

COUNTY OF BATH, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

COUNTY OF BATH, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

COUNTY OF BATH, VIRGINIA

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

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bath, Virginia, as of and for the year ended June 30, 2010, 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 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 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 the 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.

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

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

Robinson, Farmer, Cox Associates

Verona, Virginia
December 22, 2010

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, 2010.

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 \$7,256,147. Of this amount, \$5,504,308 is unrestricted (an increase of \$999,573 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 \$1,751,839 invested in capital outlay (a decrease of \$737,506 from the previous fiscal year). The School Board's net assets were \$4,283,079 of which there is an unrestricted deficit in the amount of \$283,683. (See Exhibit 1.)

The Government's net assets increased by \$262,067. The School Board's net assets decreased by \$220,247. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unreserved fund balance for the general fund was \$5,121,473. (See Exhibit 3.) This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2009-10 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,300,619 of which \$5,121,473 is available for spending at the government's discretion (unreserved and unrestricted fund balance). (See Exhibit 3.)

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements separate government activities and business-type activities of the County. The primary sources of funding for government activities are taxes and intergovernmental revenues. Government activities include general government administration, judicial administration, public safety, public works, health and welfare, parks and recreation, cultural, tourism, and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently shows the Bath County Public Service Authority as a component unit that can be classified as a business-type activity.

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

Fund Financial Statements

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 \$7,256,147 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>2010</u>	<u>2009</u>
Current and other assets	\$ 5,947,058	\$ 5,526,045
Capital assets	11,177,569	11,456,329
Total assets	<u>\$ 17,124,627</u>	<u>\$ 16,982,374</u>
Long-term liabilities	\$ 9,718,749	\$ 9,729,837
Other liabilities	149,731	258,457
Total liabilities	<u>\$ 9,868,480</u>	<u>\$ 9,988,294</u>
Net assets		
Invested in capital assets, net of related debt	\$ 1,751,839	\$ 2,489,345
Unrestricted	5,504,308	4,504,735
Total net assets	<u>\$ 7,256,147</u>	<u>\$ 6,994,080</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 24 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 no restricted assets at June 30, 2010.

The remaining balance of unrestricted net assets, which is \$5,504,308 or 76 percent of total net assets, may be used to meet government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report positive balances in all categories of net assets.

The government's net assets increased by \$262,067 during the current fiscal year, compared to an increase of \$346,181 in FY 2009. 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 a level or reduced basis as property tax assessments decreased from the pumped storage public service corporation, a cyclical occurrence between reassessments.

Governmental Activities

Governmental activities increased the County's net assets by \$262,067. Key elements of this increase are as follows:

County of Bath's Changes in Net Assets For the Year Ended June 30, 2010

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 184,070	\$ 183,426
Operating grants & contributions	1,624,870	1,734,588
General revenues:		
General property taxes	9,701,561	9,893,321
Other local taxes	1,530,995	1,345,089
Use of money and property	55,329	94,642
Miscellaneous	58,889	229,282
Grants and contributions not restricted to specific programs	330,014	333,018
Loss on disposal of capital assets	-	(4,015)
Total revenues	<u>\$ 13,485,728</u>	<u>\$ 13,809,351</u>
Expenses:		
General government	\$ 1,721,629	\$ 1,302,532
Judicial administration	329,702	331,725
Public safety	1,850,466	2,233,245
Public works	1,120,874	1,080,364
Health and welfare	797,407	768,099
Education	6,062,084	6,528,980
Parks, recreation and cultural	477,243	602,237
Community development	271,641	284,996
Nondepartmental	180,027	60,736
Interest on long-term debt	412,588	270,256
Total expenses	<u>\$ 13,223,661</u>	<u>\$ 13,463,170</u>
Increase (decrease) in net assets	\$ 262,067	\$ 346,181
Beginning net assets, as adjusted	<u>\$ 6,994,080</u>	<u>\$ 6,647,899</u>
Ending net assets	<u><u>\$ 7,256,147</u></u>	<u><u>\$ 6,994,080</u></u>

- For the most part, expenses were reduced from the prior year but there were increases in expenses related to debt service on public capital projects (such as the high school renovation and the Old Millboro School asbestos mitigation), initiation of the reassessment, increases in the local share of funds allocated to Constitutional Officers as the State reduced its share, increases in State fees (such as solid waste and wastewater permits, contributions to the Department of Forestry and the Health Department), and other local operational cost increases (fuel, health insurance, contracted services).

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 \$5,300,619, an increase of \$317,729 from the prior year. Approximately, 97 percent of this total amount constitutes the unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is earmarked for notes receivable.

The general fund is the chief operating fund of the County. As of June 30, 2010, total fund balance of the general fund was \$5,121,473, of which the total amount was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total general fund expenditures. The unreserved fund balance represents 39 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$5,869,777. Total fund balance represents 40 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$146,233 during the current fiscal year. Key factors in this increase are as follows:

- Actual expenditures decreased to \$12.3 million including \$1.1 million of capital and debt expenses, from the \$22.1 million spent the prior year (which included \$10.1 million of capital and debt service). Actual revenues decreased, from \$13.3 million the prior year to \$12.6 million in FY 2010. While revenues decreased to \$12.6 million, they exceeded expenditures and transfers out by \$146,233.

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 \$9,945,707. 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, 2010.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were \$37,251 more than the original budgeted expenditure appropriations, which is 0.3 percent of the total original budget, and reflects a slight increase in the capital projects, public safety, and health and welfare budgets, balanced against decreases in community development and non-departmental expenditures.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2010 is \$11,177,569 (net of accumulated depreciation and is a decrease of \$278,760 from the previous fiscal year). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. The total net decrease in the County's investment in capital assets for the fiscal year was adjusted to beginning fixed assets and accumulated depreciation balances for governmental activities to reflect the County's capital asset policy of a \$5,000 capitalization threshold.

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 303,240	\$ 303,240
Buildings and improvements	10,323,194	10,545,996
Machinery and equipment	551,135	607,093
Total	<u>\$ 11,177,569</u>	<u>\$ 11,456,329</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, 2010

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Capital leases	\$ 57,187	\$ 90,978
Revenue bonds	9,485,000	9,515,000
OPEB Obligation (Note 10)	53,050	26,100
Compensated absences	123,512	123,859
Total	<u>\$ 9,718,749</u>	<u>\$ 9,755,937</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 2009-10 is 6.0 percent (June 2010), which is fairly stable compared to the rate of 6.2 percent a year ago (June 2009). This compares favorably to the state's average unemployment rate of 7.1 percent (June 2010) and the national average rate of 9.6 percent (June 2010) (data from VA Workforce Connection/on-line sourced from the U.S. Bureau of Labor Statistics).
- Earnings on investments decreased over the last year due to lower rates of interest.
- The sales tax, lodging tax, and bank stock tax fell below expectations as the nationwide economy declined.
- Due to increasing mortgage rates and high turnover values, growth in real estate investments by the average family continued to slow; in addition, developments targeted to those seeking a second home faltered along with the pace of the U.S. economy.
- General property tax revenues decreased due to a decline in the sales to assessment ratio of local property that adversely impacts the amount of general property tax revenue from the County's primary revenue source (public service corporation property tax).
- A real property reassessment was initiated in fiscal year 2009-10, to be completed in 2010-11, which is a requirement of the State Code. It is hoped that the sales to assessment ratio will fall closer to 100 percent and the revenue generated from public service corporations and other real property taxes will offset future operations, capital outlay expenditures, and debt service.

All of these factors were considered in preparing the County's budget for the 2010 fiscal year. Also, the County considered the other government funds, such as the Comprehensive Services Act which has specific requirements for funding services affiliated with these funds. The County has lobbied the General Assembly, along with other localities, to continue to maintain its share of mandated programs.

During fiscal year 2010, the unreserved fund balance in the general fund increased \$146,233 (from \$4,975,240 to \$5,121,473). Appropriations for County funds lapse at fiscal year end. A portion of the fund balance may be used to finance daily operations as a reserve for operating in the general fund for the 2010 budget year; however any proceeds from borrowings are appropriated only to the projects they support.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2010

	Primary Government Governmental Activities	Component Units School Board	Service Authority
ASSETS			
Cash and cash equivalents	\$ 4,727,582	\$ 767,351	\$ 2,751,629
Receivables (net of allowance for uncollectibles):			
Taxes receivable	478,428	-	-
Accounts receivable	112,503	-	84,435
Interest receivable	-	-	2,953
Due from component unit	132,011	-	-
Due from other governmental units	286,302	104,708	-
Inventories	-	24,658	-
Prepaid expenses	-	-	4,971
Restricted assets:			
Cash and cash equivalents	116,457	-	53,242
Other assets:			
Unamortized bond issue costs	93,775	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	303,240	238,282	69,165
Buildings and improvements	10,323,194	3,909,921	-
Machinery and equipment	551,135	418,559	66,264
Utility plant in service	-	-	9,753,131
Construction in progress	-	-	162,505
Total assets	\$ 17,124,627	\$ 5,463,479	\$ 12,948,295
LIABILITIES			
Accounts payable	\$ 124,659	\$ -	\$ 31,387
Accrued payroll	-	732,569	-
Customers' deposits	-	-	17,167
Due to primary government	-	132,011	-
Unearned revenue	25,072	-	2,064,881
Long-term liabilities:			
Due within one year	375,090	-	84,055
Due in more than one year	9,343,659	315,820	805,098
Total liabilities	\$ 9,868,480	\$ 1,180,400	\$ 3,002,588
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,751,839	\$ 4,566,762	\$ 9,171,596
Restricted - reserve fund	-	-	36,075
Unrestricted (deficit)	5,504,308	(283,683)	738,036
Total net assets	\$ 7,256,147	\$ 4,283,079	\$ 9,945,707

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,721,629	\$ 14,629	\$ 193,262	\$ -
Judicial administration	329,702	21,222	210,653	-
Public safety	1,850,466	77,630	684,220	-
Public works	1,120,874	62,381	5,125	-
Health and welfare	797,407	-	420,163	-
Education	6,062,084	-	-	-
Parks, recreation, and cultural	477,243	8,208	-	-
Community development	271,641	-	111,447	-
Nondepartmental	180,027	-	-	-
Interest on long-term debt	412,588	-	-	-
Total governmental activities	<u>\$ 13,223,661</u>	<u>\$ 184,070</u>	<u>\$ 1,624,870</u>	<u>\$ -</u>
COMPONENT UNITS:				
School Board	\$ 9,284,093	\$ 186,949	\$ 2,584,592	\$ 15,524
Service Authority	1,476,189	1,033,072	-	-
Total component units	<u>\$ 10,760,282</u>	<u>\$ 1,220,021</u>	<u>\$ 2,584,592</u>	<u>\$ 15,524</u>
General revenues:				
General property taxes				
Other local taxes				
Local sales and use taxes				
Consumption 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, as adjusted				
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	
\$ (1,513,738)	\$ -	\$ -	
(97,827)	-	-	
(1,088,616)	-	-	
(1,053,368)	-	-	
(377,244)	-	-	
(6,062,084)	-	-	
(469,035)	-	-	
(160,194)	-	-	
(180,027)	-	-	
(412,588)	-	-	
<u>\$ (11,414,721)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (6,497,028)	\$ -	
-	-	(443,117)	
<u>\$ -</u>	<u>\$ (6,497,028)</u>	<u>\$ (443,117)</u>	
\$ 9,701,561	\$ -	\$ -	
729,748	-	-	
18,815	-	-	
77,576	-	-	
62,594	-	-	
27,963	-	-	
326,434	-	-	
287,865	-	-	
55,329	11	96,728	
58,889	22,628	2,981	
330,014	6,254,142	-	
<u>\$ 11,676,788</u>	<u>\$ 6,276,781</u>	<u>\$ 99,709</u>	
\$ 262,067	\$ (220,247)	\$ (343,408)	
6,994,080	4,503,326	10,289,115	
<u>\$ 7,256,147</u>	<u>\$ 4,283,079</u>	<u>\$ 9,945,707</u>	

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FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2010

	General	Virginia Public Assistance	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,584,521	\$ 3,214	\$ 139,847	\$ 4,727,582
Receivables (net of allowance for uncollectibles):				
Taxes receivable	478,428	-	-	478,428
Accounts receivable	82,099	-	30,404	112,503
Due from other funds	35,835	-	-	35,835
Due from primary government			-	-
Due from component unit	132,011	-	-	132,011
Due from other governmental units	244,732	32,621	8,949	286,302
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	116,457	-	-	116,457
Total assets	<u>\$ 5,674,083</u>	<u>\$ 35,835</u>	<u>\$ 179,200</u>	<u>\$ 5,889,118</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 124,605	\$ -	\$ 54	\$ 124,659
Due to other funds	-	35,835	-	35,835
Unearned revenue	428,005	-	-	428,005
Total liabilities	<u>\$ 552,610</u>	<u>\$ 35,835</u>	<u>\$ 54</u>	<u>\$ 588,499</u>
Fund balances:				
Unreserved, reported in:				
Special revenue funds	\$ -	\$ -	\$ 179,146	\$ 179,146
Undesignated	5,121,473	-	-	5,121,473
Total fund balances	<u>\$ 5,121,473</u>	<u>\$ -</u>	<u>\$ 179,146</u>	<u>\$ 5,300,619</u>
Total liabilities and fund balances	<u>\$ 5,674,083</u>	<u>\$ 35,835</u>	<u>\$ 179,200</u>	<u>\$ 5,889,118</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,300,619
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,177,569
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		402,933
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(9,624,974)</u>
Net assets of governmental activities	\$	<u>7,256,147</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, 2010

	General	Virginia Public Assistance	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 9,507,978	\$ -	\$ -	\$ 9,507,978
Other local taxes	1,246,337	-	284,658	1,530,995
Permits, privilege fees, and regulatory licenses	68,806	-	-	68,806
Fines and forfeitures	1,108	-	-	1,108
Revenue from the use of money and property	55,329	-	-	55,329
Charges for services	114,156	-	-	114,156
Miscellaneous	58,771	-	118	58,889
Intergovernmental revenues:				
Commonwealth	1,346,191	136,367	50,000	1,532,558
Federal	188,530	233,796	-	422,326
Total revenues	<u>\$ 12,587,206</u>	<u>\$ 370,163</u>	<u>\$ 334,776</u>	<u>\$ 13,292,145</u>
EXPENDITURES				
Current:				
General government administration	\$ 908,384	\$ -	\$ -	\$ 908,384
Judicial administration	326,046	-	-	326,046
Public safety	1,776,576	-	-	1,776,576
Public works	1,119,666	-	-	1,119,666
Health and welfare	247,134	475,946	75,470	798,550
Education	6,017,182	-	-	6,017,182
Parks, recreation, and cultural	460,647	-	-	460,647
Community development	268,388	-	-	268,388
Nondepartmental	64,038	-	-	64,038
Capital projects	651,640	-	114,595	766,235
Debt service:				
Principal retirement	63,094	-	-	63,094
Interest and other fiscal charges	405,610	-	-	405,610
Total expenditures	<u>\$ 12,308,405</u>	<u>\$ 475,946</u>	<u>\$ 190,065</u>	<u>\$ 12,974,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 278,801</u>	<u>\$ (105,783)</u>	<u>\$ 144,711</u>	<u>\$ 317,729</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 132,568	\$ 26,785	\$ 159,353
Transfers out	(132,568)	(26,785)	-	(159,353)
Total other financing sources (uses)	<u>\$ (132,568)</u>	<u>\$ 105,783</u>	<u>\$ 26,785</u>	<u>\$ -</u>
Net change in fund balances	\$ 146,233	\$ -	\$ 171,496	\$ 317,729
Fund balances - beginning	4,975,240	-	7,650	4,982,890
Fund balances - ending	<u>\$ 5,121,473</u>	<u>\$ -</u>	<u>\$ 179,146</u>	<u>\$ 5,300,619</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, 2010

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

Net change in fund balances - total governmental funds	\$ 317,729
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.	(278,760)
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.	193,584
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.	56,116
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>(26,602)</u>
Change in net assets of governmental activities	<u>\$ 262,067</u>

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, 2010

Note 1—Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The government reports the following major governmental funds:

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

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

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

The *special revenue fund* accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Virginia Public Assistance Fund.

Additionally, the government reports the following fund types:

Special Revenue funds account for the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures. Comprehensive Services Act, Revenue Maximization, and Lodging Tax funds are non-major special revenue funds of the County.

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. There are no fiduciary funds at June 30, 2010.

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

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

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

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

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

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

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 a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Inventory*

Inventory is expensed as it is consumed.

4. *Property Taxes*

Real estate is assessed at its value on July 1 at which time taxes attach June 5th and as an enforceable lien. Real estate taxes are payable in two installments on 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 \$16,961 at June 30, 2010 and is comprised of uncollectible local taxes of the primary government in the amount of \$14,485 and uncollectible water and sewer accounts receivable of the component unit – Service Authority in the amount of \$2,476.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

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

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

6. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. *Restricted assets*

Certain proceeds of the Authority's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The County reports restricted assets of \$116,457 that represent bond proceeds that have not yet been expended as of June 30, 2010.

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 assets' lives are not capitalized.

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

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

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

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

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

9. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Assets. No expenditure is reported for these amounts. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences.

10. *Long-term obligations*

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

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

11. *Fund equity*

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

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, 2010 (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 statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$9,624,974) and (\$315,821) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ (9,485,000)	\$ -
Capital Leases	(57,187)	-
OPEB Obligation	(53,050)	(90,550)
Bond issuance costs	93,775	-
Compensated absences	(123,512)	(225,271)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (9,624,974)</u>	<u>\$ (315,821)</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 (\$278,760) and (\$155,570) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 84,865	\$ 100,927
Depreciation expense	(363,625)	(256,497)
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>\$ (278,760)</u>	<u>\$ (155,570)</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (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 \$56,116 difference in the primary government are as follows:

	<u>Primary Government</u>
Amortization of bond issuance costs	\$ (7,675)
Principal repayments:	
General obligation debt	30,000
Capital Leases	<u>33,791</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>56,116</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 (\$26,602) and (\$22,263) 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	\$ (26,950)	\$ (35,550)
Compensated absences	<u>348</u>	<u>13,287</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>(26,602)</u>	\$ <u>(22,263)</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (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, 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, Special Revenue Funds (except the School fund), and the General Capital Projects Funds. 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 budget data presented in the accompanying financial statements is the revised budget as of June 30.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2010, the following departments incurred expenditures exceeding appropriations:

<u>Fund</u>	<u>Function</u>	<u>Department</u>	<u>Excess of Expenditures over Appropriations</u>
General	Public Safety	Sheriff	\$ 5,369
CSA	Health and welfare	Comprehensive services	<u>75,470</u>
Total All Funds			\$ <u>80,839</u>

The County does not budget for the Sheriff's bank account and CSA expenditures exceeded the County appropriation due to access funds required for program participants.

C. Deficit fund equity

At June 30, 2010, there were no funds with deficit fund equity.

Note 4--Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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).

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

Note 4--Deposits and Investments: (Continued)

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, 2010 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.

Locality's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>				
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
External Investment Pool:					
Local Government Investment Pool	\$ <u>1,530,657</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

External Investment Pool

The fair value of the positions in the Local Government Investment Pool (LGIP) are 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.

COUNTY OF BATH, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)**

Note 5—Due From Other Governmental Units:

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

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 97,230
Local sales taxes	115,530	-
Communications tax	20,398	-
Mobile home tax	5,774	-
Rolling stock	9,109	-
Jury duty claims reimbursement	210	-
Recordation tax	3,697	-
DMV license agent fee	1,529	-
Public assistance and welfare administration	12,055	-
Comprehensive Services Act funds	8,949	-
E-911 mapping	6,338	-
Commonwealth attorney	5,870	-
Clerk of circuit court	11,771	-
Treasurer	7,058	-
Commissioner of revenue	7,570	-
Sheriff	44,128	-
Federal Government:		
CDBG planning grant	5,750	-
Public assistance and welfare administration	20,566	-
School cafeteria	-	7,478
Total	\$ <u>286,302</u>	\$ <u>104,708</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

Note 6—Interfund Obligations:

The following balances represent amounts due between funds at June 30, 2010:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 35,835	\$ -	\$ -	\$ 132,011
VPA Fund	-	35,835	-	-
Total	<u>\$ 35,835</u>	<u>\$ 35,835</u>	<u>\$ -</u>	<u>\$ 132,011</u>
Component Unit-School Board:				
School Fund	\$ -	\$ -	\$ 132,011	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,011</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, 2010 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 132,568
Virginia Public Assistance Fund	132,568	26,785
CSA Fund	26,785	-
Total	<u>\$ 159,353</u>	<u>\$ 159,353</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, 2010 (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, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Capital leases	\$ 90,978	\$ -	\$ 33,791	\$ 57,187
Revenue bonds	9,515,000	-	30,000	9,485,000
OPEB Obligation (Note 10)	26,100	26,950	-	53,050
Compensated absences	123,859	-	347	123,512
Total Long-Term Liabilities	<u>\$ 9,755,937</u>	<u>\$ 26,950</u>	<u>\$ 64,138</u>	<u>\$ 9,718,749</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 through December 1, 2023, plus monthly interest at 4.2%	\$ 9,125,000	\$ 300,000
\$390,000 20089 Series Public Improvement Note, issued May 21, 2009, due in annual installments of \$30,000 to \$40,000 through May 1, 2019, monthly interest at 4.2%	360,000	40,000
Capital leases:		
\$46,575 capital lease, issued September 29, 2008, payable in monthly installments of \$847, at 3.5% interest beginning November 2008 and ending October 2013	31,315	9,218
\$77,655 capital lease, issued September 9, 2008, payable in annual installments of \$26,894, at 3.95% interest beginning September 2008 and ending September 2010	25,872	25,872
Other Obligations:		
OPEB Obligation	53,050	
Compensated absences (payable from General Fund)	123,512	-
Total long-term obligations	<u>\$ 9,718,749</u>	<u>\$ 375,090</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

Note 8—Long-Term Liabilities: (continued)

Primary Government-Governmental Activity Indebtedness: (continued)

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

Years Ending June 30,	Governmental Activities			
	Capital Leases		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2011	35,090	1,971	340,000	385,639
2012	9,546	621	355,000	371,909
2013	9,886	282	370,000	357,336
2014	2,665	16	390,000	341,936
2015	-	-	405,000	325,930
2016	-	-	425,000	309,303
2017	-	-	440,000	291,780
2018	-	-	460,000	273,442
2019	-	-	485,000	254,232
2020	-	-	465,000	234,332
2021	-	-	485,000	214,163
2022	-	-	510,000	192,983
2023	-	-	535,000	170,818
2024	-	-	3,820,000	67,247
Total	\$ 57,187	\$ 2,890	\$ 9,485,000	\$ 3,791,050

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, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Revenue bonds	\$ 963,375	\$ -	\$ 83,906	\$ 879,469
Compensated absences	10,901	-	1,217	9,684
Total Long-Term Liabilities	\$ 974,276	\$ -	\$ 85,123	\$ 889,153

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

Note 8—Long-Term Liabilities: (continued)

Discretely Presented Component Unit-Service Authority: (continued)

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

Fiscal Year	Revenue Bonds	
	Principal	Interest
2011	\$ 84,055	\$ 9,142
2012	47,722	7,403
2013	48,526	6,599
2014	49,354	5,771
2015	50,207	4,918
2016	51,085	4,040
2017	51,991	3,134
2018	52,923	2,202
2019	53,884	1,241
2020	37,769	-
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	13,793	-
Total	\$ <u>879,469</u>	\$ <u>44,701</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (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:		
\$682,800 Farmer's Home Administration Water Revenue bond issued June 22, 1988 payable in monthly installments of \$3,353 including principal and interest at 5% through 2028.	\$ 37,113	\$ 37,113
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.	563,196	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>279,160</u>	<u>25,807</u>
Total Revenue Bonds	<u>\$ 879,469</u>	<u>\$ 84,055</u>
Compensated absences (payable from Component Unit Service Authority)	<u>\$ 9,684</u>	<u>\$ -</u>
Total Service Authority Debt	<u>\$ 889,153</u>	<u>\$ 84,055</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, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Compensated absences	\$ 238,558	\$ -	\$ 13,288	\$ 225,270
OPEB Obligation	55,000	35,550	-	90,550
Total Long-Term Liabilities	<u>\$ 293,558</u>	<u>\$ 35,550</u>	<u>\$ 13,288</u>	<u>\$ 315,820</u>
Accrued compensated absences (payable from School Fund)			<u>\$ 225,270</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 employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from our web site at <http://www.varetire.org/PDF/Publications/2009-Annual-Report.pdf> or obtained 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 annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County is 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 2010 were 6.38% and 5.39%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$251,839, \$365,758, and \$464,292, to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009 and 2008. The contribution rate for 2010 was 8.81% of covered payroll for July 2009 through March 2010 and 0.00% for April through June 2010.

C. Annual Pension Cost

For fiscal year 2010, the County's annual pension cost of \$145,654 was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the board's non-professional employees was \$37,741 which was equal to the Board's required and actual contributions.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (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, 2008	\$ 82,540	100.00%	\$ -
June 30, 2009	148,178	100.00%	-
June 30, 2010	145,654	100.00%	-
School Board Non-Professional			
June 30, 2008	\$ 49,623	100.00%	\$ -
June 30, 2009	41,852	100.00%	-
June 30, 2010	37,741	100.00%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the County School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date, the County's plan was 90.44% funded. The actuarial accrued liability for benefits was \$9,951,451, and the actuarial value of assets was \$9,000,405, resulting in an unfunded actuarial accrued liability (UAAL) of \$951,046. The covered payroll (annual payroll of active employees covered by the plan) was \$2,306,229, and ratio of the UAAL to the covered payroll was 41.24%.

As of June 30, 2009, the most recent actuarial valuation date, the County School Board's plan was 93.26% funded. The actuarial accrued liability for benefits was \$3,407,079 and the actuarial value of assets was \$3,177,329, resulting in an unfunded actuarial accrued liability (UAAL) of \$229,750. The covered payroll (annual payroll of active employees covered by the plan) was \$787,708, and ratio of the UAAL to the covered payroll was 29.17%.

The schedule of funding progress, presented as Required Supplementary Information following the note to the financial statements presents multiyear trend information about whether the actuarial value of the 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, 2010 (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's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

County and School Board retiree health insurance plan:

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB Cost and Annual OPEB Net Obligation

The County and School Board's annual other post-employment benefits cost is calculated based on the annual required contribution (ARC) of the employers. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table 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, 2010 (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)	\$ 56,315	\$ 74,285
Interest on OPEB Obligation	1,380	1,820
Adjustment to ARC	(1,466)	(1,934)
Annual OPEB Cost	\$ 56,229	\$ 74,171
Estimated Contributions Made During FY10	(29,278)	(38,622)
Increase in Net OPEB Obligation	\$ 26,951	\$ 35,549
Net OPEB Obligation - beginning of year	26,100	55,000
Net OPEB Obligation - end of year	\$ <u>53,051</u>	\$ <u>90,549</u>

Annual OPEB Cost

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
June 30, 2010	\$ 56,229	52%	\$ 53,050
June 30, 2009	32,000	18%	26,100
School Board:			
June 30, 2010	\$ 74,171	52%	\$ 90,550
June 30, 2009	92,100	40%	55,000

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010 is as follows:

	County:	School Board:
Actuarial accrued liability (AAL)	\$ 244,181	\$ 941,119
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	\$ 244,181	\$ 941,119
Funded ratio (actuarial value of plan assets/AAL)	0%	0%

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.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

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

E. Actuarial Methods and Assumptions:

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

Cost Method

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

Actuarial Assumptions

Discount rate	4%
Annual amortization increase rate	2.5%

School Board VRS Health Insurance Credit Program :

Non-professional plan:

A. Plan Description

In September 2009, the School Board began participating in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

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.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

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

School Board VRS Health Insurance Credit Program Non-professional plan (Continued):

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 2010 was 1.19% of annual covered payroll. Because this is the initial year of participation, an actuarial valuation is not available for the non-professional VRS Health Insurance Credit plan.

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 2010, the School Board's contribution of \$7,643 was equal to the ARC and OPEB cost. The School Boards annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 7,643	100%	\$ -

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 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$29,735, \$44,837, and \$52,289, respectively and equaled the required contributions for each year.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

Note 11—Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue of the Primary Government and the Component Unit Service Authority totaling \$25,072 and \$2,064,881, respectively, is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010, but paid in advance by taxpayers totaled \$25,072 at June 30, 2010.

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 \$1,910,122 from WSIC.

Prepaid Development Fees – Development fees prepaid to the Bath County Public Service Authority by the WSIC totaled \$154,759 at June 30, 2010.

Note 12—Capital Assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

Governmental activities:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 303,240	\$ -	\$ -	\$ 303,240
Total capital assets not being depreciated	\$ 303,240	\$ -	\$ -	\$ 303,240
Capital assets being depreciated:				
Buildings and improvements	\$ 12,196,043	\$ 54,865	\$ -	\$ 12,250,908
Machinery and equipment	1,262,671	30,000	(18,197)	1,274,474
Total capital assets being depreciated	\$ 13,458,714	\$ 84,865	\$ (18,197)	\$ 13,525,382
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,650,047)	\$ (277,667)	\$ -	\$ (1,927,714)
Machinery and equipment	(655,578)	(85,958)	18,197	(723,339)
Total accumulated depreciation	\$ (2,305,625)	\$ (363,625)	\$ 18,197	\$ (2,651,053)
Capital assets being depreciated, net	\$ 11,153,089	\$ (278,760)	\$ -	\$ 10,874,329
Net capital assets	\$ 11,456,329	\$ (278,760)	\$ -	\$ 11,177,569

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

Note 12—Capital Assets:

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

Governmental activities:	
General government	\$ 281,544
Judicial administration	1,333
Public safety	66,195
Parks, recreation, cultural	14,553
Total depreciation expense -governmental activities	<u>\$ 363,625</u>

Discretely Presented Component Units:

Component Unit School Board:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land and land improvements	\$ 238,282	\$ -	\$ -	\$ 238,282
Total capital assets not being depreciated	<u>\$ 238,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,282</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 12,494,411	\$ -	\$ -	\$ 12,494,411
Machinery and equipment	1,290,475	100,925	-	1,391,400
Total capital assets being depreciated	<u>\$ 13,784,886</u>	<u>\$ 100,925</u>	<u>\$ -</u>	<u>\$ 13,885,811</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (8,441,033)	\$ (143,457)	\$ -	\$ (8,584,490)
Machinery and equipment	(859,801)	(113,040)	-	(972,841)
Total accumulated depreciation	<u>\$ (9,300,834)</u>	<u>\$ (256,497)</u>	<u>\$ -</u>	<u>\$ (9,557,331)</u>
Capital assets being depreciated, net	<u>\$ 4,484,052</u>	<u>\$ (155,572)</u>	<u>\$ -</u>	<u>\$ 4,328,480</u>
Net capital assets	<u>\$ 4,722,334</u>	<u>\$ (155,572)</u>	<u>\$ -</u>	<u>\$ 4,566,762</u>

Depreciation expense allocated to
education

\$ 256,497

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (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, 2010 was as follows:

	Balance July 1, 2009,	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 69,165	\$ -	\$ -	\$ 69,165
Construction in progress	131,965	30,540	-	162,505
Total capital assets not being depreciated	\$ 201,130	\$ 30,540	\$ -	\$ 231,670
Capital assets being depreciated:				
Water System	\$ 9,402,028	\$ 13,590	\$ -	\$ 9,415,618
Sewer System	10,235,891	420	-	10,236,311
Equipment	280,298	28,100	-	308,398
Total capital assets being depreciated	\$ 19,918,217	\$ 42,110	\$ -	\$ 19,960,327
Less: Accumulated depreciation for:				
Water System	\$ (3,354,495)	\$ (243,260)	\$ -	\$ (3,597,755)
Sewer System	(6,015,027)	(260,077)	-	(6,275,104)
Equipment	(257,583)	(10,490)	-	(268,073)
Total accumulated depreciation	\$ (9,627,105)	\$ (513,827)	\$ -	\$ (10,140,932)
Capital assets being depreciated, net	\$ 10,291,112	\$ (471,717)	\$ -	\$ 9,819,395
Net capital assets	\$ 10,492,242	\$ (441,177)	\$ -	\$ 10,051,065

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, 2010 (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, 2010, 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
Mary Susan Blankenship, Treasurer	500,000
Leta Norfleet, Commissioner of the Revenue	3,000
Larry Norfleet, Sheriff	5,000
Jon R. Trees, Supervisor	1,000
Percy C. Nowlin, III, Supervisor	1,000
Stuart L. Hall, Supervisor	1,000
Richard B. Byrd, Supervisor	1,000
Carol Hardbarger, Supervisor	1,000
All County employees; blanket bond	175,000
Virginia School Board Association Property and Casualty Pool:	
Sue Hirsh, Superintendent of Schools	10,000
Justin S. Rider, Finance Director	10,000
All School Board employees; blanket bond	250,000
Virginia Municipal League	
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, 2010 (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—Prior Period Adjustment

A prior period adjustment to the beginning net assets of the component unit service authority was required. Net assets were reduced to reflect a liability for unearned revenue for prepaid capital improvement and development fees. Revenue from WSIC (see Note 11) was received in fiscal 2009, but this amount should have been recorded as unearned revenue. Capital assets were adjusted for a water construction project that was completed prior to fiscal 2010, but had not been transferred from construction in progress to water systems and depreciated upon completion in 2008.

		<u>Component Unit</u>
		<u>Bath County</u>
		<u>Service Authority</u>
Net assets as originally reported, July 1, 2009	\$	10,478,753
Adjustment to unearned revenue		(162,070)
Adjustment to accumulated depreciation		(27,568)
Net assets as adjusted, July 1, 2009	\$	<u>10,289,115</u>

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, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 9,385,976	\$ 9,385,976	\$ 9,507,978	\$ 122,002
Other local taxes	1,415,756	1,415,756	1,246,337	(169,419)
Permits, privilege fees, and regulatory licenses	48,100	48,100	68,806	20,706
Fines and forfeitures	50	826	1,108	282
Revenue from the use of money and property	69,300	69,300	55,329	(13,971)
Charges for services	115,098	115,098	114,156	(942)
Miscellaneous	22,000	26,780	58,771	31,991
Intergovernmental revenues:				
Commonwealth	1,363,025	1,286,622	1,346,191	59,569
Federal	143,560	172,760	188,530	15,770
Total revenues	<u>\$ 12,562,865</u>	<u>\$ 12,521,218</u>	<u>\$ 12,587,206</u>	<u>\$ 65,988</u>
EXPENDITURES				
Current:				
General government administration	\$ 980,655	\$ 951,364	\$ 908,384	\$ 42,980
Judicial administration	344,835	339,371	326,046	13,325
Public safety	1,837,392	1,858,159	1,776,576	81,583
Public works	1,176,451	1,175,043	1,119,666	55,377
Health and welfare	168,856	171,463	247,134	(75,671)
Education	6,260,964	6,260,964	6,017,182	243,782
Parks, recreation, and cultural	497,798	497,798	460,647	37,151
Community development	340,137	316,387	268,388	47,999
Nondepartmental	183,169	109,858	64,038	45,820
Capital projects	1,226,894	1,373,995	651,640	722,355
Debt service:				
Principal retirement	63,094	63,094	63,094	-
Interest and other fiscal charges	405,610	405,610	405,610	-
Total expenditures	<u>\$ 13,485,855</u>	<u>\$ 13,523,106</u>	<u>\$ 12,308,405</u>	<u>\$ 1,214,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (922,990)</u>	<u>\$ (1,001,888)</u>	<u>\$ 278,801</u>	<u>\$ 1,280,689</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (250,642)</u>	<u>\$ (250,644)</u>	<u>\$ (132,568)</u>	<u>\$ 118,076</u>
Total other financing sources and uses	<u>\$ (250,642)</u>	<u>\$ (250,644)</u>	<u>\$ (132,568)</u>	<u>\$ 118,076</u>
Net change in fund balances	\$ (1,173,632)	\$ (1,252,532)	\$ 146,233	\$ 1,398,765
Fund balances - beginning	1,173,632	1,252,532	4,975,240	3,722,708
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,121,473</u>	<u>\$ 5,121,473</u>

Special Revenue Fund - VPA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Miscellaneous	\$ 36,560	\$ 36,560	\$ -	\$ (36,560)
Commonwealth	291,323	291,323	136,367	(154,956)
Federal	46,887	46,887	233,796	186,909
Total revenues	<u>\$ 374,770</u>	<u>\$ 374,770</u>	<u>\$ 370,163</u>	<u>\$ (4,607)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 523,548	\$ 523,548	\$ 475,946	\$ 47,602
Total expenditures	<u>\$ 523,548</u>	<u>\$ 523,548</u>	<u>\$ 475,946</u>	<u>\$ 47,602</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (148,778)</u>	<u>\$ (148,778)</u>	<u>\$ (105,783)</u>	<u>\$ 42,995</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 191,436	\$ 191,436	\$ 132,568	\$ (58,868)
Transfers out	(42,658)	(42,658)	(26,785)	15,873
Total other financing sources and uses	<u>\$ 148,778</u>	<u>\$ 148,778</u>	<u>\$ 105,783</u>	<u>\$ (42,995)</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, 2010

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)
06/30/09 \$	9,000,405	\$ 9,951,451	\$ 951,046	90.44% \$	2,306,229	41.24%
06/30/08	8,805,416	9,770,308	964,892	90.12%	2,300,264	41.95%
06/30/07	7,948,383	7,847,724	(100,659)	101.28%	2,088,941	-4.82%
06/30/06	7,021,585	7,180,487	158,902	97.79%	2,011,107	7.90%
06/30/05	6,554,332	6,830,004	275,672	95.96%	1,920,821	14.35%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) %	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)
06/30/09 \$	3,177,329	\$ 3,407,079	\$ 229,750	93.26% \$	787,708	29.17%
06/30/08	3,146,690	3,235,741	89,051	97.25%	765,443	11.63%
06/30/07	2,864,971	2,996,970	131,999	95.60%	817,388	16.15%
06/30/06	2,513,611	2,779,031	265,420	90.45%	845,704	31.38%
06/30/05	2,358,269	2,679,323	321,054	88.02%	755,235	42.51%

Other Post-Employment Benefits Program
 Schedule of Pension Funding Progress
 As of June 30, 2010

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)
06/30/09	\$ -	\$ 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)
06/30/09	\$ -	\$ 941,119	\$ 941,119	0.00%	n/a	n/a
06/30/08	-	877,600	877,600	0.00%	n/a	n/a

OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2010

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Tax	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 134	\$ 139,713	\$ 139,847
Receivables (net of allowance				
Accounts receivable	-	-	30,404	30,404
Due from other governmental units	8,949	-	-	8,949
Total assets	<u>\$ 8,949</u>	<u>\$ 134</u>	<u>\$ 170,117</u>	<u>\$ 179,200</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 54	\$ 54
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 54</u>
Fund balances:				
Unreserved:				
Undesignated	\$ 8,949	\$ 134	\$ 170,063	\$ 179,146
Total fund balances	<u>\$ 8,949</u>	<u>\$ 134</u>	<u>\$ 170,063</u>	<u>\$ 179,146</u>
Total liabilities and fund balances	<u>\$ 8,949</u>	<u>\$ 134</u>	<u>\$ 170,117</u>	<u>\$ 179,200</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2010

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Fund	Total
REVENUES				
Other local taxes	\$ -	\$ -	\$ 284,658	284,658
Miscellaneous	118	-	-	118
Intergovernmental revenues:				
Commonwealth	50,000	-	-	50,000
Total revenues	<u>\$ 50,118</u>	<u>\$ -</u>	<u>\$ 284,658</u>	<u>\$ 334,776</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 75,470	\$ -	\$ -	75,470
Capital projects	-	-	114,595	114,595
Total expenditures	<u>75,470</u>	<u>-</u>	<u>114,595</u>	<u>190,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,352)</u>	<u>\$ -</u>	<u>\$ 170,063</u>	<u>\$ 144,711</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 26,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,785</u>
Net change in fund balances	\$ 1,433	\$ -	\$ 170,063	\$ 171,496
Fund balances - beginning	7,516	134	-	7,650
Fund balances - ending	<u><u>\$ 8,949</u></u>	<u><u>\$ 134</u></u>	<u><u>\$ 170,063</u></u>	<u><u>\$ 179,146</u></u>

County of Bath, Virginia

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	CSA Fund				Revenue Maximization Fund		
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual
	Original	Final			Original	Final	
REVENUES							
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	118	118	-	-	-
Intergovernmental revenues:							
Commonwealth	-	-	50,000	50,000	-	-	-
Total revenues	\$ -	\$ -	\$ 50,118	\$ 50,118	\$ -	\$ -	\$ -
EXPENDITURES							
Current:							
Health and welfare	\$ -	\$ -	\$ 75,470	\$ (75,470)	\$ -	\$ -	\$ -
Capital projects	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 75,470	\$ (75,470)	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (25,352)	\$ (25,352)	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ -	\$ 26,785	\$ 26,785	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 1,433	\$ 1,433	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	7,516	7,516	-	-	134
Fund balances - ending	\$ -	\$ -	\$ 8,949	\$ 8,949	\$ -	\$ -	\$ 134

Combining Schedule of Revenues, Expenditures
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2010

	Lodging Tax -Marketing/Capital Fund				
	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
Other local taxes	\$ -	\$ 385,000	\$ 385,000	\$ 284,658	\$ (100,342)
Miscellaneous	-	-	-	-	-
Intergovernmental revenues:					
Commonwealth	-	-	-	-	-
Total revenues	\$ -	\$ 385,000	\$ 385,000	\$ 284,658	\$ (100,342)
EXPENDITURES					
Current:					
Health and welfare	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects	-	385,000	385,000	114,595	270,405
Total expenditures	\$ -	\$ 385,000	\$ 385,000	\$ 114,595	\$ 270,405
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ 170,063	\$ 170,063
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ 170,063	\$ 170,063
Fund balances - beginning	134	-	-	-	-
Fund balances - ending	\$ 134	\$ -	\$ -	\$ 170,063	\$ 170,063

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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, 2010

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 693,142	\$ 74,209	\$ 767,351
Due from other governmental units	97,230	7,478	104,708
Inventories	-	24,658	24,658
Total assets	<u>\$ 790,372</u>	<u>\$ 106,345</u>	<u>\$ 896,717</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued payroll	\$ 693,142	\$ 39,427	\$ 732,569
Due to primary government	97,230	34,781	132,011
Total liabilities	<u>\$ 790,372</u>	<u>\$ 74,208</u>	<u>\$ 864,580</u>
Fund balances:			
Unreserved:			
Undesignated	\$ -	\$ 32,137	\$ 32,137
Total fund balances	\$ -	\$ 32,137	\$ 32,137
Total liabilities and fund balances	<u>\$ 790,372</u>	<u>\$ 106,345</u>	<u>\$ 896,717</u>

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

Total fund balances per above	\$ 32,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,566,762
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(315,820)</u>
Net assets of governmental activities	<u>\$ 4,283,079</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, 2010

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 11	\$ 11
Charges for services	7,700	179,249	186,949
Miscellaneous	22,628	-	22,628
Intergovernmental revenues:			
Local government	5,869,777	143,656	6,013,433
Commonwealth	1,680,603	4,269	1,684,872
Federal	961,120	149,931	1,111,051
Total revenues	<u>\$ 8,541,828</u>	<u>\$ 477,116</u>	<u>\$ 9,018,944</u>
EXPENDITURES			
Current:			
Education	\$ 8,541,828	\$ 519,530	\$ 9,061,358
Total expenditures	<u>\$ 8,541,828</u>	<u>\$ 519,530</u>	<u>\$ 9,061,358</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (42,414)	\$ (42,414)
Net change in fund balances	\$ -	\$ (42,414)	\$ (42,414)
Fund balances - beginning	-	74,551	74,551
Fund balances - ending	<u>\$ -</u>	<u>\$ 32,137</u>	<u>\$ 32,137</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	\$ (42,414)
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.	(155,570)
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.	(22,263)
Change in net assets of governmental activities	<u>\$ (220,247)</u>

County of Bath, Virginia

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	6,800	6,800	7,700	900
Miscellaneous	14,755	14,755	22,628	7,873
Intergovernmental revenues:				
Local government	6,652,958	6,575,229	5,869,777	(705,452)
Commonwealth	1,745,892	1,745,892	1,680,603	(65,289)
Federal	639,725	639,725	961,120	321,395
Total revenues	\$ 9,060,130	\$ 8,982,401	\$ 8,541,828	\$ (440,573)
EXPENDITURES				
Current:				
Education	\$ 8,800,324	\$ 8,800,324	\$ 8,541,828	\$ 258,496
Total expenditures	\$ 8,800,324	\$ 8,800,324	\$ 8,541,828	\$ 258,496
Excess (deficiency) of revenues over (under) expenditures	\$ 259,806	\$ 182,077	\$ -	\$ (182,077)
Net change in fund balances	\$ 259,806	\$ 182,077	\$ -	\$ (182,077)
Fund balances - beginning	(259,806)	(182,077)	-	182,077
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Exhibit 16

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ 11	\$ 11
180,000	180,000	179,249	(751)
-	-	-	-
286,734	286,734	143,656	(143,078)
4,225	4,225	4,269	44
90,500	90,500	149,931	59,431
\$ 561,459	\$ 561,459	\$ 477,116	\$ (84,343)
\$ 536,033	\$ 536,033	\$ 519,530	\$ 16,503
\$ 536,033	\$ 536,033	\$ 519,530	\$ 16,503
\$ 25,426	\$ 25,426	\$ (42,414)	\$ (67,840)
\$ 25,426	\$ 25,426	\$ (42,414)	\$ (67,840)
(25,426)	(25,426)	74,551	99,977
\$ -	\$ -	\$ 32,137	\$ 32,137

Statement of Fund Net Assets
Discretely Presented Component Unit - Service Authority
June 30, 2010

	Component Unit Service Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,751,629
Interest receivable	2,953
Accounts receivable, net of allowances for uncollectibles	84,435
Prepaid expenses	4,971
Total current assets	<u>\$ 2,843,988</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (restricted for debt service)	\$ 36,075
Cash and cash equivalents (restricted for security deposits)	17,167
Total restricted assets	<u>\$ 53,242</u>
Capital assets:	
Land and land rights	\$ 69,165
Machinery and equipment	308,398
Utility plant in service	19,651,929
Construction in progress	162,505
Less accumulated depreciation	<u>(10,140,932)</u>
Total capital assets	<u>\$ 10,051,065</u>
Total noncurrent assets	<u>\$ 10,104,307</u>
Total assets	<u>\$ 12,948,295</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 31,387
Customer deposits payable	17,167
Deferred revenue	2,064,881
Bonds payable - current portion	84,055
Total current liabilities	<u>\$ 2,197,490</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 795,414
Compensated absences	9,684
Total noncurrent liabilities	<u>\$ 805,098</u>
Total liabilities	<u>\$ 3,002,588</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 9,171,596
Restricted - reserve fund	36,075
Unrestricted	738,036
Total net assets	<u><u>\$ 9,945,707</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Service Authority
For the Year Ended June 30, 2010

	<u>Component Unit Service Authority</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 680,285
Sewer revenues	325,444
Late fees	27,343
Miscellaneous	2,981
Total operating revenues	<u>\$ 1,036,053</u>
OPERATING EXPENSES	
Payroll and related benefits	\$ 475,729
Water	39,140
Sewer	131,485
Administration	39,867
Laboratory and engineering	15,727
Maintenance	22,848
Utilities and transportation	205,609
Insurance claims and premiums	20,502
Depreciation	513,827
Total operating expenses	<u>\$ 1,464,734</u>
Operating income (loss)	<u>\$ (428,681)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	\$ 96,728
Interest expense	<u>(11,455)</u>
Total nonoperating revenues (expenses)	<u>\$ 85,273</u>
Income before contributions and transfers	<u>\$ (343,408)</u>
Change in net assets	<u>\$ (343,408)</u>
Total net assets - beginning, as adjusted	<u>\$ 10,289,115</u>
Total net assets - ending	<u><u>\$ 9,945,707</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Service Authority
For the Year Ended June 30, 2010

	Component Unit Service Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,030,095
Payments to suppliers	(477,099)
Payments to employees	(476,946)
Other receipts (payments)	2,981
Net cash provided by (used in) operating activities	<u>\$ 79,031</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (63,663)
Principal payments on bonds	(83,906)
Deferred Development Fees	202,615
Interest payments	(11,455)
Net cash provided by (used in) capital and related financing activities	<u>\$ 43,591</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 96,782
Net cash provided by (used in) investing activities	<u>\$ 96,782</u>
Net increase (decrease) in cash and cash equivalents	\$ 219,404
Cash and cash equivalents - beginning - including restricted	\$ 2,585,467
Cash and cash equivalents - ending - including restricted	<u><u>\$ 2,804,871</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (428,681)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	\$ 513,827
(Increase) decrease in accounts receivable	(5,191)
(Increase) decrease in prepaid expenses	(4,971)
Increase (decrease) in customer deposits	2,214
Increase (decrease) in accounts payable	12,037
Increase (decrease) in amounts payable related to equipment purchases	(8,987)
Increase (decrease) compensated absences	(1,217)
Total adjustments	<u>\$ 507,712</u>
Net cash provided by (used in) operating activities	<u><u>\$ 79,031</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,947,566	\$ 3,947,566	\$ 3,955,919	\$ 8,353
Real and personal public service corporation taxes	5,338,454	5,338,454	5,355,803	17,349
Personal property taxes	78,264	78,264	162,816	84,552
Mobile home taxes	9,692	9,692	-	(9,692)
Penalties	10,000	10,000	25,160	15,160
Interest	2,000	2,000	8,280	6,280
Total general property taxes	<u>\$ 9,385,976</u>	<u>\$ 9,385,976</u>	<u>\$ 9,507,978</u>	<u>\$ 122,002</u>
Other local taxes:				
Local sales and use taxes	\$ 891,426	\$ 891,426	\$ 729,748	\$ (161,678)
Consumption tax	19,000	19,000	18,815	(185)
Mixed beverage license taxes	1,304	1,304	3,207	1,903
Motor vehicle license taxes	71,605	71,605	77,576	5,971
Bank stock taxes	15,000	15,000	27,963	12,963
Taxes on recordation and wills	32,421	32,421	62,594	30,173
Hotel and motel room taxes	385,000	385,000	326,434	(58,566)
Total other local taxes	<u>\$ 1,415,756</u>	<u>\$ 1,415,756</u>	<u>\$ 1,246,337</u>	<u>\$ (169,419)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 850	\$ 850	\$ 1,796	\$ 946
Permits and other licenses	47,250	47,250	67,010	19,760
Total permits, privilege fees, and regulatory licenses	<u>\$ 48,100</u>	<u>\$ 48,100</u>	<u>\$ 68,806</u>	<u>\$ 20,706</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 50	\$ 826	\$ 1,108	\$ 282
Revenue from use of money and property:				
Revenue from use of money	\$ 40,000	\$ 40,000	\$ 9,367	\$ (30,633)
Revenue from use of property	29,300	29,300	45,962	16,662
Total revenue from use of money and property	<u>\$ 69,300</u>	<u>\$ 69,300</u>	<u>\$ 55,329</u>	<u>\$ (13,971)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 5,000	\$ 5,000	\$ 6,796	\$ 1,796
Charges for courthouse maintenance	2,200	2,200	3,158	958
Courthouse security fee	8,000	8,000	16,112	8,112
Concealed weapons permits	500	500	1,050	550
Charges for Commonwealth's Attorney	100	100	176	76
Sheriff's fees	348	348	294	(54)
Law library fees	600	600	668	68
Soil and erosion fees	300	300	630	330
Charges for sanitation and waste removal	80,000	80,000	61,751	(18,249)
Charges for parks and recreation	5,500	5,500	8,208	2,708
Charges for other protection	50	50	684	634
Charges for other services	12,500	12,500	14,629	2,129
Total charges for services	<u>\$ 115,098</u>	<u>\$ 115,098</u>	<u>\$ 114,156</u>	<u>\$ (942)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 7,000	\$ 7,000	\$ 17,508	\$ 10,508
Refunds and recoveries	15,000	19,780	41,263	21,483
Total miscellaneous revenue	\$ 22,000	\$ 26,780	\$ 58,771	\$ 31,991
Total revenue from local sources	\$ 11,056,280	\$ 11,061,836	\$ 11,052,485	\$ (9,351)
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock taxes	\$ 8,094	\$ 8,094	\$ 9,109	\$ 1,015
Mobile home titling tax	-	-	10,473	10,473
Communications taxes	123,500	123,500	120,850	(2,650)
Fire programs fund	16,000	19,000	19,000	-
Personal property tax relief funds	-	-	40,276	40,276
Reduction in state aid	(35,000)	(33,360)	(32,150)	1,210
Total noncategorical aid	\$ 122,594	\$ 127,234	\$ 167,558	\$ 40,324
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 71,777	\$ 68,156	\$ 68,773	\$ 617
Sheriff	530,483	484,025	461,592	(22,433)
Commissioner of revenue	90,063	82,782	83,811	1,029
Treasurer	83,339	77,196	77,554	358
Registrar/electoral board	33,244	27,655	31,897	4,242
Clerk of the Circuit Court	140,315	127,524	141,880	14,356
Total shared expenses	\$ 949,221	\$ 867,338	\$ 865,507	\$ (1,831)
Other categorical aid:				
Shared expenses - Mountain Soil and Water				
Conservation District	\$ 90,870	\$ 90,870	\$ 89,433	\$ (1,437)
Emergency medical services division fees	4,610	5,450	6,586	1,136
E-911 Addressing/Mapping/Implementation Project	186,000	186,000	189,105	3,105
Virginia Juvenile Community Crime Control Act	6,730	6,730	8,525	1,795
Litter grant	-	-	5,125	5,125
Seized funds	-	-	13,731	13,731
Other state funds	3,000	3,000	621	(2,379)
Total other categorical aid	\$ 291,210	\$ 292,050	\$ 313,126	\$ 21,076
Total categorical aid	\$ 1,240,431	\$ 1,159,388	\$ 1,178,633	\$ 19,245
Total revenue from the Commonwealth	\$ 1,363,025	\$ 1,286,622	\$ 1,346,191	\$ 59,569

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 25,000	\$ 25,000	\$ 22,014	\$ (2,986)
Payment in Lieu of Taxes	109,700	109,700	105,163	(4,537)
Secure Rural Schools	8,860	8,860	9,108	248
Justice Assistance grant	-	-	18,985	18,985
Homeland security grant program	-	29,200	29,200	-
State and community highway safety	-	-	4,060	4,060
Total categorical aid	<u>\$ 143,560</u>	<u>\$ 172,760</u>	<u>\$ 188,530</u>	<u>\$ 15,770</u>
Total revenue from the federal government	<u>\$ 143,560</u>	<u>\$ 172,760</u>	<u>\$ 188,530</u>	<u>\$ 15,770</u>
Total General Fund	<u>\$ 12,562,865</u>	<u>\$ 12,521,218</u>	<u>\$ 12,587,206</u>	<u>\$ 65,988</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Miscellaneous revenue:				
Other miscellaneous	\$ 36,560	\$ 36,560	\$ -	\$ (36,560)
Total revenue from local sources	<u>\$ 36,560</u>	<u>\$ 36,560</u>	<u>\$ -</u>	<u>\$ (36,560)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 291,323	\$ 291,323	\$ 136,367	\$ (154,956)
Total revenue from the Commonwealth	<u>\$ 291,323</u>	<u>\$ 291,323</u>	<u>\$ 136,367</u>	<u>\$ (154,956)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 46,887	\$ 46,887	\$ 233,796	\$ 186,909
Total categorical aid	<u>\$ 46,887</u>	<u>\$ 46,887</u>	<u>\$ 233,796</u>	<u>\$ 186,909</u>
Total revenue from the federal government	<u>\$ 46,887</u>	<u>\$ 46,887</u>	<u>\$ 233,796</u>	<u>\$ 186,909</u>
Total Virginia Public Assistance Fund	<u>\$ 374,770</u>	<u>\$ 374,770</u>	<u>\$ 370,163</u>	<u>\$ (4,607)</u>
CSA Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Refund to foster care	\$ -	\$ -	\$ 118	\$ 118
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ -	\$ -	\$ 50,000	\$ 50,000
Total CSA Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,118</u>	<u>\$ 50,118</u>
Lodging Tax- Marketing /Capital Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes-designated for marketing	\$ 192,500	\$ 192,500	\$ 142,329	\$ (50,171)
Hotel and motel room taxes-designated for capital improvem.	192,500	192,500	142,329	(50,171)
Total other local taxes	<u>\$ 385,000</u>	<u>\$ 385,000</u>	<u>\$ 284,658</u>	<u>\$ (100,342)</u>
Total revenue from local sources	<u>\$ 385,000</u>	<u>\$ 385,000</u>	<u>\$ 284,658</u>	<u>\$ (100,342)</u>
Total Lodging Tax -Marketing/Capital Fund	<u>385,000</u>	<u>385,000</u>	<u>284,658</u>	<u>(100,342)</u>
Total Primary Government	<u>\$ 13,322,635</u>	<u>\$ 13,280,988</u>	<u>\$ 13,292,145</u>	<u>\$ 11,157</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from another county or city	\$ 6,800	\$ 6,800	\$ 7,700	\$ 900
Miscellaneous revenue:				
Refunds and recoveries	\$ 14,755	\$ 14,755	\$ 22,628	\$ 7,873
Total revenue from local sources	\$ 21,555	\$ 21,555	\$ 30,328	\$ 8,773
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	\$ 6,652,958	\$ 6,575,229	\$ 5,869,777	\$ (705,452)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 579,660	\$ 579,660	\$ 553,177	\$ (26,483)
Basic school aid	738,988	738,988	675,256	(63,732)
Gifted and talented	6,030	6,030	6,051	21
Remedial education	9,514	9,514	9,547	33
Enrollment loss	-	-	6,941	6,941
Special Education	91,924	91,924	92,243	319
Textbook payment	15,882	15,882	7,258	(8,624)
Vocational standards of quality payments	48,891	48,891	44,619	(4,272)
Fringe benefits	94,068	94,068	81,526	(12,542)
At risk	5,515	5,515	5,410	(105)
English as a second language	351	351	1,371	1,020
School Construction	-	-	15,524	15,524
Homebound payment	1,051	1,051	135	(916)
Early reading intervention	1,841	1,841	1,841	-
Remedial summer school	5,592	5,592	4,474	(1,118)
K-3 initiative	9,472	9,472	8,994	(478)
Individual student alternative education program	7,859	7,859	7,859	-
Vocational occupational preparedness	-	-	3,408	3,408
Special education - foster children	-	-	9,467	9,467
Virtual advance placement	-	-	1,248	1,248
Preschool Pilot Grant	-	-	15,000	15,000
Technology	128,000	128,000	128,000	-
Standards of Learning algebra readiness	1,254	1,254	1,254	-
Total categorical aid	\$ 1,745,892	\$ 1,745,892	\$ 1,680,603	\$ (65,289)
Revenue from the federal government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 180,680	\$ 180,680	\$ 173,045	\$ (7,635)
Categorical aid:				
Title VI-B, special education handicapped	\$ 175,167	\$ 175,167	\$ 312,540	\$ 137,373
Title I	51,000	51,000	55,084	4,084
Vocational education	7,847	7,847	7,007	(840)
Title VI-B, special education pre-school	-	-	8,969	8,969
Drug free schools	2,200	2,200	-	(2,200)
State Fiscal Stabilization Funds ARRA	-	-	154,299	154,299

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Federal leasing of land	\$ -	\$ -	\$ 32,081	\$ 32,081
Improving Teacher Quality	27,000	27,000	18,736	(8,264)
Rural education achievement program	54,076	54,076	53,626	(450)
Forest reserve	141,755	141,755	145,733	3,978
Total categorical aid	<u>\$ 459,045</u>	<u>\$ 459,045</u>	<u>\$ 788,075</u>	<u>\$ 329,030</u>
Total revenue from the federal government	<u>\$ 639,725</u>	<u>\$ 639,725</u>	<u>\$ 961,120</u>	<u>\$ 321,395</u>
Total School Operating Fund	<u>\$ 9,060,130</u>	<u>\$ 8,982,401</u>	<u>\$ 8,541,828</u>	<u>\$ (440,573)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 11	\$ 11
Charges for services:				
Cafeteria sales	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 179,249</u>	<u>\$ (751)</u>
Total revenue from local sources	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 179,260</u>	<u>\$ (740)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	<u>\$ 286,734</u>	<u>\$ 286,734</u>	<u>\$ 143,656</u>	<u>\$ (143,078)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 4,225</u>	<u>\$ 4,225</u>	<u>\$ 4,269</u>	<u>\$ 44</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 90,500</u>	<u>\$ 90,500</u>	<u>\$ 127,169</u>	<u>\$ 36,669</u>
USDA donated food	<u>-</u>	<u>-</u>	<u>22,762</u>	<u>22,762</u>
Total revenue from the federal government	<u>\$ 90,500</u>	<u>\$ 90,500</u>	<u>\$ 149,931</u>	<u>\$ 59,431</u>
Total School Cafeteria Fund	<u>\$ 561,459</u>	<u>\$ 561,459</u>	<u>\$ 477,116</u>	<u>\$ (84,343)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 9,621,589</u>	<u>\$ 9,543,860</u>	<u>\$ 9,018,944</u>	<u>\$ (524,916)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 125,738	\$ 127,078	\$ 117,331	\$ 9,747
General and financial administration:				
County administrator	\$ 210,546	\$ 207,928	\$ 202,310	\$ 5,618
Commissioner of revenue	200,080	184,447	183,670	777
Assessors	101,110	101,110	97,381	3,729
Treasurer	204,085	197,293	192,931	4,362
Data Processing	53,640	53,641	43,471	10,170
Total general and financial administration	\$ 769,461	\$ 744,419	\$ 719,763	\$ 24,656
Board of elections:				
Registrar	\$ 57,762	\$ 56,212	\$ 52,985	\$ 3,227
Electoral board and officials	27,694	23,655	18,305	5,350
Total board of elections	\$ 85,456	\$ 79,867	\$ 71,290	\$ 8,577
Total general government administration	\$ 980,655	\$ 951,364	\$ 908,384	\$ 42,980
Judicial administration:				
Courts:				
Circuit court	\$ 20,418	\$ 16,804	\$ 12,755	\$ 4,049
General district court	19,475	19,475	15,738	3,737
Special magistrates	1,150	1,150	388	762
Clerk of the circuit court	197,242	198,236	193,460	4,776
Total courts	\$ 238,285	\$ 235,665	\$ 222,341	\$ 13,324
Commonwealth's attorney:				
Commonwealth's attorney	\$ 106,550	\$ 103,706	\$ 103,705	\$ 1
Total commonwealth's attorney	\$ 106,550	\$ 103,706	\$ 103,705	\$ 1
Total judicial administration	\$ 344,835	\$ 339,371	\$ 326,046	\$ 13,325
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,009,951	\$ 980,245	\$ 985,614	\$ (5,369)
Total law enforcement and traffic control	\$ 1,009,951	\$ 980,245	\$ 985,614	\$ (5,369)
Fire and rescue services:				
Fire department	\$ 166,119	\$ 187,218	\$ 187,218	\$ -
Contribution to fire and rescue	137,575	177,130	164,179	12,951
Total fire and rescue services	\$ 303,694	\$ 364,348	\$ 351,397	\$ 12,951
Correction and detention:				
County/City operated institutions	\$ 103,000	\$ 93,219	\$ 67,138	\$ 26,081
Total correction and detention	\$ 103,000	\$ 93,219	\$ 67,138	\$ 26,081
Inspections:				
Building	\$ 167,254	\$ 167,462	\$ 158,467	\$ 8,995
Total inspections	\$ 167,254	\$ 167,462	\$ 158,467	\$ 8,995
Other protection:				
Animal control	\$ 117,273	\$ 117,110	\$ 102,559	\$ 14,551
Emergency communications	126,482	126,037	102,347	23,690
Medical examiner (coroner)	238	238	80	158
VJCCCA	9,500	9,500	8,974	526
Total other protection	\$ 253,493	\$ 252,885	\$ 213,960	\$ 38,925
Total public safety	\$ 1,837,392	\$ 1,858,159	\$ 1,776,576	\$ 81,583

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government (Continued)				
General Fund: (Continued)				
Sanitation and waste removal:				
General engineering/administration	\$ 954,758	\$ 954,758	\$ 920,086	\$ 34,672
Total sanitation and waste removal	\$ 954,758	\$ 954,758	\$ 920,086	\$ 34,672
Maintenance of general buildings and grounds:				
General engineering/administration	\$ 221,693	\$ 220,285	\$ 199,580	\$ 20,705
Total maintenance of general buildings and grounds	\$ 221,693	\$ 220,285	\$ 199,580	\$ 20,705
Total public works	\$ 1,176,451	\$ 1,175,043	\$ 1,119,666	\$ 55,377
Health and welfare:				
Health:				
Local health department	\$ 80,086	\$ 82,693	\$ 80,249	\$ 2,444
Total health	\$ 80,086	\$ 82,693	\$ 80,249	\$ 2,444
Mental health and mental retardation:				
Administration	\$ 28,242	\$ 28,242	\$ 27,944	\$ 298
Total mental health and mental retardation	\$ 28,242	\$ 28,242	\$ 27,944	\$ 298
Welfare:				
Welfare administration				-
Public welfare	\$ 60,528	\$ 60,528	\$ 54,658	\$ 5,870
Tax relief for the elderly	-	-	84,283	(84,283)
Total welfare	\$ 60,528	\$ 60,528	\$ 138,941	\$ (78,413)
Total health and welfare	\$ 168,856	\$ 171,463	\$ 247,134	\$ (75,671)
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 3,749	\$ 3,749	\$ 3,749	\$ -
Contributions to County School Board	6,257,215	6,257,215	6,013,433	243,782
Total education	\$ 6,260,964	\$ 6,260,964	\$ 6,017,182	\$ 243,782
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 340,037	\$ 340,037	\$ 302,886	\$ 37,151
Total parks and recreation	\$ 340,037	\$ 340,037	\$ 302,886	\$ 37,151
Library:				
Regional library	\$ 157,761	\$ 157,761	\$ 157,761	\$ -
Total library	\$ 157,761	\$ 157,761	\$ 157,761	\$ -
Total parks, recreation, and cultural	\$ 497,798	\$ 497,798	\$ 460,647	\$ 37,151
Community development:				
Planning and community development:				
Planning	\$ 185,912	\$ 162,162	\$ 115,772	\$ 46,390
Total planning and community development	\$ 185,912	\$ 162,162	\$ 115,772	\$ 46,390
Environmental management:				
Administration	\$ 112,370	\$ 112,370	\$ 110,965	\$ 1,405
Total environmental management	\$ 112,370	\$ 112,370	\$ 110,965	\$ 1,405
Cooperative extension program:				
Administration	\$ 41,855	\$ 41,855	\$ 41,651	\$ 204
Total cooperative extension program	\$ 41,855	\$ 41,855	\$ 41,651	\$ 204
Total community development	\$ 340,137	\$ 316,387	\$ 268,388	\$ 47,999

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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	\$ 183,169	\$ 109,858	\$ 64,038	\$ 45,820
Total nondepartmental	<u>\$ 183,169</u>	<u>\$ 109,858</u>	<u>\$ 64,038</u>	<u>\$ 45,820</u>
Capital outlay:				
Capital projects	\$ 1,226,894	\$ 1,373,995	\$ 651,640	\$ 722,355
Total capital outlay	<u>\$ 1,226,894</u>	<u>\$ 1,373,995</u>	<u>\$ 651,640</u>	<u>\$ 722,355</u>
Debt service:				
Principal retirement	\$ 63,094	\$ 63,094	\$ 63,094	\$ -
Interest and other fiscal charges	405,610	405,610	405,610	-
Total debt service	<u>\$ 468,704</u>	<u>\$ 468,704</u>	<u>\$ 468,704</u>	<u>\$ -</u>
Total General Fund	<u>\$ 13,485,855</u>	<u>\$ 13,523,106</u>	<u>\$ 12,308,405</u>	<u>\$ 1,214,701</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 430,343	\$ 430,343	\$ 416,257	\$ 14,086
Purchased services	72,793	72,793	45,533	27,260
Child care	20,412	20,412	14,156	6,256
Total health and welfare	<u>\$ 523,548</u>	<u>\$ 523,548</u>	<u>\$ 475,946</u>	<u>\$ 47,602</u>
Total Virginia Public Assistance Fund	<u>\$ 523,548</u>	<u>\$ 523,548</u>	<u>\$ 475,946</u>	<u>\$ 47,602</u>
CSA Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services	\$ -	\$ -	\$ 75,470	\$ (75,470)
Total CSA Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,470</u>	<u>\$ (75,470)</u>
Lodging Tax Marketing & Capital Fund:				
Capital projects:				
Economic development	\$ 385,000	\$ 385,000	\$ 114,595	\$ 270,405
Total Marketing/Capital Fund	<u>\$ 385,000</u>	<u>\$ 385,000</u>	<u>\$ 114,595</u>	<u>\$ 270,405</u>
Total Primary Government	<u>\$ 14,394,403</u>	<u>\$ 14,431,654</u>	<u>\$ 12,974,416</u>	<u>\$ 1,457,238</u>
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction	\$ 6,410,864	\$ 6,410,864	\$ 6,191,380	\$ 219,484
Operating costs:				
Administration, attendance and health services	\$ 399,984	\$ 399,984	\$ 380,849	\$ 19,135
Pupil transportation	781,200	781,200	761,361	19,839
Operation and maintenance of school plant	1,208,276	1,208,276	1,208,238	38
Total operating costs	<u>\$ 2,389,460</u>	<u>\$ 2,389,460</u>	<u>\$ 2,350,448</u>	<u>\$ 39,012</u>
Total education	<u>\$ 8,800,324</u>	<u>\$ 8,800,324</u>	<u>\$ 8,541,828</u>	<u>\$ 258,496</u>
Total School Fund	<u>\$ 8,800,324</u>	<u>\$ 8,800,324</u>	<u>\$ 8,541,828</u>	<u>\$ 258,496</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special revenue funds: (Continued)				
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 536,033	\$ 536,033	\$ 519,530	\$ 16,503
Total Cafeteria Fund	\$ 536,033	\$ 536,033	\$ 519,530	\$ 16,503
Total Discretely Presented Component Unit - School Board	\$ 9,336,357	\$ 9,336,357	\$ 9,061,358	\$ 274,999

STATISTICAL TABLES

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
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
Unrestricted	6,898,394	8,275,170	7,298,565	6,029,869	4,283,623	4,504,735	5,504,308
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
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
Unrestricted	6,898,394	8,275,170	7,298,565	6,029,869	4,283,623	4,504,735	5,504,308
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

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

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
General government	\$ 822,773	\$ 849,302	\$ 812,657	\$ 1,128,216	\$ 1,748,192	\$ 1,302,485	\$ 1,721,629
Judicial administration	273,795	302,653	338,815	361,440	347,080	331,725	329,702
Public safety	1,497,304	1,858,083	2,039,547	1,603,440	1,683,552	2,233,245	1,850,466
Public works	1,115,654	1,201,687	1,331,678	1,889,642	1,307,268	1,080,364	1,120,874
Health and welfare	723,923	632,961	1,228,542	1,045,187	782,304	768,099	797,407
Education	6,903,012	6,888,684	7,325,783	7,050,754	7,151,033	6,528,980	6,062,084
Parks, recreation and cultural	464,736	481,137	550,337	553,650	498,344	602,237	477,243
Community development	427,480	952,375	651,494	831,774	285,774	284,996	271,641
Nondepartmental	-	-	-	-	45,333	60,783	180,027
Interest on long-term debt	49,308	34,253	30,421	104,707	256,604	270,256	412,588
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
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
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 4,767	\$ 16,400	\$ 14,042	\$ 16,479	\$ 17,695	\$ 14,214	\$ 14,629
Judicial administration	7,865	8,845	11,401	10,708	14,142	17,265	21,222
Public safety	54,363	86,606	145,520	143,143	91,746	69,465	77,630
Public works	150,210	100,232	86,694	75,961	83,748	73,972	62,381
Parks, recreation and cultural	30,497	41,772	34,926	34,265	9,008	8,510	8,208
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
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
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
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)
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)
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
Local sales and use taxes	842,340	862,771	798,631	872,074	1,078,576	797,508	729,748
Consumption tax	18,875	18,893	19,348	19,489	18,174	20,632	18,815
Motor vehicle licenses taxes	32,764	33,551	1,711	-	-	70,691	77,576
Taxes on recordation and wills	67,103	116,934	109,023	150,329	85,196	69,523	62,594
Bank stock taxes	30,888	23,107	36,751	28,777	25,841	25,896	27,963
Hotel and motel room taxes	-	279,173	406,100	511,717	451,775	360,138	326,434
Other local taxes	1,505	1,304	702	1,906	1,304	701	287,865
Unrestricted grants and contributions	257,082	113,706	465,158	101,623	102,530	333,018	-
Unrestricted revenues from use of money and property	162,749	185,885	316,023	433,669	289,694	94,642	55,329
Miscellaneous	68,056	11,457	11,625	151,207	88,546	229,282	-
Loss on disposition of capital assets	(8,264)	-	-	-	-	(4,015)	-
Total governmental activities	\$ 10,829,261	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,891,337	\$ 11,676,788
Total primary government	\$ 10,829,261	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,891,337	\$ 11,676,788
Change in Net Assets							
Governmental activities	\$ 223,359	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 346,181	\$ 262,067
Total primary government	\$ 223,359	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 346,181	\$ 262,067

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

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumption Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Hotel and Motel Taxes	Other Local Taxes	Total
2010	\$ 9,701,561	\$ 729,748	\$ 18,815	\$ 77,576	\$ 62,594	\$ 611,092	\$ 276,865	\$ 11,478,251
2009	9,893,321	797,508	20,632	70,691	69,523	360,138	26,597	11,238,410
2008	8,072,448	1,078,576	18,174	-	85,196	451,775	27,145	9,733,314
2007	9,036,106	872,074	19,489	-	150,329	511,717	30,683	10,620,398
2006	10,051,605	798,631	19,348	1,711	109,023	406,100	37,453	11,423,871
2005	8,539,461	862,771	18,893	33,551	116,934	279,173	24,411	9,875,194
2004	9,356,163	842,340	18,875	32,764	67,103	-	32,393	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				
	2001	2002	2003	2004	2005
General fund					
Reserved	\$ 50,751	\$ 48,351	\$ 48,251	\$ 48,251	\$ 48,251
Unreserved	<u>4,585,765</u>	<u>6,030,488</u>	<u>6,851,908</u>	<u>6,801,456</u>	<u>8,232,393</u>
Total general fund	<u>\$ 4,636,516</u>	<u>\$ 6,078,839</u>	<u>\$ 6,900,159</u>	<u>\$ 6,849,707</u>	<u>\$ 8,280,644</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds	\$ -	\$ -	\$ 13,717	\$ 12,131	\$ 10,347
Capital projects funds	<u>1,588,552</u>	<u>1,943,502</u>	<u>2,494,628</u>	<u>2,528,339</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,588,552</u>	<u>\$ 1,943,502</u>	<u>\$ 2,508,345</u>	<u>\$ 2,540,470</u>	<u>\$ 10,347</u>

Table 4

Fiscal Year				
2006	2007	2008	2009	2010
\$ 48,251	\$ 48,251	\$ 48,251	\$ -	\$ -
<u>7,260,245</u>	<u>8,048,086</u>	<u>4,172,476</u>	<u>4,975,240</u>	<u>5,121,473</u>
<u>\$ 7,308,496</u>	<u>\$ 8,096,337</u>	<u>\$ 4,220,727</u>	<u>\$ 4,975,240</u>	<u>\$ 5,121,473</u>
\$ 2,379	\$ 4,567	\$ 10,927	\$ 7,649	\$ 179,146
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,379</u>	<u>\$ 4,567</u>	<u>\$ 10,927</u>	<u>\$ 7,649</u>	<u>\$ 179,146</u>

County of Bath, Virginia

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

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
General property taxes	\$ 10,291,237	\$ 10,078,948	\$ 10,112,970	\$ 9,331,163
Other local taxes	897,719	878,263	932,578	993,475
Permits, privilege fees and regulatory licenses	133,110	35,668	43,362	45,459
Fines and forfeitures	80	163	241	223
Revenue from use of money and property	281,545	220,013	232,951	162,749
Charges for services	179,451	190,058	195,468	202,020
Miscellaneous	538,007	105,838	113,658	68,056
Recovered costs	-	-	-	18,519
Intergovernmental:				
Commonwealth	1,302,106	1,207,138	1,069,228	1,217,490
Federal	268,118	277,516	298,970	463,973
Total revenues	<u>\$ 13,891,373</u>	<u>\$ 12,993,605</u>	<u>\$ 12,999,426</u>	<u>\$ 12,503,127</u>
Expenditures				
General government administration	\$ 559,220	\$ 578,993	\$ 591,514	\$ 680,617
Judicial administration	250,247	267,665	282,058	281,265
Public safety	1,247,583	1,059,536	1,128,204	1,244,615
Public works	900,265	888,945	1,352,160	1,143,284
Health and welfare	633,075	689,179	632,041	662,539
Education	5,247	20,127	5,926,077	6,519,485
Parks, recreation and cultural	400,618	425,422	429,554	465,598
Community development	437,167	398,260	398,232	427,043
Nondepartmental	16,205	40,092	26,716	40,481
Capital projects	1,298,054	434,341	278,741	578,617
Debt service:				
Principal	-	510,674	1,499,325	427,250
Interest and other fiscal charges	-	111,588	140,141	50,660
Total expenditures	<u>\$ 5,747,681</u>	<u>\$ 5,424,822</u>	<u>\$ 12,684,763</u>	<u>\$ 12,521,454</u>
Excess of revenues over (under) expenditures	<u>\$ 8,143,692</u>	<u>\$ 7,568,783</u>	<u>\$ 314,663</u>	<u>\$ (18,327)</u>
Other financing sources (uses)				
Transfers in	\$ 305,185	\$ 300,000	\$ 639,012	\$ 126,198
Transfers out	(7,102,111)	(6,071,510)	(639,012)	(126,198)
Proceeds of indebtedness	-	-	1,071,500	-
Total other financing sources (uses)	<u>\$ (6,796,926)</u>	<u>\$ (5,771,510)</u>	<u>\$ 1,071,500</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 1,346,766</u>	<u>\$ 1,797,273</u>	<u>\$ 1,386,163</u>	<u>\$ (18,327)</u>
Debt service as a percentage of noncapital expenditures	0.0000%	12.4690%	13.2151%	4.0016%

Table 5

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 8,594,217	\$ 10,043,202	\$ 8,988,828	\$ 8,068,136	\$ 9,820,700	\$ 9,507,978
1,335,733	1,372,266	1,584,292	1,660,866	1,345,089	1,530,995
78,244	135,042	134,976	86,019	62,368	68,806
125	44	50	38	55	1,108
185,885	316,023	433,669	289,694	94,642	55,329
175,486	157,497	145,530	131,058	121,003	114,156
11,457	11,625	22,930	48,759	181,280	155,431
46,040	90,419	128,277	58,953	17,455	41,263
1,369,196	1,212,859	1,479,756	1,412,926	1,689,706	1,396,191
568,293	352,136	1,099,987	230,439	408,447	420,888
<u>\$ 12,364,676</u>	<u>\$ 13,691,113</u>	<u>\$ 14,018,295</u>	<u>\$ 11,986,888</u>	<u>\$ 13,740,745</u>	<u>\$ 13,292,145</u>
\$ 718,972	\$ 761,839	\$ 797,212	\$ 955,323	\$ 879,294	\$ 908,384
327,412	332,216	361,440	347,080	322,987	326,046
1,467,711	1,776,193	1,634,764	1,680,543	2,121,207	1,776,576
1,204,373	1,301,048	1,891,595	1,307,050	1,078,993	1,119,666
631,892	1,223,866	1,039,709	775,468	764,271	798,550
6,513,855	6,857,731	7,050,754	7,151,033	6,528,980	6,017,182
514,141	518,396	550,619	498,063	580,440	460,647
943,988	649,316	834,884	285,774	284,996	268,388
62,952	36,833	45,484	45,333	59,452	64,038
763,048	908,543	3,183,429	6,374,681	964,911	766,235
280,850	274,250	280,850	490,790	8,995,833	63,094
34,668	30,998	92,526	-	109,125	405,610
<u>\$ 13,463,862</u>	<u>\$ 14,671,229</u>	<u>\$ 17,763,266</u>	<u>\$ 19,911,138</u>	<u>\$ 22,690,489</u>	<u>\$ 12,974,416</u>
<u>\$ (1,099,186)</u>	<u>\$ (980,116)</u>	<u>\$ (3,744,971)</u>	<u>\$ (7,924,250)</u>	<u>\$ (8,949,744)</u>	<u>\$ 317,729</u>
\$ 2,714,381	\$ 250,234	\$ 171,535	\$ 188,507	\$ 137,257	\$ 159,353
(2,714,381)	(250,234)	(171,535)	(188,507)	(137,257)	(159,353)
-	-	4,535,000	4,055,000	9,749,230	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,535,000</u>	<u>\$ 4,055,000</u>	<u>\$ 9,749,230</u>	<u>\$ -</u>
<u><u>\$ (1,099,186)</u></u>	<u><u>\$ (980,116)</u></u>	<u><u>\$ 790,029</u></u>	<u><u>\$ (3,869,250)</u></u>	<u><u>\$ 799,486</u></u>	<u><u>\$ 317,729</u></u>
2.4842%	2.2179%	2.5609%	3.6257%	41.9089%	3.6125%

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumption Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Hotel and Motel Room Tax	Other Local Taxes	Total
2010	\$ 9,507,978	\$ 729,748	\$ 18,815	\$ 77,576	\$ 62,594	\$ 326,434	\$ 31,170	\$ 10,754,315
2009	9,820,700	797,508	20,632	70,691	69,523	360,138	26,597	11,165,789
2008	8,068,136	1,078,576	18,174	-	85,196	451,775	27,145	9,729,002
2007	8,988,828	872,074	19,489	-	150,329	511,717	30,683	10,573,120
2006	10,043,202	798,631	19,348	1,711	109,023	406,100	37,453	11,415,468
2005	8,594,217	862,771	18,893	33,551	116,934	279,173	24,411	9,929,950
2004	9,331,163	842,340	18,875	32,764	67,103	-	32,393	10,324,638
2003	10,112,970	802,476	18,447	32,159	61,152	-	18,344	11,045,548
2002	10,078,948	737,711	19,972	32,691	68,859	-	19,030	10,957,211
2001	10,291,237	775,890	32,592	31,967	32,668	-	24,602	11,188,956

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)
2010	\$ 745,469,827	\$ 58,144,700	\$ 268,200	\$ 1,270,143,889	\$ 2,074,026,616	\$ 804,584,300	92.65%
2009	754,137,000	62,405,200	66,500	1,016,138,462	1,832,747,162	790,724,600	95.37%
2008	711,421,700	57,033,500	84,100	1,059,460,297	1,827,999,597	742,455,000	95.82%
2007	686,187,300	53,290,700	182,800	1,297,733,110	2,037,393,910	709,310,833	96.74%
2006	657,528,300	54,448,400	224,600	1,549,842,388	2,262,043,688	680,450,800	96.63%
2005	477,084,800	49,178,700	78,700	1,218,373,189	1,744,715,389	647,920,252	73.63%
2004	471,229,430	53,072,500	77,400	1,384,778,102	1,909,157,432	611,245,521	77.09%
2003	462,253,930	49,822,400	157,400	1,552,193,153	2,064,426,883	565,968,075	81.67%
2002	458,807,200	54,416,800	933,000	1,540,515,454	2,054,672,454	558,783,714	82.11%
2001	436,831,950	53,583,400	970,400	1,598,559,795	2,089,945,545	498,914,030	87.56%

Source: Commissioner of Revenue

(1) Provided for real estate values only.

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

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

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2010		Fiscal Year 2001	
		2009 Assessed Valuation	% of Total Assessed Valuation	2000 Assessed Valuation	% of Total Assessed Valuation
Public Service	Utilities (Power, etc.)	\$ 1,270,143,889	61.240%	\$ 1,540,515,454	73.711%
The Homestead	Hotel	99,794,900	4.812%	74,790,300	3.579%
Warm Springs Investment	R.E. Prop. & invst.	41,437,600	1.998%	N.A.	
The Owners Club	Timeshares	23,316,600	1.124%	16,736,700	0.801%
Cambata Industries	Farming; aviation	10,128,000	0.488%	12,609,600	0.603%
Plecker & Son	Construction	2,651,900	0.128%	2,784,300	0.133%
CA Partners	Real Estate Dev.	2,779,700	0.134%	N.A.	
VA Hot Springs Land Co.	Real Estate Dev.	733,700	0.035%	10,252,500	0.491%
Enterprise Leasing	Vehicle Leasing	717,800	0.035%	356,900	0.017%
SSPW	Vehicle Leasing	319,200	0.015%	N.A.	
		<u>\$ 1,452,023,289</u>	<u>70.01%</u>	<u>\$ 1,658,045,754</u>	<u>79.33%</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
2010	\$ 9,671,942	\$ 9,282,256	95.97%	\$ -	\$ 9,282,256	95.97%
2009	9,917,942	9,726,824	98.07%	129,170	9,855,994	99.38%
2008	7,987,935	7,880,740	98.66%	85,604	7,966,344	99.73%
2007	8,939,212	8,797,853	98.42%	130,076	8,927,929	99.87%
2006	9,944,394	9,793,315	98.48%	145,323	9,938,638	99.94%
2005	8,522,863	8,479,786	99.49%	41,445	8,521,231	99.98%
2004	9,328,632	9,221,796	98.85%	105,828	9,327,624	99.99%
2003	10,117,868	9,934,875	98.19%	182,985	10,117,860	100.00%
2002	10,055,784	9,970,784	99.15%	84,649	10,055,433	100.00%
2001	10,290,150	10,203,777	99.16%	86,143	10,289,920	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			
2010	\$ -	\$ -	\$ 9,485,000	\$ 57,187	\$ 9,542,187	5.46%	\$ 2,011
2009	-	-	9,515,000	90,978	9,605,978	5.50%	2,024
2008	-	-	8,590,000	-	8,590,000	4.93%	1,879
2007	233,800	-	4,535,000	-	4,768,800	3.05%	1,024
2006	501,900	12,750	-	-	514,650	0.34%	110
2005	763,400	25,500	-	-	788,900	0.53%	165
2004	1,031,500	38,250	-	-	1,069,750	0.69%	223
2003	1,446,000	51,000	-	-	1,497,000	1.05%	306
2002	1,835,000	89,825	-	-	1,924,825	1.39%	385
2001	-	-	-	-	-	0.00%	-

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)
2010	\$ 9,485,000	\$ -	\$ 9,485,000	0.46%	\$ 1,999
2009	9,515,000	-	9,515,000	0.52%	2,005
2008	8,590,000	-	8,590,000	0.47%	1,879
2007	4,768,800	-	4,768,800	0.23%	1,024
2006	514,650	-	514,650	0.02%	110
2005	788,900	-	788,900	0.05%	165
2004	1,069,750	-	1,069,750	0.06%	223
2003	1,497,000	-	1,497,000	0.07%	306
2002	1,924,825	-	1,924,825	0.09%	385
2001	-	-	-	0.00%	-

(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, 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>
2010 (1)	4,745	174,791,000 (1) \$	36,837	42	672	6.00% (3)
2009	4,745	174,791,000 (2)	36,837	42	692	6.10%
2008	4,572	174,190,000 (2)	38,099	42	716	3.70%
2007	4,659	156,602,000	33,613	44	778	3.50%
2006	4,684	151,971,000	32,445	44	771	3.50%
2005	4,784	150,194,000	31,395	44	771	3.50%
2004	4,800	154,552,000	32,198	44	781	3.50%
2003	4,900	141,970,000	28,973	43	785	4.50%
2002	5,000	138,517,000	27,703	42	794	4.30%
2001	5,000	136,371,000	27,274	42	816	3.60%

(1) Not available; use 2008-09 value for calculations.

(2) Not available; use 2007-08 value for calculations.

(3) June 2010 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 2010			Fiscal Year 2001		
	(1) Employees	Rank	% of Total County Employment	(1) Employees	Rank	% of Total County Employment
The Homestead	750	1	31.42%	750	1	28.85%
Bath County Public Schools	175	2	7.33%	175	2	6.73%
Bath County Community Hospital	175	3	7.33%	75	3	2.88%
VA Electric and Power Co., Inc.	75	4	3.14%	175	4	6.73%
County of Bath	75	5	3.14%	75	6	2.88%
AFS of Hot Springs, Inc. (Springs Nursing Center)	75	6	3.14%	75	7	2.88%
BARC Electric Co-Op	35	7	1.47%	75	8	2.88%
VA Department of Conservation	35	8	1.47%	35	11	1.35%
Cuccis at the Varsity (2)	35	9	1.47%	-	-	0.00%
Gkn Hayward Baker, Inc. (2)	35	10	1.47%	-	-	0.00%
F. Clayton Plecker & Sons	35	11	1.47%	35	10	1.35%
Phantom Eage, LLC (2)	35	12	1.47%	-	-	0.00%
Country Café	35	13	1.47%	15	23	0.58%
Augusta Lumber LLC	15	14	0.63%	15	15	0.58%
Ilex Construction & Development (2)	15	15	0.63%	-	-	0.00%
The Inn at Gristmill Square	15	16	0.63%	15	21	0.58%
VA Hot Springs Realty (2)	15	17	0.63%	-	-	0.00%
U.S. Department of Agriculture	15	18	0.63%	35	13	1.35%
Valley Supermarket	15	19	0.63%	15	14	0.58%
Kool Dri	15	20	0.63%	15	18	0.58%
Postal Service	15	21	0.63%	7	35	0.27%
Cambata Industries	15	22	0.63%	15	17	0.58%
Kevin Armstrong Construction, Inc. (2)	15	23	0.63%	-	-	0.00%
Voith Siemens Hydro Power, Inc. (2)	15	24	0.63%	-	-	0.00%
Garth Newel Music Center	15	25	0.63%	15	26	0.58%
Totals	1,750		73.31%	1,617		62.19%
Total estimated jobs in County	2,387			2,600		

(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 2001.

Sources:

VA Employment Commission, 9/25/2010, <http://bi.cao.virginia.gov> (50 Largest Employers in Bath County during 1st Quarter - January, February, March - 2001 and 2010).

VA Workforce Connection, 9/25/2009, www.vawc.virginia.gov (Virginia Workforce Connection - Labor Market Services - Area Profile for Bath County: Labor Force, Employment and Unemployment Statistics); total employment for January of year.

County of Bath, Virginia

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

Function	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
General government	10	10	10	10	10	10	10
Judicial administration	5	5	5	5	5	5	5
Public safety							
Sheriff's department	17	17	17	17	17	17	17
911 Administrator	0	0	0	0	0	0	0
Building inspections	1	1	1	1	2	2	2
Animal control	2	2	2	2	2	2	2
Public works							
General maintenance	2	2	2	2	2	2	2
Landfill	3	3	3	2	2	2	0
Health and welfare							
Department of social services	7	7	7	7	7	7	7
Culture and recreation							
Parks and recreation	3	3	3	3	3	3	3
Library	2	2	2	2	2	2	1
Community development							
Planning	1	1	1	1	2	2	2
Totals	<u>53</u>	<u>53</u>	<u>53</u>	<u>52</u>	<u>54</u>	<u>54</u>	<u>51</u>

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

Table 15

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

County of Bath, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
Public safety							
Sheriff's department:							
Physical arrests	100	151	129	94	128	92	70
Traffic violations	27	15	14	31	23	8	10
Civil papers	1,418	1,671	1,461	1,529	1,507	1,338	1,210
Building inspections:							
Inspections made	317	376	285	597	804	580	374
Permits issued	168	173	155	230	213	173	128
Animal control:							
Number of calls answered	626	558	575	522	610	646	665
Public works							
Landfill:							
Refuse collected (tons/day) (3)	27.6	29.3	26.1	26.6	26.1	N/A	N/A
Recycling (tons/day) (3)	7.8	2.6	4.3	2.3	1.6	N/A	N/A
Health and welfare							
Department of Social Services:							
Caseload	508	517	540	571	579	582	560
Culture and recreation							
Parks and recreation:							
After-school program participants	336	446	504	932	868	594	n/a
Youth sports participants	N/A	500	540	545	525	500	515
Component Unit - School Board							
Education:							
School age population (1)	904	912	912	912	931	931	757
Number of teachers (2)	81	81	84	84	85	85	78
Local expenditures per pupil (2)	\$7,658	\$7,363	\$7,598	\$8,424	\$8,712	\$8,712	\$12,939

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

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

Table 16

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

County of Bath, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
General government							
Administration buildings	4	4	4	4	4	4	5
Vehicles	2	2	2	2	2	2	2
Public safety							
Sheriff's department:							
Patrol units	11	11	11	12	13	13	14
Animal control:							
Vehicles	1	1	1	1	1	1	1
Public works							
Vehicles	2	2	2	2	2	2	2
Sites	1	1	1	1	1	1	1
Culture and recreation							
Parks and recreation:							
Vehicles	2	1	1	1	1	1	2
Swimming pools	2	2	2	2	2	2	2
Community development							
Planning:							
Vehicles	1	1	1	1	2	1	1
Component Unit - School Board							
Education:							
Schools	4	4	4	4	4	4	4
School buses	14	16	14	14	15	14	13

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

Table 17

Fiscal Year		
2008	2009	2010
4	5	5
1	1	1
12	12	10
1	1	1
1	1	1
1	1	1
2	2	2
2	2	2
1	1	1
4	4	5
18	21	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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting:

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

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

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

Compliance and Other Matters:

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

We noted certain matters that we reported to management of the County of Bath, Virginia in a separate letter dated December 22, 2010.

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

Verona, Virginia
December 22, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 INDEPENDENT AUDITORS' REPORT

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 the County of Bath, Virginia's major federal programs for the year ended June 30, 2010. 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 on the 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, 2010.

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 and Board of Supervisors, other 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

Verona, Virginia
December 22, 2010

County of Bath, Virginia

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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		\$ 6,737
Temporary Assistance for Needy Families (TANF)	93.558		47,250
Refugee and Entrant Assistance - State administered programs	93.566		151
Low-Income Home Energy Assistance	93.568		3,680
Child Care and Development Block Grant	93.575		2,701
Child Care Mandatory and Matching Funds of the Child Care and Delopment Fund	93.596		11,083
Child Welfare Services - State Grants	93.645		189
Foster Care - Title IV-E	93.658		18,726
Adoption Assistance	93.659		8,540
ARRA, Adoption Assistance	93.659		825
Social Services Block Grant	93.667		24,105
Chafee Foster Care Independence Program	93.674		407
ARRA, Child Care and Development Block Grant	93.713		2,818
State Children's Insurance Program	93.767		2,896
Medical Assistance Program (Title XIX)	93.778		37,566
Total Dept. Health & Human Services-pass through			\$ 167,674
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555		\$ 20,691
Department of Education:			
National school breakfast program (Child Nutrition Cluster)	10.553		24,667
National school lunch program (Child Nutrition Cluster)	10.555		104,573
Schools and Roads - Grants to States	10.665		154,841
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		63,247
ARRA, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		2,875
Total Department of Agriculture - pass-through payments			\$ 370,894
Total Department of Agriculture			\$ 370,894
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228		\$ 22,014
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		\$ 278,208
Total Department of the Interior			\$ 278,208
Department of Justice:			
Pass Through Payments:			
Va. Compensation Board:			
ARRA, Edward Byrne Justice Assistance Grant	16.803	2009-SU-B9-0033	\$ 18,985
Total Department of Justice - pass-through			18,985
Department of Defense:			
Pass Through Payments:			
Department of Education:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 32,081
Total Department of Defense:			32,081
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
State Homeland Security Grant Program	97.073		\$ 29,200
Total Department of Homeland Security			\$ 29,200

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607		\$ 4,060
Total Department of Transportation:			<u>4,060</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010		\$ 55,084
Special Education state grants (Special Education Cluster)	84.027		153,401
Special Education state grants (Special Education Cluster)-RTI	84.027		10,000
Career and Technical Education: Basic grants to states	84.048		7,007
Special Education preschool grants (Special Education Cluster)	84.173		3,947
Improving Teacher Quality State Grants	84.367		18,736
ARRA, Special Education grants to states	84.391		149,139
ARRA, Special Education preschool grants	84.392		5,022
Rural Education Achievement Program	84.358		53,626
ARRA, State Fiscal Stabilization Funds -Education State Grants	84.394		<u>154,299</u>
Total Department of Education			\$ <u>610,261</u>
Total Expenditures of Federal Awards			\$ <u><u>1,533,377</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, 2010. 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.

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	\$ 422,326
Total primary government	<u>\$ 422,326</u>
Discretely presented component unit - School Board:	
School operating fund	\$ 961,120
School cafeteria fund	149,931
Total discretely presented component unit - School Board	<u>\$ 1,111,051</u>
Total federal expenditures per basic financial statements	<u>\$ 1,533,377</u>
Total federal expenditures per the Schedule of Expenditures of Federal awards	<u>\$ 1,533,377</u>

County of Bath, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

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>
Child Nutrition Cluster:	
10.553 School Breakfast Program
10.555 National School Lunch Program
10.555 Food Distribution
Special Education Cluster:	
84.027 Special Education state grants
84.027 Special Education state grants-RTI
84.173 Special Education-preschool grants
84.391 ARRA, Special Education state grants
84.392 ARRA, Special Education-preschool grants
Other:	
84.394 ARRA, State Fiscal Stabilization Funds -Education State Grants

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.

