179,146</u>	<u>\$ 371,089</u>	<u>\$ 419,929</u>

County of Bath, Virginia

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
General property taxes	\$ 10,112,970	\$ 9,331,163	\$ 8,594,217	\$ 10,043,202	\$ 8,988,828
Other local taxes	932,578	993,475	1,335,733	1,372,266	1,584,292
Permits, privilege fees and regulatory licenses	43,362	45,459	78,244	135,042	134,976
Fines and forfeitures	241	223	125	44	50
Revenue from use of money and property	232,951	162,749	185,885	316,023	433,669
Charges for services	195,468	202,020	175,486	157,497	145,530
Miscellaneous	113,658	68,056	11,457	11,625	22,930
Recovered costs	-	18,519	46,040	90,419	128,277
Intergovernmental:					
Commonwealth	1,069,228	1,217,490	1,369,196	1,212,859	1,479,756
Federal	298,970	463,973	568,293	352,136	1,099,987
Total revenues	\$ 12,999,426	\$ 12,503,127	\$ 12,364,676	\$ 13,691,113	\$ 14,018,295
Expenditures					
General government administration	\$ 591,514	\$ 680,617	\$ 718,972	\$ 761,839	\$ 797,212
Judicial administration	282,058	281,265	327,412	332,216	361,440
Public safety	1,128,204	1,244,615	1,467,711	1,776,193	1,634,764
Public works	1,352,160	1,143,284	1,204,373	1,301,048	1,891,595
Health and welfare	632,041	662,539	631,892	1,223,866	1,039,709
Education	5,926,077	6,519,485	6,513,855	6,857,731	7,050,754
Parks, recreation and cultural	429,554	465,598	514,141	518,396	550,619
Community development	398,232	427,043	943,988	649,316	834,884
Nondepartmental	26,716	40,481	62,952	36,833	45,484
Capital projects	278,741	578,617	763,048	908,543	3,183,429
Debt service:					
Principal	1,499,325	427,250	280,850	274,250	280,850
Interest and other fiscal charges	140,141	50,660	34,668	30,998	92,526
Total expenditures	\$ 12,684,763	\$ 12,521,454	\$ 13,463,862	\$ 14,671,229	\$ 17,763,266
Excess of revenues over (under) expenditures	\$ 314,663	\$ (18,327)	\$ (1,099,186)	\$ (980,116)	\$ (3,744,971)
Other financing sources (uses)					
Transfers in	\$ 639,012	\$ 126,198	\$ 2,714,381	\$ 250,234	\$ 171,535
Transfers out	(639,012)	(126,198)	(2,714,381)	(250,234)	(171,535)
Issuance of indebtedness	1,071,500	-	-	-	4,535,000
Total other financing sources (uses)	\$ 1,071,500	\$ -	\$ -	\$ -	\$ 4,535,000
Net change in fund balances	\$ 1,386,163	\$ (18,327)	\$ (1,099,186)	\$ (980,116)	\$ 790,029
Debt service as a percentage of noncapital expenditures	13.2151%	4.0016%	2.4842%	2.2179%	2.5609%

Table 5

Fiscal Year				
2008	2009	2010	2011	2012
\$ 8,068,136	\$ 9,820,700	\$ 9,507,978	\$ 11,579,115	\$ 11,342,321
1,660,866	1,345,089	1,530,995	1,781,800	2,551,966
86,019	62,368	68,806	44,109	63,894
38	55	1,108	245	312
289,694	94,642	55,329	57,130	51,966
131,058	121,003	114,156	113,873	110,778
48,759	181,280	155,431	64,507	47,310
58,953	17,455	41,263	123,160	51,756
1,412,926	1,689,706	1,396,191	1,348,968	1,356,016
230,439	408,447	420,888	338,260	660,170
\$ 11,986,888	\$ 13,740,745	\$ 13,292,145	\$ 15,451,167	\$ 16,236,489
\$ 955,323	\$ 879,294	\$ 908,384	\$ 890,821	\$ 892,324
347,080	322,987	326,046	333,562	342,536
1,680,543	2,121,207	1,776,576	1,772,124	1,835,699
1,307,050	1,078,993	1,119,666	1,109,988	1,062,139
775,468	764,271	798,550	830,523	832,665
7,151,033	6,528,980	6,017,182	6,160,206	6,595,610
498,063	580,440	460,647	447,482	446,139
285,774	284,996	268,388	240,380	1,080,677
45,333	59,452	64,038	123,594	67,108
6,374,681	964,911	766,235	372,194	429,675
490,790	8,995,833	63,094	717,189	315,000
-	109,125	405,610	391,413	375,939
\$ 19,911,138	\$ 22,690,489	\$ 12,974,416	\$ 13,389,476	\$ 14,275,511
\$ (7,924,250)	\$ (8,949,744)	\$ 317,729	\$ 2,061,691	\$ 1,960,978
\$ 188,507	\$ 137,257	\$ 159,353	\$ 207,303	\$ 223,460
(188,507)	(137,257)	(159,353)	(207,303)	(223,460)
4,055,000	9,749,230	-	-	-
\$ 4,055,000	\$ 9,749,230	\$ -	\$ -	\$ -
\$ (3,869,250)	\$ 799,486	\$ 317,729	\$ 2,061,691	\$ 1,960,978
3.6257%	41.9089%	3.6125%	8.2797%	4.8400%

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	Recordation and Wills Tax	Hotel and Motel Room Tax	Other Local Taxes	Total
2012	\$ 11,342,321	807,325	\$ 804,380	\$ 72,341	\$ 91,714	\$ 721,982	\$ 54,224	\$ 13,894,287
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

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)
2012	\$ 941,238,956	\$ 57,112,800	\$ 85,900	\$ 1,431,099,852	\$ 2,429,537,508	\$ 959,247,900	98.12%
2011	789,780,227	58,144,700	268,200	1,270,143,889	2,118,337,016	804,584,300	98.16%
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%

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
2012	\$ 0.48	\$ 0.35	\$ 0.48	\$ 0.35
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

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2012		Fiscal Year 2003	
		2011 Assessed Valuation	% of Total Assessed Valuation	2002 Assessed Valuation	% of Total Assessed Valuation
Public Service	Utilities (Power, etc.)	\$ 1,431,099,852	80.755%	\$ 1,552,193,153	74.270%
The Homestead LC	Hotel	103,898,800	5.863%	76,958,700	3.682%
Warm Springs Investment	R.E. Prop. & invst.	63,551,700	3.586%	N.A.	
The Owners Club	Timeshares	23,610,800	1.332%	16,736,700	0.801%
Cambata Industries	Farming; aviation	8,323,500	0.470%	12,111,600	0.580%
Plecker & Son	Construction	2,551,100	0.144%	2,718,400	0.130%
CA Partners	Real Estate Dev.	2,124,700	0.120%	N.A.	
Fort Lewis Lodge	Lodging	4,536,500	0.256%	N.A.	
Virginia Hot Springs Building	Real Estate Dev.	4,588,900	0.259%	N.A.	
Lockridge Enterprises	Real Estate Dev.	1,833,400	0.103%	N.A.	
		<u>\$ 1,646,119,252</u>	<u>92.89%</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
2012	\$ 11,335,319	\$ 11,071,943	97.68%	\$ -	\$ 11,071,943	97.68%
2011	11,327,270	11,123,491	98.20%	126,368	11,249,859	99.32%
2010	9,671,942	9,282,256	95.97%	362,472	9,644,728	99.72%
2009	9,917,942	9,726,824	98.07%	179,326	9,906,150	99.88%
2008	7,987,935	7,880,740	98.66%	105,125	7,985,865	99.97%
2007	8,939,212	8,797,853	98.42%	140,645	8,938,498	99.99%
2006	9,944,394	9,793,315	98.48%	150,570	9,943,885	99.99%
2005	8,522,863	8,479,786	99.49%	43,012	8,522,798	100.00%
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%

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			
2012	\$ -	\$ -	\$ 8,510,000	\$ -	\$ 8,510,000	4.75%	\$ 1,827
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

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2011	\$ 8,510,000	\$ 100,065	\$ 8,409,935	0.35%	\$ 1,806
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>Unemploy- ment Rate</u>
2011	4,657 (2)	179,271,215 (1) \$	38,495	47	658	5.00% (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) 2011 estimate

(3) September 2012 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 2012			Fiscal Year 2003		
	(1) Employees	Rank	% of Total County Employment	(1) Employees	Rank	% of Total County Employment
The Homestead	850	1	39.30%	750	1	43.99%
Bath County Public Schools	146	2	6.75%	175	2	10.26%
Bath County Community Hospital	125	3	5.78%	175	3	10.26%
County of Bath	75	4	3.47%	75	5	4.40%
AFS of Hot Springs, Inc. (Springs Nursing Center)	65	5	3.01%	75	7	4.40%
Dominion Virginia Power	50	6	2.31%	-	-	0.00%
Barc Electrical Co-op	45	7	2.08%	75	6	4.40%
Phantom Eagle LLC	35	8	1.62%	-	-	0.00%
VA Department of Conservation	35	9	1.62%	35	8	2.05%
F. Clayton Plecker & Sons	30	10	1.39%	35	12	2.05%
Totals	<u>1,456</u>		<u>67.31%</u>	<u>1,395</u>		<u>81.82%</u>
Total estimated jobs in County	2,163			1,705		

(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, 7/23/2012, www.vec.virginia.gov (50 Largest Employers in Bath County for fourth quarter 2012 - latest available - and 2003).

VA Workforce Connection, 7/23/2012, 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 2012 and 2003 annual.

County of Bath, Virginia

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

Function	Fiscal Year				
	2003	2004	2005	2006	2007
General government	10	10	10	10	10
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	17	17	17	17	17
911 Administrator	0	0	0	0	0
Building inspections	1	1	2	2	2
Animal control	2	2	2	2	2
Public works					
General maintenance	2	2	2	2	2
Landfill	3	2	2	2	0
Health and welfare					
Department of social services	7	7	7	7	7
Culture and recreation					
Parks and recreation	3	3	3	3	3
Library	2	2	2	2	1
Community development					
Tourism	0	0	0	0	0
Planning	1	1	2	2	2
Totals	<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	2012
10	10	10	11	10
5	5	5	5	5
18	18	17	17	17
1	1	1	1	0
2	2	1	1	1
2	2	2	2	2
2	2	2	2	2
0	0	0	0	0
7	7	7	7	7
3	3	3	3	3
1	2	1	1	1
0	0	0	0	1
2	2	2	2	2
53	54	51	52	51

County of Bath, Virginia

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public safety					
Sheriff's department:					
Physical arrests	129	94	128	92	70
Traffic violations	14	31	23	8	10
Civil papers	1,461	1,529	1,507	1,338	1,210
Building inspections:					
Inspections made	285	597	804	580	374
Permits issued	155	230	213	173	128
Animal control:					
Number of calls answered	575	522	610	646	665
Public works					
Landfill:					
Refuse collected (tons/day) (1)	26.1	26.6	26.1	N/A	N/A
Recycling (tons/day) (1)	4.3	2.3	1.6	N/A	N/A
Health and welfare					
Department of Social Services:					
Caseload	540	571	579	582	560
Culture and recreation					
Parks and recreation:					
After-school program participants	504	932	868	594	n/a
Youth sports participants	540	545	525	500	515
Component Unit - School Board					
Education:					
School age population (2)	912	912	931	931	757
Number of teachers (2)	84	84	85	85	78
Local expenditures per pupil (2)	\$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	2012
94	93	103	62	125
27	53	31	10	12
1,438	1,098	1,105	1,101	1,114
351	641	74	77	118
65	114	99	90	93
669	611	540	547	579
27	20	20	20	20
3	3	5	5	5
596	693	726	775	814
n/a	n/a	n/a	n/a	n/a
599	811	553	523	477
717	692	672	630	635
71	71	70	69	61
\$10,194	\$14,341	\$13,443	\$9,888	\$10,153

County of Bath, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2003	2004	2005	2006	2007
General government					
Administration buildings	4	4	4	4	5
Vehicles	2	2	2	2	2
Public safety					
Sheriff's department:					
Patrol units	11	12	13	13	14
Animal control:					
Vehicles	1	1	1	1	1
Public works					
Vehicles	2	2	2	2	2
Sites	1	1	1	1	1
Culture and recreation					
Parks and recreation:					
Vehicles	1	1	1	1	2
Swimming pools	2	2	2	2	2
Health and welfare					
Buildings	1	1	1	1	1
Community development					
Planning:					
Vehicles	1	1	2	1	1
Component Unit - School Board					
Education:					
Schools	4	4	4	4	4
School buses	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	2012
4	5	5	5	5
1	1	1	1	1
12	12	10	12	12
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
2	2	2	2	3
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
4	4	5	5	4
18	21	19	18	19

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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 8, 2013. 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:

Management of the county of bath, Virginia is responsible for establishing and maintaining effective 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 February 8, 2013.

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, Farmer, Cox Associates

Staunton, Virginia
February 8, 2013

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, 2012. 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, 2012.

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, Farmer, Cox Associates

Staunton, Virginia
February 8, 2013

County of Bath, Virginia

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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	\$ 4,444
Temporary Assistance for Needy Families	93.558	0400110/0400111	48,683
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	89
Low-Income Home Energy Assistance	93.568	0600410/0600411	5,663
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770110	2,246
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	8,434
Stephanie Tubbs Jones Child Welfare Services - State Grants	93.645	0900110/0900111	173
Foster Care - Title IV-E	93.658	1100110/1100111	20,851
Adoption Assistance	93.659	1120110/1120111	4,964
Social Services Block Grant	93.667	100110/100110/1000111	35,982
Chafee Foster Care Independence Program	93.674	9150110/9150111	370
State Children's Health Insurance Program	93.767		1,791
Medical Assistance Program	93.778	8020188/8020288/8020388/80 60188/8130188	<u>51,925</u>
Total Dept. Health & Human Services-pass through			\$ <u>185,615</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	n/a	\$ 18,739
Department of Education:			
Child Nutrition Cluster:			
National school breakfast program	10.553	n/a	48,072
National school lunch program	10.555	n/a	<u>119,806</u>
subtotal			\$ <u>186,617</u>
Schools and Roads - Grants to States	10.665	n/a	152,023
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0010111/0040111	<u>62,796</u>
Total Department of Agriculture			\$ <u>401,436</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228	n/a	\$ <u>332,613</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226	n/a	\$ <u>233,204</u>

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ Royalty Grants	66.000	n/a	\$ <u>687</u>
Department of Education: Pass Through Payments: Department of Education: Title I Cluster: Title I Grants to Local Educational Agencies	84.010	S010A100046	\$ 63,386
ARRA Title I Grants to Local Educational Agencies	84.389	n/a	<u>35,503</u>
Special Education Cluster: Special Education - Grants to States	84.027	H027A100107	151,340
Special Education Preschool Grants	84.173	H173100112	3,938
Career and Technical Education - Basic grants to states	84.048	V048A10046	8,879
Improving Teacher Quality State Grants	84.367	S367A09044	20,948
Rural Education	84.358	S358A092437	12,076
ARRA, State Fiscal Stabilization Funds -Education State Grants	84.394	n/a	<u>80,292</u>
Total Department of Education			\$ <u>376,362</u>
Total Expenditures of Federal Awards			\$ <u><u>1,529,917</u></u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Bath, Virginia under programs of the federal government for the year ended June 30, 2012. 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, 2012

<u>Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity identifying number</u>	<u>Federal Expenditures</u>
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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	\$ 660,170
Total primary government	\$ 660,170

Discretely presented component unit - School Board:

School operating fund	\$ 683,130
School cafeteria fund	186,617
Total discretely presented component unit - School Board	\$ 869,747

Total federal expenditures per basic financial statements	\$ 1,529,917
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Total federal expenditures per the Schedule of Expenditures of Federal awards	\$ 1,529,917
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County of Bath, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I-Summary of Auditors' Results

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 Numbers</i>	<i>Name of Federal Program or Cluster</i>
14.228 Community Development Block Grant
Child Nutrition Cluster:	
10.553 School Breakfast Program
10.555 National School Lunch Program
10.555 Food Distribution

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

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary Schedule of Prior Year Findings

There were no prior year findings.