



COUNTY OF BATH, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

COUNTY OF BATH, VIRGINIA

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Sheriff..... Robert W. Plecker
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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

Report on the Financial Statements

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 County of Bath, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 County of Bath, Virginia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-11, and 61-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Bath, Virginia's basic financial statements. The other supplementary information, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of County of Bath, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Bath, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 15, 2014

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, 2014.

Financial Highlights

Government-Wide Financial Statements

The assets and deferred outflows of the County of Bath, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$11,395,474. Of this amount, \$10,072,864 is unrestricted (an increase of \$190,642 from the previous fiscal year), and may be used to meet the government's ongoing obligations to creditors and citizens. Of the net position, there is \$1,322,610 invested in capital assets, net of related debt (a decrease of \$137,200 from the previous fiscal year). The School Board's net position was \$5,728,699 of which there is an unrestricted deficit in the amount of \$410,376. (See Exhibit 1.)

The Primary Government's overall net position increased by \$53,442. The School Board's net position increased by \$921,698, and the Service Authority's net position decreased by \$289,613. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,201,601. (See Exhibit 3.) This amount includes taxes and other accounts receivable collected within 60 days of the fiscal year end reflected in the fiscal year 2013-14 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$10,052,201 of which \$3,201,601 is available for spending at the government's discretion (unassigned fund balance). (See Exhibit 3.)

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets, deferred outflows, liabilities, and deferred inflows 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 position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts or assets, deferred outflows, liabilities, deferred inflows, and net position. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position. Increases or decreases in net position 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 position 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, recreation, cultural, and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently presents the Bath County Public Service Authority as a component unit that can be classified as a business-type activity.

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

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

Governmental Funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas, the government-wide financial statements are prepared on the accrual basis of accounting, the 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 following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Proprietary Funds

There are two types of proprietary funds: enterprise funds, which are established to account for the delivery of goods and services to the general public, and internal service funds, which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the 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 provision 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 position may serve as a useful indicator of a government's financial position. For the County of Bath, assets and deferred outflows exceeded liabilities and deferred inflows by \$11,395,474 at the end of the fiscal year.

The County's net position is divided into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Net Position June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Current and other assets	\$ 10,929,515	\$ 10,619,461
Capital assets	9,207,610	10,234,810
Total assets	<u>\$ 20,137,125</u>	<u>\$ 20,854,271</u>
Long-term liabilities	\$ 8,143,318	\$ 8,993,492
Other liabilities	342,387	283,421
Total liabilities	<u>\$ 8,485,705</u>	<u>\$ 9,276,913</u>
Deferred Inflows of Resources	<u>\$ 255,946</u>	<u>\$ 235,326</u>
Net investment in capital assets	\$ 1,322,610	\$ 1,459,810
Unrestricted	10,072,864	9,882,222
Total net position	<u><u>\$ 11,395,474</u></u>	<u><u>\$ 11,342,032</u></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 11.6 percent of total net position. 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 remaining balance of unrestricted net position, which is \$10,072,864 or 88.4 percent of total net position, may be used to meet government's ongoing obligations to citizens and creditors.

The government's net position increased by \$53,442 during the current fiscal year, compared to an increase of \$366,892 in FY 2013.

Governmental Activities

Governmental activities increased the County's net position by \$53,442. Key elements of this increase are as follows on the following page:

Statement of Activities			
June 30, 2014 and 2013			
		Governmental Activities	
		2014	2013
Revenues:			
Program revenues:			
Charges for services	\$	196,524	\$ 191,098
Operating grants and contributions		1,817,277	1,721,339
Capital grants and contributions		25,000	34,000
General revenues:			
General property taxes		11,720,316	11,685,185
Other local taxes		2,933,086	2,802,385
Use of money and property		35,934	43,463
Miscellaneous		67,737	78,866
Grants and contributions not restricted to specific programs		321,975	337,617
Total revenues	\$	<u>17,117,849</u>	\$ <u>16,893,953</u>
Expenses:			
General government	\$	1,049,191	\$ 1,268,772
Judicial administration		369,801	439,010
Public safety		2,478,869	2,112,434
Public works		1,429,114	1,155,574
Health and welfare		941,207	935,708
Education		8,899,869	7,459,886
Parks, recreation, and cultural		542,796	539,930
Community development		1,087,763	969,681
Nondepartmental		68,899	411,210
Interest on long-term debt		196,898	1,234,856
Total expenses	\$	<u>17,064,407</u>	\$ <u>16,527,061</u>
Increase (decrease) in net position	\$	53,442	\$ 366,892
Beginning net position, as restated		11,342,032	10,975,140
Ending net position	\$	<u><u>11,395,474</u></u>	\$ <u><u>11,342,032</u></u>

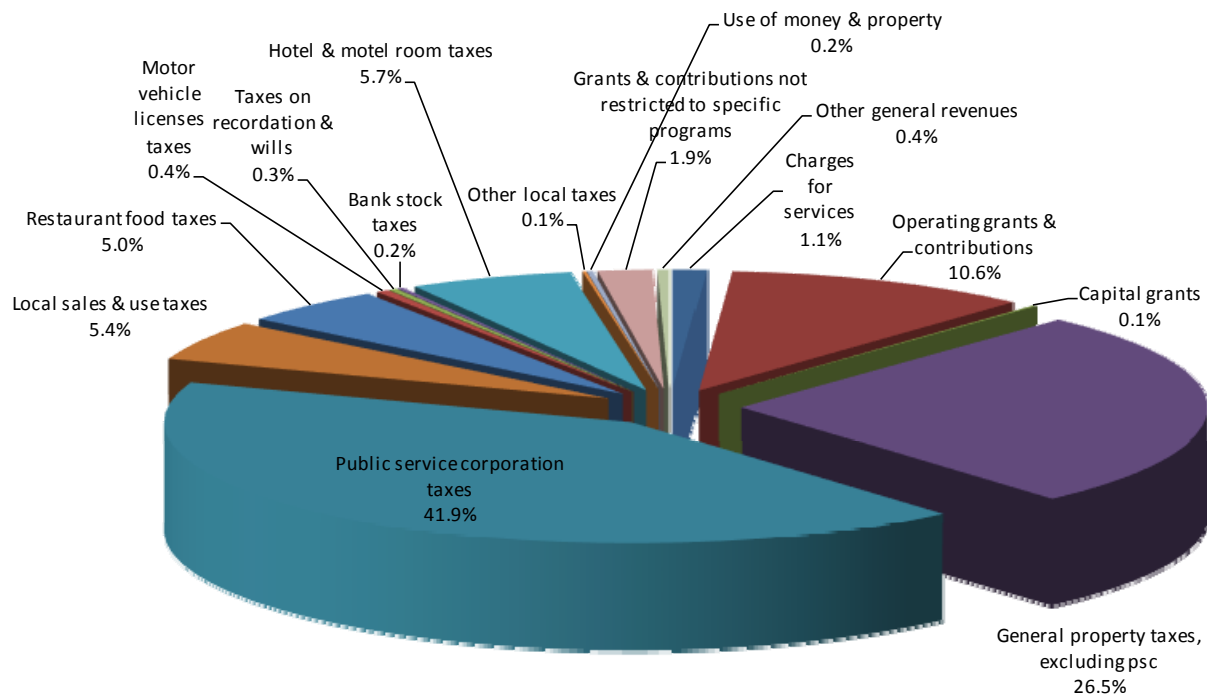
Total revenues increased by \$223,896. This increase is primarily attributable to an increase in other local taxes of \$130,701 and an increase in operating grants and contributions of \$95,938.

The increase in other local taxes is primarily due to an increase in hotel and motel room taxes of \$146,316. This increase reflects an active and maturing County Tourism Office, the acquisition of the Homestead by Omni Resorts, and the effects of collaboration among lodging businesses in the County. The increase in operating grants and contributions is primarily due to increases in state and federal funding for disaster management as well as additional state funding for storm water management.

Total expenses increased by \$537,346. This is primarily due to an increase in education related expenses of \$1,439,983, due to transfers of capital assets to the School Board upon payoff of related debt, which has been partially offset by a decrease in interest on long-term debt of \$1,037,958, mainly due to the payoff of an interest rate swap agreement in FY13. The increase in public safety expenses is due in large part to the replacement of an aging fleet.

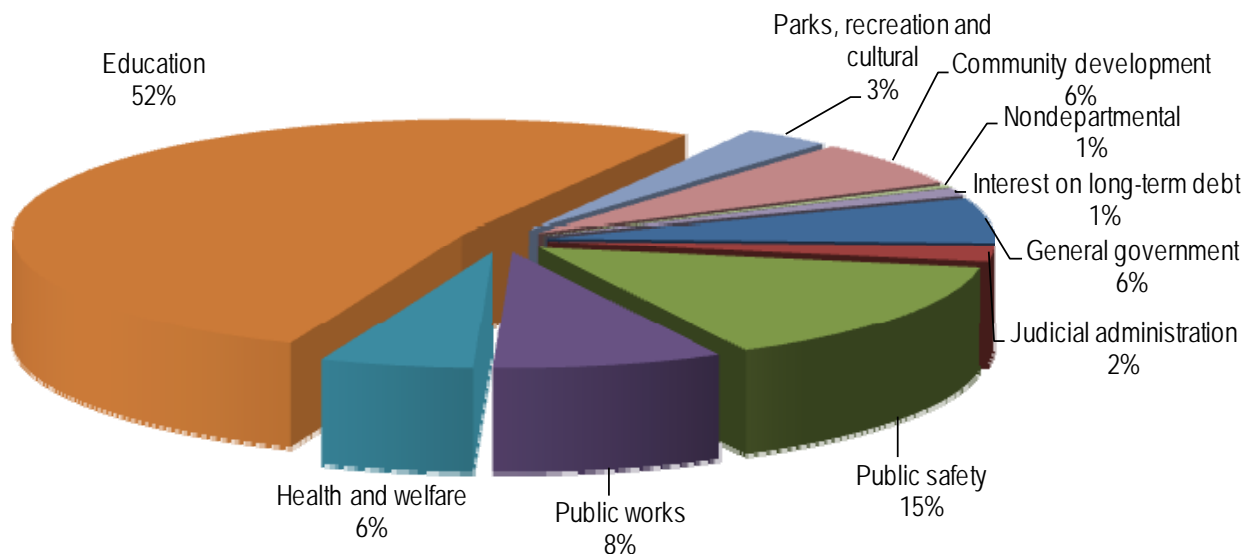
The chart below provides a visual analysis of the sources of revenue by percentage for the County for the year ended June 30, 2014.

Sources of Revenue of Governmental Activities for Fiscal Year 2014



Similarly, the following chart provides an analysis of the expenses of the Governmental Activities by major functional category for the year ended June 30, 2014:

Total Functional Expenses of Governmental Activities for Fiscal Year 2014



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 financial statements of the governmental funds serve to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned 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 \$10,052,201, an increase of \$184,366 from the prior year. Approximately, 31.8 percent of this total amount constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is earmarked.

The general fund is the chief operating fund of the County. As of June 30, 2014, total fund balance of the general fund was \$9,466,077 of which \$3,201,601 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total general fund expenditures. The unassigned fund balance represents 20.2 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$7,582,959. Total fund balance represents 59.6 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$82,721 during the current fiscal year as compared to \$479,997 in fiscal 2013.

In fiscal 2013, the County issued \$9,545,000 of Series 2012 Bonds, the proceeds of which were used to pay off the balance of Series 2008 bonds and an interest rate swap agreement totaling approximately \$9,414,000. The net of these transactions generated approximately \$131,000 in additional fund balance in fiscal 2013 relative to the current fiscal year.

Fiscal 2014 expenditures unrelated to debt service increased \$309,385 from fiscal 2013. This is due primarily to an increase of \$241,719 in public safety expenditures, and increase of \$254,647 in public works expenditures, and a decrease in capital projects expenditures of \$166,601.

The increase in public safety expenditures is primarily due to an increase in the Sheriff's Office expenditures (approximately \$158,000) and to an increase in contributions for Fire and Rescue squads (approximately \$47,000). The increase in Sheriff's office expenditures was related to the purchase of new vehicles and for health insurance expenses for employees. The increase in the Fire and Rescue squad contributions was related to a radio needs assessment.

The increase in public works expenditures is primarily due to contributions made to the Bath County Service Authority (\$167,000) for capital improvements and to the Bath County Airport Authority (\$50,834) to support operations. The County expects to continue to make such contributions in the future.

The decrease in capital projects expenditures is related to the status of various projects and funded requests.

Total revenues in fiscal 2014 remained relatively flat, increasing by \$25,344 or .16 percent. Hotel and motel room taxes included in the County's general fund increased by \$88,487. This increase was partially offset by a decrease in general property taxes of \$44,292. The decrease in general property taxes is primarily due to a decrease in real property taxes due to increased land use and delinquent taxes.

Proprietary Funds

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

Total net position of the component unit, Bath County Public Service Authority, at the end of the fiscal year was \$8,508,497. Additional financial information for the Bath County Public Service Authority for the year ended June 30, 2014 can be found in Exhibits 17-19 of the accompanying financial statements.

General Fund Budgetary Highlights

The general fund's original budgeted appropriations amounted to \$17,487,879 the final amended general fund budget was \$17,689,508 representing an increase of \$201,629, or 1.2 percent of the original general fund budget. The increase in the final budget relative to the original budget is primarily due to an increase in public safety spending (\$165,876). This increase was related to increases in spending for the Sheriff's Office and Fire and Rescue squads.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2014 is \$9,207,610 (net of accumulated depreciation) and is a decrease of \$1,027,200 from the previous fiscal year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress.

The decrease is primarily due to the transfer of capital assets to the School Board upon payoff of related debt.

Summary of Capital Assets for Governmental Activities (net of depreciation)

As of June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Land	\$ 303,240	\$ 303,240
Buildings and improvements	8,150,013	8,616,568
Machinery and equipment	641,730	676,245
Construction in progress	112,627	638,757
Total	<u>\$ 9,207,610</u>	<u>\$ 10,234,810</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:

Summary of Outstanding Debt For the Year Ended June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Revenue bonds	\$ 7,885,000	\$ 8,775,000
OPEB Obligation (Note 10)	148,251	119,851
Compensated absences	110,067	98,641
Total	<u>\$ 8,143,318</u>	<u>\$ 8,993,492</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 2013-14 averaged 4.5 percent (July 2013 – June 2014), which was a slight decrease from the prior year. This compares favorably to the state's average unemployment rate of 5.3 percent (October 2014) and the national average rate of 5.8 percent (October 2014) (data from U.S. Bureau of Labor Statistics).

Dominion Power and Omni Homestead Resort and Spa continue to be major employers in, and significant sources of revenue for, the County.

Overall, the financial position of the County is considered stable. No County tax rates have been raised for fiscal 2015. The general reassessment of real property will begin in fiscal 2015.

Sales tax collections continue to increase but have not returned to pre-recession levels.

The Bath County Board of Supervisors has committed \$680,000 to fund the extension of the Cedar Creek Water line.

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

During fiscal year 2014, the unassigned fund balance in the general fund increased slightly by \$31,709 (from \$3,169,892 to \$3,201,601). Committed and assigned fund balances also increased slightly by \$44,322 (from \$6,204,900 to \$6,249,312). The fund balance is an important working financial resource.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2014

	Primary Government Governmental Activities	Component Units School Board	Service Authority
ASSETS			
Cash and cash equivalents	\$ 9,542,357	\$ 786,594	\$ 3,118,972
Receivables (net of allowance for uncollectibles):			
Taxes receivable	601,287	-	-
Accounts receivable	190,791	-	95,950
Interest receivable	-	-	147
Due from component unit	228,388	-	-
Due from other governmental units	351,528	163,587	-
Inventories	-	20,784	-
Prepaid items	15,164	72,438	-
Restricted assets:			
Cash and cash equivalents	-	-	72,531
Capital assets (net of accumulated depreciation):			
Land and land improvements	303,240	238,282	69,165
Buildings and improvements	8,150,013	5,046,191	-
Machinery and equipment	641,730	854,602	90,194
Utility plant in service	-	-	7,928,611
Construction in progress	112,627	-	446,231
Total assets	<u>\$ 20,137,125</u>	<u>\$ 7,182,478</u>	<u>\$ 11,821,801</u>
LIABILITIES			
Accounts payable	\$ 169,153	\$ -	\$ 60,171
Accrued payroll	-	638,999	-
Customers' deposits	-	-	26,265
Accrued interest payable	7,392	-	-
Due to primary government	-	228,388	-
Unearned revenue	165,842	142,050	2,572,265
Long-term liabilities:			
Due within one year	910,000	-	50,207
Due in more than one year	7,233,318	444,342	604,396
Total liabilities	<u>\$ 8,485,705</u>	<u>\$ 1,453,779</u>	<u>\$ 3,313,304</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 255,946	\$ -	\$ -
Total deferred inflows of resources	<u>\$ 255,946</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 1,322,610	\$ 6,139,075	\$ 7,881,929
Restricted -			
Debt service reserve fund	-	-	46,266
Unrestricted (deficit)	10,072,864	(410,376)	580,302
Total net position	<u>\$ 11,395,474</u>	<u>\$ 5,728,699</u>	<u>\$ 8,508,497</u>

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

County of Bath, Virginia

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,049,191	\$ 18,107	\$ 159,065	\$ -
Judicial administration	369,801	25,980	207,246	-
Public safety	2,478,869	119,570	649,008	25,000
Public works	1,429,114	24,600	-	-
Health and welfare	941,207	-	494,987	-
Education	8,899,869	-	-	-
Parks, recreation, and cultural	542,796	8,267	-	-
Community development	1,087,763	-	306,971	-
Nondepartmental	68,899	-	-	-
Interest on long-term debt	196,898	-	-	-
Total governmental activities	<u>\$ 17,064,407</u>	<u>\$ 196,524</u>	<u>\$ 1,817,277</u>	<u>\$ 25,000</u>
COMPONENT UNITS:				
School Board	\$ 10,689,902	\$ 155,157	\$ 2,352,237	\$ -
Service Authority	1,540,201	1,037,942	-	-
Total component units	<u>\$ 12,230,103</u>	<u>\$ 1,193,099</u>	<u>\$ 2,352,237</u>	<u>\$ -</u>

General revenues:

General property taxes

Other local taxes

Local sales and use taxes

Restaurant food tax

Motor vehicle licenses taxes

Taxes on recordation and wills

Bank stock taxes

Hotel and motel room taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning, as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government		Component Units	
Governmental Activities		School Board	Service Authority
\$ (872,019)	\$ -	\$ -	\$ -
(136,575)	-	-	-
(1,685,291)	-	-	-
(1,404,514)	-	-	-
(446,220)	-	-	-
(8,899,869)	-	-	-
(534,529)	-	-	-
(780,792)	-	-	-
(68,899)	-	-	-
(196,898)	-	-	-
<u>\$ (15,025,606)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (8,182,508)	\$ -	\$ -
-	-	(502,259)	-
<u>\$ -</u>	<u>\$ (8,182,508)</u>	<u>\$ (502,259)</u>	<u>\$ (502,259)</u>
\$ 11,720,316	\$ -	\$ -	\$ -
920,676	-	-	-
859,248	-	-	-
73,882	-	-	-
50,256	-	-	-
37,797	-	-	-
969,850	-	-	-
21,377	-	-	-
35,934	-	45,646	-
67,737	73,586	-	-
321,975	9,030,620	167,000	-
<u>\$ 15,079,048</u>	<u>\$ 9,104,206</u>	<u>\$ 212,646</u>	<u>\$ 212,646</u>
\$ 53,442	\$ 921,698	\$ (289,613)	\$ -
11,342,032	4,807,001	8,798,110	-
<u>\$ 11,395,474</u>	<u>\$ 5,728,699</u>	<u>\$ 8,508,497</u>	<u>\$ 8,508,497</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2014

	General	Virginia Public Assistance	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 9,000,022	\$ -	\$ 542,335	\$ 9,542,357
Receivables (net of allowance for uncollectibles):				
Taxes receivable	601,287	-	-	601,287
Accounts receivable	137,577	-	53,214	190,791
Due from other funds	44,706	-	-	44,706
Due from component unit	228,388	-	-	228,388
Due from other governmental units	306,822	37,848	6,858	351,528
Prepaid items	15,164	-	-	15,164
Total assets	<u>\$ 10,333,966</u>	<u>\$ 37,848</u>	<u>\$ 602,407</u>	<u>\$ 10,974,221</u>
LIABILITIES				
Accounts payable	\$ 159,728	\$ -	\$ 9,425	\$ 169,153
Due to other funds	-	37,848	6,858	44,706
Unearned revenue	165,842	-	-	165,842
Total liabilities	<u>\$ 325,570</u>	<u>\$ 37,848</u>	<u>\$ 16,283</u>	<u>\$ 379,701</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 542,319	\$ -	\$ -	\$ 542,319
Total deferred inflows of resources	<u>\$ 542,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,319</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 15,164	\$ -	\$ -	\$ 15,164
Committed:				
Special revenue funds	-	-	586,124	586,124
Pinehurst local rehab reserve	8,252	-	-	8,252
Assigned:				
Capital projects	6,241,060	-	-	6,241,060
Unassigned	3,201,601	-	-	3,201,601
Total fund balances	<u>\$ 9,466,077</u>	<u>\$ -</u>	<u>\$ 586,124</u>	<u>\$ 10,052,201</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,333,966</u>	<u>\$ 37,848</u>	<u>\$ 602,407</u>	<u>\$ 10,974,221</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 Position
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 10,052,201
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,207,610
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	286,373
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,150,710)</u>
Net position of governmental activities	\$ <u><u>11,395,474</u></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
Year Ended June 30, 2014

	General	Virginia Public Assistance	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 11,675,049	\$ -	\$ -	\$ 11,675,049
Other local taxes	2,448,160	-	484,926	2,933,086
Permits, privilege fees, and regulatory licenses	112,675	-	-	112,675
Fines and forfeitures	5,841	-	-	5,841
Revenue from the use of money and property	35,934	-	-	35,934
Charges for services	78,008	-	-	78,008
Miscellaneous	50,955	-	16,782	67,737
Recovered costs	24,453	-	-	24,453
Intergovernmental:				
Commonwealth	1,305,898	131,800	52,098	1,489,796
Federal	363,367	286,222	24,867	674,456
Total revenues	<u>\$ 16,100,340</u>	<u>\$ 418,022</u>	<u>\$ 578,673</u>	<u>\$ 17,097,035</u>
EXPENDITURES				
Current:				
General government administration	\$ 947,808	\$ -	\$ -	\$ 947,808
Judicial administration	366,567	-	-	366,567
Public safety	2,131,542	-	-	2,131,542
Public works	1,427,212	-	-	1,427,212
Health and welfare	283,595	517,136	133,858	934,589
Education	7,586,708	-	-	7,586,708
Parks, recreation, and cultural	469,312	-	-	469,312
Community development	687,101	-	398,477	1,085,578
Nondepartmental	68,899	-	-	68,899
Capital projects	806,721	-	-	806,721
Debt service:				
Principal retirement	915,000	-	-	915,000
Interest and other fiscal charges	197,733	-	-	197,733
Total expenditures	<u>\$ 15,888,198</u>	<u>\$ 517,136</u>	<u>\$ 532,335</u>	<u>\$ 16,937,669</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 212,142</u>	<u>\$ (99,114)</u>	<u>\$ 46,338</u>	<u>\$ 159,366</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 134	\$ 99,114	\$ 55,441	\$ 154,689
Transfers out	(154,555)	-	(134)	(154,689)
Issuance of notes payable	25,000	-	-	25,000
Total other financing sources (uses)	<u>\$ (129,421)</u>	<u>\$ 99,114</u>	<u>\$ 55,307</u>	<u>\$ 25,000</u>
Net change in fund balances	\$ 82,721	\$ -	\$ 101,645	\$ 184,366
Fund balances - beginning	9,383,356	-	484,479	9,867,835
Fund balances - ending	<u>\$ 9,466,077</u>	<u>\$ -</u>	<u>\$ 586,124</u>	<u>\$ 10,052,201</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
Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 184,366
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(1,027,200)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents unavailable revenue.	45,267
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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.	890,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(38,991)</u>
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Change in net position of governmental activities	<u>\$ 53,442</u>
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The notes to the financial statements are an integral part of this statement.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

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

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

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

The government reports the following major governmental funds:

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

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

Additionally, the government reports the following fund types:

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

Fiduciary funds (trust and agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. There are no fiduciary funds at June 30, 2014.

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

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

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

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

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

D. Assets, liabilities, deferred inflows/outflows of resources, and net position/fund balance

1. Cash and cash equivalents

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 is 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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

3. Inventory

Inventory is expensed as it is consumed.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

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

D. Assets, liabilities, deferred inflows/outflows of resources, and net position/fund balance (continued)

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$11,707 at June 30, 2014 and is comprised of uncollectible local taxes of the primary government in the amount of \$4,224 and uncollectible water and sewer accounts receivable of the component unit – Service Authority in the amount of \$7,483.

6. Use of Estimates

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

7. Restricted assets

Certain resources are classified as restricted assets on the balance sheet and are maintained in separate bank accounts. At June 30, 2014, \$46,266 was set aside for the repayment of the component unit – Service Authority's enterprise fund revenue bonds and their use is limited by applicable bond covenants. In addition, the component unit – Service Authority had \$26,265 in a bank account restricted for customer deposits.

8. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water and sewer plant and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

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

D. Assets, liabilities, deferred inflows/outflows of resources, and net position/fund balance (continued)

8. Capital assets (continued)

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

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

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

9. Compensated Absences

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

10. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

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

D. Assets, liabilities, deferred inflows/outflows of resources, and net position/fund balance (continued)

11. Fund equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

12. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

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

D. Assets, liabilities, deferred inflows/outflows of resources, and net position/fund balance (continued)

13. *Net Position Flow Assumption*

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

14. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, personal property tax for 2014 levied during the fiscal year but due after June 30th, and amounts prepaid on the taxes levied but not due as of June 30, 2014 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, personal property tax for 2014 levied during the fiscal year but due after June 30th and amounts prepaid on the tax levied during the fiscal year but due after June 30th are reported as deferred inflows of resources.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (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 position

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position--governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable (\$8,150,710) and (\$444,342) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ (7,885,000)	\$ -
Net OPEB obligation	(148,251)	(190,449)
Accrued interest payable	(7,392)	-
Compensated absences	(110,067)	(253,893)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (8,150,710)</u>	<u>\$ (444,342)</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 position 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 (\$1,027,200) and \$970,003 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 233,590	\$ 438,934
Depreciation expense	(230,890)	(498,831)
Allocation of debt financed school assets based on current year repayments	(1,029,900)	1,029,900
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,027,200)</u>	<u>\$ 970,003</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (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 position. Also, governmental funds report the effect of 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 \$890,000 difference in the primary government are as follows:

	<u>Primary Government</u>
Debt issued or incurred:	
Issuance of debt for capital leases	\$ (25,000)
Principal repayments:	
General obligation debt	890,000
Capital Leases	<u>25,000</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>890,000</u></u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of these (\$38,991) and (\$57,144) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Net OPEB obligation	\$ (28,400)	\$ (43,400)
Compensated absences	(11,426)	(13,744)
Accrued interest payable	<u>835</u>	<u>-</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(38,991)</u></u>	\$ <u><u>(57,144)</u></u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 3—Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following Funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Lodging Tax Marketing and Capital Fund, School Operating Fund, and School Cafeteria Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts between general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations

For the year ended June 30, 2014, the following fund incurred expenditures exceeding appropriations:

Fund	Function	Excess of Expenditures over Appropriations
General	Debt Service	\$ 25,295
Total General Fund		\$ 25,295
Cafeteria	School Food Services	\$ 19,773
Total All Other Funds		\$ 19,773

C. Deficit fund equity

At June 30, 2014, there were no funds with deficit fund equity.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 4—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

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

The County's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u><u>1,540,578</u></u>

External Investment Pool

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

COUNTY OF BATH, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (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	\$ -	\$ 105,397
Medicaid	-	3,148
Local sales taxes	153,179	-
Communications Tax	19,566	-
Mobile Home tax	1,725	-
Rolling Stock	10,144	-
Fire Programs Fund	2,000	-
Jury duty claims reimbursement	210	-
Recordation tax	4,186	-
DMV license agent fee	978	-
Public assistance and welfare administration	12,732	-
Comprehensive Services Act funds	6,858	-
E-911 mapping	6,906	-
Shared expense - mt. soil and water dist.	28,691	-
Commonwealth attorney	5,779	-
Clerk of Circuit Court	11,467	-
Treasurer	4,985	-
Commissioner of revenue	6,325	-
Timber sales	1,894	-
Sheriff	48,787	-
Federal Government:		
Public assistance and welfare administration	25,116	-
Title I	-	39,655
School cafeteria	-	7,636
Vocational education	-	7,751
Total	\$ <u>351,528</u>	\$ <u>163,587</u>

COUNTY OF BATH, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)****Note 6—Interfund Component-Unit Obligations:**

The following balances represent amounts due between funds at June 30, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:				
General Fund	\$ 44,706	\$ -	\$ -	\$ 228,388
CSA Fund	-	6,858	-	-
VPA Fund	-	37,848	-	-
Total	<u>\$ 44,706</u>	<u>\$ 44,706</u>	<u>\$ -</u>	<u>\$ 228,388</u>
Component Unit-School Board:				
School Fund	\$ -	\$ -	\$ 228,388	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,388</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, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 134	\$ 154,555
Virginia Public Assistance Fund	99,114	-
CSA Fund	55,441	-
Revenue Maximization Fund	-	134
Total	<u>\$ 154,689</u>	<u>\$ 154,689</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
JUNE 30, 2014 (CONTINUED)

Note 8—Long-Term Obligations:

Primary Government-Governmental Activities Liabilities:

The following is a summary of long-term liability transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Capital leases	\$ -	\$ 25,000	\$ 25,000	\$ -
Revenue bond	8,775,000	-	890,000	7,885,000
Net OPEB Obligation (Note 10)	119,851	32,800	4,400	148,251
Compensated absences	98,641	11,426	-	110,067
Total Long-Term Obligations	<u>\$ 8,993,492</u>	<u>\$ 69,226</u>	<u>\$ 919,400</u>	<u>\$ 8,143,318</u>

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

Years Ending June 30,	Governmental Activities	
	Revenue Bond	
	Principal	Interest
2015	\$ 910,000	\$ 177,412
2016	930,000	156,938
2017	950,000	136,012
2018	975,000	114,638
2019	995,000	92,700
2020	1,020,000	70,312
2021	1,040,000	47,362
2022	1,065,000	23,962
Total	<u>\$ 7,885,000</u>	<u>\$ 819,336</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

Note 8—Long-Term Obligations: (Continued)

Primary Government-Governmental Activities Indebtedness: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue bond:		
\$9,545,000 2012 Series Public Facilities Lease Revenue Bond, issued August 1, 2012, due in annual installments of \$770,000 to \$1,065,000 through June 15, 2022, plus biannual interest payments at 2.25%.	\$ 7,885,000	\$ 910,000
Other Obligations:		
Net OPEB Obligation	148,251	-
Compensated absences (payable from General Fund)	<u>110,067</u>	<u>-</u>
Total long-term obligations	<u>\$ 8,143,318</u>	<u>\$ 910,000</u>

Discretely Presented Component Unit-Service Authority:

The following is a summary of long-term obligation transactions of the Service Authority for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>		<u>Increases/ Issuances</u>		<u>Decreases/ Retirements</u>		<u>Balance June 30, 2014</u>
Revenue bonds	\$ 698,890	\$	-	\$	46,618	\$	652,272
Compensated absences	<u>2,331</u>		-		-		<u>2,331</u>
Total Long-Term Obligations	<u>\$ 701,221</u>	\$	<u>-</u>	\$	<u>46,618</u>	\$	<u>654,603</u>

COUNTY OF BATH, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)**

Note 8—Long-Term Obligations: (Continued)

Discretely Presented Component Unit-Service Authority: (continued)

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

Fiscal Year	Revenue Bonds	
	Principal	Interest
2015	\$ 50,207	\$ 4,918
2016	51,085	4,040
2017	51,991	3,134
2018	52,923	2,202
2019	52,444	1,241
2020	37,878	251
2021	21,135	-
2022	21,135	-
2023	21,135	-
2024	21,135	-
2025	21,135	-
2026	21,135	-
2027	21,135	-
2028	21,135	-
2029	21,135	-
2030	21,135	-
2031	21,135	-
2032	21,135	-
2033	21,135	-
2034	21,135	-
2035	21,135	-
2036	21,135	-
2037	17,584	-
Total	\$ <u>652,272</u>	\$ <u>15,786</u>

COUNTY OF BATH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)**

Note 8—Long-Term Obligations: (Continued)

Discretely Presented Component Unit-Service Authority: (continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
VRA Revenue Bond Series 2007 - dated April 5, 2007, \$634,057 principal amount available, \$605,939 issued to date, final terms will not be agreed upon until project is complete. Semi-annual principal only payments of \$10,567.62 are due through 2037.	\$ 481,115	\$ 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>171,157</u>	<u>29,072</u>
Total Revenue Bonds	<u>\$ 652,272</u>	<u>\$ 50,207</u>
Compensated absences (payable from Component Unit Service Authority)	<u>\$ 2,331</u>	<u>\$ -</u>
Total Service Authority Debt	<u>\$ 654,603</u>	<u>\$ 50,207</u>

Discretely Presented Component Unit-School Board:

The following is a summary of long-term obligation transactions of the Component Unit School Board for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Compensated absences	\$ 240,149	\$ 13,744	\$ -	\$ 253,893
Net OPEB Obligation	147,049	66,300	22,900	190,449
Total Long-Term Obligations	<u>\$ 387,198</u>	<u>\$ 80,044</u>	<u>\$ 22,900</u>	<u>\$ 444,342</u>
Compensated absences (payable from School Fund)			<u>\$ 253,893</u>	

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 9—Pension Plan:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** – Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** – Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** – Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** – Same as VRS Plan 1—Refer to Section 7.

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** – Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1—Refer to Section 17.

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers’ Retirement System (SPORS)
 - Members of the Virginia Law Officers’ Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

- 4. Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** – Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

Note 9—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 9—Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rates for the fiscal year ended 2014 were 11.19% and 10.6% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$506,896, \$483,198, and \$242,458, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, County's annual pension cost of \$279,008 was equal to the County's required and actual contributions.

Three-Year Trend Information - County

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 279,008	100.00%	-
June 30, 2013	259,213	100.00%	-
June 30, 2012	183,293	100.00%	-

For fiscal year 2014, School Board's annual pension cost of \$81,864 was equal to the School Board's required and actual contributions

Three-Year Trend Information - School Board Non-Professional

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 81,864	100.00%	-
June 30, 2013	79,562	100.00%	-
June 30, 2012	42,525	100.00%	-

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 9—Pension Plan: (Continued)

C. Annual Pension Cost (continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years

D. Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the County's plan was 73.15% funded. The actuarial accrued liability for benefits was \$12,444,798, and the actuarial value of assets was \$9,102,949, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,341,849. The covered payroll (annual payroll of active employees covered by the plan) was \$2,298,290 and ratio of the UAAL to the covered payroll was 145.41%.

As of June 30, 2014, the most recent actuarial valuation date, the School Board's plan was 79.57% funded. The actuarial accrued liability for benefits was \$3,947,609, and the actuarial value of assets was \$3,141,296, resulting in an unfunded actuarial accrued liability (UAAL) of \$806,313. The covered payroll (annual payroll of active employees covered by the plan) was \$756,127 and ratio of the UAAL to the covered payroll was 106.64%.

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

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 10—Other Postemployment Benefits:

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

County and School Board Retiree Health Insurance Plan:

A. Plan Description

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

B. Funding Policy

The employee is responsible for the full amount of their monthly premium as well as any premiums for spouses and dependents.

C. Annual OPEB Cost and Annual OPEB Net Obligation

The County and School Board's annual other postemployment 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.

COUNTY OF BATH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)**

Note 10—Other Postemployment Benefits: (Continued)

County and School Board Retiree Health Insurance Plan: (continued)

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

The 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 and School Board's net OPEB obligations to the Plan:

	County	School Board
Annual Required Contribution (ARC)	\$ 33,000	\$ 66,500
Interest on OPEB Obligation	4,800	5,900
Adjustment to ARC	(5,000)	(6,100)
Annual OPEB Cost	\$ 32,800	\$ 66,300
Contributions Made	(4,400)	(22,900)
Increase in Net OPEB Obligation	\$ 28,400	\$ 43,400
Net OPEB Obligation - beginning of year	119,851	147,049
Net OPEB Obligation - end of year	\$ 148,251	\$ 190,449

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 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
June 30, 2014	\$ 32,800	13%	\$ 148,251
June 30, 2013	53,257	70%	82,058
June 30, 2012	41,405	70%	82,058
School Board:			
June 30, 2014	\$ 66,300	35%	\$ 190,449
June 30, 2013	65,343	70%	146,842
June 30, 2012	74,095	70%	146,842

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 10—Other Postemployment Benefits: (Continued)

County and School Board Retiree Health Insurance Plan: (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013 is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial Accrued liability (AAL)	\$ 298,900	\$ 654,700
Actuarial value of plan assets	\$ -	\$ -
Unfunded actuarial accrued liability	\$ 298,900	\$ 654,700
Funded ratio (actuarial value of plan assets)	0%	0%
Annual covered payroll	\$ 1,929,798	\$ 5,217,602
UAAL as a percentage of covered payroll	15.49%	12.55%

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

Actuarial Assumptions

Discount rate	4%
Annual amortization increase rate	2.5%

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 10—Other Postemployment Benefits: (Continued)

School Board VRS Health Insurance Credit Program:

Non-professional plan:

A. Plan Description

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

A non-professional employee of the School Board who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was .89% of annual covered payroll.

C. Annual 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.

COUNTY OF BATH, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)**

Note 10—Other Postemployment Benefits: (Continued)

School Board VRS Health Insurance Credit Program: (Continued)**Non-professional plan: (continued)****C. Annual OPEB Cost and Net OPEB Obligation (continued)**

For 2014, the School Board's contribution of \$6,680 was equal to the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years are as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2014	\$	6,873	100%	\$	-
June 30, 2013		6,680	100%		-
June 30, 2012		4,260	100%		-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date is as follows:

Actuarial Accrued liability (AAL)	\$	87,284
Actuarial value of plan assets	\$	5,925
Unfunded actuarial accrued liability (UAAL)	\$	81,359
Funded ratio (actuarial value of plan assets)		6.79%
Annual covered payroll	\$	756,127
UAAL as a percentage of covered payroll		10.76%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 10—Other Postemployment Benefits: (Continued)

School Board VRS Health Insurance Credit Program: (Continued)

Non-professional plan: (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.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5% and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining period at June 30, 2013 was 29 years.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of services. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare costs trend rates is needed or applied.

Professional Employees

A. Plan Description

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

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.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$48,255, \$45,999, and \$22,982, respectively and equaled the required contributions for each year.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 11—Deferred/ Unavailable/ Unearned Revenue:

Deferred/ unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue of the Primary Government totaling \$255,946 and unearned revenue of the Primary Government, Component Unit School Board, and the Component Unit Services Authority totaling \$542,319, \$142,050 and \$2,572,265, is comprised of the following:

Deferred / Unavailable Revenue:

Property Tax Revenue – Deferred / unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$286,373 at June 30, 2014.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014, but paid in advance by taxpayers totaled \$13,522 at June 30, 2014.

Unbilled Property Taxes – Personal property taxes for 2014 that had not been billed as of June 30, 2014 amounted to \$242,424.

Unearned Revenue:

Payments in Lieu of Taxes – Unearned revenue representing payments in lieu of taxes not available for funding of current expenditures totaled \$165,842 and \$142,050 for the Primary Government and Component Unit School Board, respectively.

Prepaid Capital Expenditures – The Bath County Public Service Authority entered into a contract with Warm Springs Investment, LLC (WSIC) to provide Wastewater Treatment and Water Supply upgrades to the customers located within Homestead Preserve when such upgrades are deemed necessary based on the number of customers being served. WSIC is making yearly payments to the PSA to offset these future expenses. To date the PSA has received \$2,329,692 from WSIC.

Prepaid Development Fees – Development fees prepaid to the Bath County Public Service Authority by the WSIC totaled \$218,560 at June 30, 2014.

Prepaid Water and Sewer Fees – Prepaid fees for water and sewer usage received from customers amounted to \$24,013 at June 30, 2014.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 12—Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

Governmental activities:

	Balance July 1, 2013, as restated	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 303,240	\$ -	\$ -	\$ 303,240
Construction in progress	638,757	148,626	(674,756)	112,627
Total capital assets not being depreciated	\$ 941,997	\$ 148,626	\$ (674,756)	\$ 415,867
Capital assets being depreciated:				
Buildings and improvements	\$ 12,165,055	\$ 674,756	\$ (890,000)	\$ 11,949,811
Machinery and equipment	1,656,401	84,964	(191,383)	1,549,982
Total capital assets being depreciated	\$ 13,821,456	\$ 759,720	\$ (1,081,383)	\$ 13,499,793
Accumulated depreciation:				
Buildings and improvements	\$ (3,548,487)	\$ (251,311)	\$ -	\$ (3,799,798)
Machinery and equipment	(980,156)	(119,479)	191,383	(908,252)
Total accumulated depreciation	\$ (4,528,643)	\$ (370,790)	\$ 191,383	\$ (4,708,050)
Capital assets being depreciated, net	\$ 9,292,813	\$ 388,930	\$ (890,000)	\$ 8,791,743
Net capital assets	\$ 10,234,810	\$ 537,556	\$ (1,564,756)	\$ 9,207,610

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

Governmental activities:

General government administration	\$ 96,129
Judicial administration	503
Public safety	104,311
Education	139,900
Parks, recreation, cultural	29,947
Total depreciation expense - governmental activities	\$ 370,790

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

Note 12—Capital Assets: (Continued)

Discretely Presented Component Units:

Component Unit School Board:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land and land improvements	\$ 238,282	\$ -	\$ -	\$ 238,282
Total capital assets not being depreciated	\$ 238,282	\$ -	\$ -	\$ 238,282
Capital assets being depreciated:				
Buildings and improvements	\$ 12,628,076	\$ 890,000	\$ -	\$ 13,518,076
Machinery and equipment	1,643,480	438,934	-	2,082,414
Total capital assets being depreciated	\$ 14,271,556	\$ 1,328,934	\$ -	\$ 15,600,490
Accumulated depreciation:				
Buildings and improvements	\$ (8,258,231)	\$ (353,554)	\$ 139,900	\$ (8,471,885)
Machinery and equipment	(1,082,535)	(145,277)	-	(1,227,812)
Total accumulated depreciation	\$ (9,340,766)	\$ (498,831)	\$ 139,900	\$ (9,699,697)
Capital assets being depreciated, net	\$ 4,930,790	\$ 830,103	\$ 139,900	\$ 5,900,793
Net capital assets	\$ 5,169,072	\$ 830,103	\$ 139,900	\$ 6,139,075
Depreciation expense allocated to education		\$ 358,931		

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

Note 12—Capital Assets: (Continued)

Discretely Presented Component Units: (continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments on-behalf of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a tenancy in common with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the School Board of Bath Virginia for the year ended June 30, 2014, is that school financed assets in the amount of \$7,885,000 are reported in the Primary Government for financial reporting purposes. The adjustment to capital assets was as follows:

	Balance June 30, 2013, as restated	Increases	Adjustment	Balance June 30, 2014
Primary Government:				
Buildings and improvements	\$ <u>12,165,055</u>	\$ <u>674,756</u>	\$ <u>(890,000)</u>	\$ <u>11,949,811</u>
Discretely Presented Component Unit-School Board				
Buildings and improvements	\$ <u>12,628,076</u>	\$ <u>-</u>	\$ <u>890,000</u>	\$ <u>13,518,076</u>

The 2014 adjustment to accumulated depreciation was a \$139,900 transfer from the School Board to the Primary Government.

COUNTY OF BATH, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (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, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 69,165	\$ -	\$ -	\$ 69,165
Construction in progress	367,668	78,563	-	446,231
Total capital assets not being depreciated	\$ 436,833	\$ 78,563	\$ -	\$ 515,396
Capital assets being depreciated:				
Water System	\$ 9,447,718	\$ 13,986	\$ -	\$ 9,461,704
Sewer System	10,302,850	18,727	-	10,321,577
Machinery and equipment	355,267	72,863	-	428,130
Total capital assets being depreciated	\$ 20,105,835	\$ 105,576	\$ -	\$ 20,211,411
Accumulated depreciation:				
Water System	\$ (4,299,049)	\$ (281,518)	\$ -	\$ (4,580,567)
Sewer System	(7,061,316)	(212,787)	-	(7,274,103)
Machinery and equipment	(314,846)	(23,090)	-	(337,936)
Total accumulated depreciation	\$ (11,675,211)	\$ (517,395)	\$ -	\$ (12,192,606)
Capital assets being depreciated, net	\$ 8,430,624	\$ (411,819)	\$ -	\$ 8,018,805
Net capital assets	\$ 8,867,457	\$ (333,256)	\$ -	\$ 8,534,201

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 JUNE 30, 2014 (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, 2014, the County has not initiated final closure procedures to release itself from requirements for monitoring, etc. The County anticipates making this request during upcoming years as funds are available.

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

Note 15—Surety Bonds:

Hartford Accident and Indemnity Company:	
Wayne Winebriner, Clerk of Circuit Court	\$ 5,000
Pam Webb, Treasurer	500,000
Leta Norfleet, Commissioner of the Revenue	3,000
Robert Plecker, Sheriff	5,000
Clifford A. Gilchrest, Supervisor	1,000
Bruce McWilliams, Supervisor	1,000
Claire A. Collins, Supervisor	1,000
Phillip B. Perdue, Supervisor	1,000
Henry Kevin Fry, Supervisor	1,000
All County employees; blanket bond	175,000
Virginia School Board Association Property and Casualty Pool:	
Sue Hirsh, Superintendent of Schools	10,000
Justin S. Rider, Finance Director	10,000
All School Board employees; blanket bond	1,000,000
Nationwide Insurance:	
Department of Social Services - Director and Employees	250,000
Western Surety Company:	
County Administrator	2,000

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (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—Litigation:

At June 30, 2014, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 18—Restatement of Net Position:

Beginning net position of the Primary Government was adjusted to write off a building that was contributed to a nonprofit organization. The details of the restatement of net position are as follows:

		<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Net position as originally reported, July 1, 2013	\$	11,687,632
To right off building donated to the Retirement Commission		(345,600)
Net position as adjusted, July 1, 2013	\$	<u>11,342,032</u>

Note 19—Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

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
Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 11,686,632	\$ 11,775,743	\$ 11,675,049	\$ (100,694)
Other local taxes	2,273,600	2,273,600	2,448,160	174,560
Permits, privilege fees, and regulatory licenses	56,700	56,700	112,675	55,975
Fines and forfeitures	150	150	5,841	5,691
Revenue from the use of money and property	52,200	52,200	35,934	(16,266)
Charges for services	104,300	104,300	78,008	(26,292)
Miscellaneous	7,000	17,367	50,955	33,588
Recovered costs	10,000	13,755	24,453	10,698
Intergovernmental:				
Commonwealth	1,207,400	1,232,000	1,305,898	73,898
Federal	1,065,000	1,115,000	363,367	(751,633)
Total revenues	<u>\$ 16,462,982</u>	<u>\$ 16,640,815</u>	<u>\$ 16,100,340</u>	<u>\$ (540,475)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,083,964	\$ 1,078,661	\$ 947,808	\$ 130,853
Judicial administration	397,613	397,613	366,567	31,046
Public safety	2,031,557	2,197,433	2,131,542	65,891
Public works	1,442,378	1,476,815	1,427,212	49,603
Health and welfare	209,598	293,709	283,595	10,114
Education	8,056,312	8,056,312	7,586,708	469,604
Parks, recreation, and cultural	515,405	517,618	469,312	48,306
Community development	1,462,612	1,485,102	687,101	798,001
Nondepartmental	183,552	81,357	68,899	12,458
Capital projects	1,017,450	1,017,450	806,721	210,729
Debt service:				
Principal retirement	974,258	974,258	915,000	59,258
Interest and other fiscal charges	113,180	113,180	197,733	(84,553)
Total expenditures	<u>\$ 17,487,879</u>	<u>\$ 17,689,508</u>	<u>\$ 15,888,198</u>	<u>\$ 1,801,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,024,897)</u>	<u>\$ (1,048,693)</u>	<u>\$ 212,142</u>	<u>\$ 1,260,835</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 134	\$ 134
Transfers out	(245,064)	(250,064)	(154,555)	\$ 95,509
Issuance of notes payable	-	-	25,000	25,000
Total other financing sources (uses)	<u>\$ (245,064)</u>	<u>\$ (250,064)</u>	<u>\$ (129,421)</u>	<u>\$ 120,643</u>
Net change in fund balances	\$ (1,269,961)	\$ (1,298,757)	\$ 82,721	\$ 1,381,478
Fund balances - beginning	1,269,961	1,298,757	9,383,356	8,084,599
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,466,077</u>	<u>\$ 9,466,077</u>

Special Revenue Fund - VPA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Miscellaneous	\$ 24,639	\$ 24,639	\$ -	\$ (24,639)
Intergovernmental:				
Commonwealth	301,332	301,332	131,800	(169,532)
Federal	60,529	60,529	286,222	225,693
Total revenues	<u>\$ 386,500</u>	<u>\$ 386,500</u>	<u>\$ 418,022</u>	<u>\$ 31,522</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 546,073	\$ 546,073	\$ 517,136	\$ 28,937
Total expenditures	<u>\$ 546,073</u>	<u>\$ 546,073</u>	<u>\$ 517,136</u>	<u>\$ 28,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (159,573)</u>	<u>\$ (159,573)</u>	<u>\$ (99,114)</u>	<u>\$ 60,459</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 159,573	\$ 159,573	\$ 99,114	\$ (60,459)
Total other financing sources (uses)	<u>\$ 159,573</u>	<u>\$ 159,573</u>	<u>\$ 99,114</u>	<u>\$ (60,459)</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
June 30, 2014

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13 \$	9,102,949 \$	12,444,798 \$	3,341,849 \$	73.15% \$	2,298,290	145.41%
06/30/12	8,953,624	12,438,168	3,484,544	71.99%	2,194,346	158.80%
06/30/11	9,376,362	11,449,953	2,073,591	81.89%	2,240,182	92.56%
06/30/10	9,089,404	11,309,883	2,220,479	80.37%	2,268,445	97.89%
06/30/09	9,000,405	9,951,451	951,046	90.44%	2,306,229	41.24%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13 \$	3,141,296 \$	3,947,609 \$	806,313 \$	79.57% \$	756,127	106.64%
06/30/12	3,096,962	3,910,845	813,883	79.19%	729,057	111.63%
06/30/11	3,142,800	3,826,118	683,318	82.14%	688,165	99.30%
06/30/10	3,125,508	3,726,594	601,086	83.87%	688,165	87.35%
06/30/09	3,177,329	3,407,079	229,750	93.26%	787,708	29.17%

Schedule of OPEB Funding Progress
June 30, 2014

PRIMARY GOVERNMENT:

County Other Postemployment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	\$ -	\$ 298,900	\$ 298,900	0.00%	\$ 3,216,195	9.29%
06/30/12	-	517,545	517,545	0.00%	3,095,455	16.72%
06/30/11	-	431,604	431,604	0.00%	2,026,116	21.30%
06/30/10	-	414,036	414,036	0.00%	2,026,116	20.43%
06/30/09	-	244,181	244,181	0.00%	n/a	n/a

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Other Postemployment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	\$ -	\$ 654,700	\$ 654,700	0.00%	\$ 3,931,070	16.65%
06/30/12	-	632,555	632,555	0.00%	3,095,455	20.43%
06/30/11	-	767,296	767,296	0.00%	3,601,984	21.30%
06/30/10	-	736,064	736,064	0.00%	3,601,984	20.43%
06/30/09	-	941,119	941,119	0.00%	n/a	n/a

School Board Health Insurance Credit Program

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	\$ 5,925	\$ 87,284	\$ 81,359	6.79%	\$ 756,127	10.76%
06/30/12	3,258	81,397	78,139	4.00%	729,057	10.72%
06/30/11	3,066	85,138	82,072	3.60%	688,165	11.93%
06/30/10	2,683	81,826	79,143	3.28%	688,165	11.50%

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

OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Tax	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 542,335	\$ 542,335
Receivables (net of allowance)				
Accounts receivable	-	-	53,214	53,214
Due from other governmental units	6,858	-	-	6,858
Total assets	<u>\$ 6,858</u>	<u>\$ -</u>	<u>\$ 595,549</u>	<u>\$ 602,407</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 9,425	\$ 9,425
Due to other funds	6,858	-	-	6,858
Total liabilities	<u>\$ 6,858</u>	<u>\$ -</u>	<u>\$ 9,425</u>	<u>\$ 16,283</u>
Fund balances:				
Committed	\$ -	\$ -	\$ 586,124	\$ 586,124
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,124</u>	<u>\$ 586,124</u>
Total liabilities and fund balances	<u>\$ 6,858</u>	<u>\$ -</u>	<u>\$ 595,549</u>	<u>\$ 602,407</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2014

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Fund	Total
REVENUES				
Other local taxes	\$ -	\$ -	\$ 484,926	\$ 484,926
Miscellaneous	1,452	-	15,330	16,782
Intergovernmental:				
Commonwealth	52,098	-	-	52,098
Federal	24,867	-	-	24,867
Total revenues	<u>\$ 78,417</u>	<u>\$ -</u>	<u>\$ 500,256</u>	<u>\$ 578,673</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 133,858	\$ -	\$ -	\$ 133,858
Community development	-	-	398,477	398,477
Total expenditures	<u>\$ 133,858</u>	<u>\$ -</u>	<u>\$ 398,477</u>	<u>\$ 532,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (55,441)</u>	<u>\$ -</u>	<u>\$ 101,779</u>	<u>\$ 46,338</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 55,441	\$ -	\$ -	\$ 55,441
Transfers out	-	(134)	-	(134)
Total other financing sources uses	<u>\$ 55,441</u>	<u>\$ (134)</u>	<u>\$ -</u>	<u>\$ 55,307</u>
Net change in fund balances	\$ -	\$ (134)	\$ 101,779	\$ 101,645
Fund balances - beginning	-	134	484,345	484,479
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,124</u>	<u>\$ 586,124</u>

County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2014

	CSA Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	1,452	1,452
Intergovernmental:				
Commonwealth	-	114,509	52,098	(62,411)
Federal	-	-	24,867	24,867
Total revenues	\$ -	\$ 114,509	\$ 78,417	\$ (36,092)
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ 200,000	\$ 133,858	\$ 66,142
Community development	-	-	-	-
Total expenditures	\$ -	\$ 200,000	\$ 133,858	\$ 66,142
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (85,491)	\$ (55,441)	\$ 30,050
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 85,491	\$ 55,441	\$ (30,050)
Transfers out	-	-	-	-
Total other financing sources uses	\$ -	\$ 85,491	\$ 55,441	\$ (30,050)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2014

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

Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2014

Lodging Tax -Marketing/Capital Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 412,894	\$ 412,894	\$ 484,926	\$ 72,032
Miscellaneous	-	19,470	15,330	(4,140)
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>\$ 412,894</u>	<u>\$ 432,364</u>	<u>\$ 500,256</u>	<u>\$ 67,892</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Community development	412,894	428,104	398,477	29,627
Total expenditures	<u>\$ 412,894</u>	<u>\$ 428,104</u>	<u>\$ 398,477</u>	<u>\$ 29,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 4,260</u>	<u>\$ 101,779</u>	<u>\$ 97,519</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(4,260)	-	4,260
Total other financing sources uses	<u>\$ -</u>	<u>\$ (4,260)</u>	<u>\$ -</u>	<u>\$ 4,260</u>
Net change in fund balances	\$ -	\$ -	\$ 101,779	\$ 101,779
Fund balances - beginning	-	-	484,345	484,345
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,124</u>	<u>\$ 586,124</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 745,281	\$ 41,313	\$ 786,594
Due from other governmental units	155,951	7,636	163,587
Inventories	-	20,784	20,784
Prepaid items	72,438	-	72,438
Total assets	<u>\$ 973,670</u>	<u>\$ 69,733</u>	<u>\$ 1,043,403</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued payroll	\$ 603,232	\$ 35,767	\$ 638,999
Due to primary government	228,388	-	228,388
Unearned revenue	142,050	-	142,050
Total liabilities	<u>\$ 973,670</u>	<u>\$ 35,767</u>	<u>\$ 1,009,437</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 20,784	\$ 20,784
Prepaid items	72,438	-	72,438
Committed:			
School cafeteria	-	13,182	13,182
Unassigned:	(72,438)	-	(72,438)
Total fund balances	<u>\$ -</u>	<u>\$ 33,966</u>	<u>\$ 33,966</u>
Total liabilities and fund balances	<u>\$ 973,670</u>	<u>\$ 69,733</u>	<u>\$ 1,043,403</u>

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

Total fund balances per above	\$ 33,966
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,139,075
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(444,342)</u>
Net position of governmental activities	<u>\$ 5,728,699</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2014

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Charges for services	\$ 8,800	\$ 146,357	\$ 155,157
Miscellaneous	73,586	-	73,586
Intergovernmental:			
Local government	7,262,959	320,000	7,582,959
Commonwealth	1,711,854	5,741	1,717,595
Federal	580,877	188,265	769,142
Total revenues	<u>\$ 9,638,076</u>	<u>\$ 660,363</u>	<u>\$ 10,298,439</u>
EXPENDITURES			
Current:			
Education	\$ 9,638,076	\$ 651,524	\$ 10,289,600
Total expenditures	<u>\$ 9,638,076</u>	<u>\$ 651,524</u>	<u>\$ 10,289,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 8,839</u>	<u>\$ 8,839</u>
Net change in fund balances	\$ -	\$ 8,839	\$ 8,839
Fund balances - beginning	-	25,127	25,127
Fund balances - ending	<u>\$ -</u>	<u>\$ 33,966</u>	<u>\$ 33,966</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 \$ 8,839

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. 970,003

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. (57,144)

Change in net position of governmental activities \$ 921,698

County of Bath, Virginia

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

Discretely Presented Component Unit - School Board

Year Ended June 30, 2014

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 6,800	\$ 6,800	\$ 8,800	\$ 2,000
Miscellaneous	14,755	14,755	73,586	58,831
Intergovernmental:				
Local government	7,720,536	7,720,536	7,262,959	(457,577)
Commonwealth	1,689,622	1,689,622	1,711,854	22,232
Federal	371,525	371,525	580,877	209,352
Total revenues	<u>\$ 9,803,238</u>	<u>\$ 9,803,238</u>	<u>\$ 9,638,076</u>	<u>\$ (165,162)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 9,803,238</u>	<u>\$ 9,803,238</u>	<u>\$ 9,638,076</u>	<u>\$ 165,162</u>
Total expenditures	<u>\$ 9,803,238</u>	<u>\$ 9,803,238</u>	<u>\$ 9,638,076</u>	<u>\$ 165,162</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Exhibit 16

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 165,000	\$ 165,000	\$ 146,357	\$ (18,643)
-	-	-	-
332,027	332,027	320,000	(12,027)
4,224	4,224	5,741	1,517
130,500	130,500	188,265	57,765
<u>\$ 631,751</u>	<u>\$ 631,751</u>	<u>\$ 660,363</u>	<u>\$ 28,612</u>
<u>\$ 631,751</u>	<u>\$ 631,751</u>	<u>\$ 651,524</u>	<u>\$ (19,773)</u>
<u>\$ 631,751</u>	<u>\$ 631,751</u>	<u>\$ 651,524</u>	<u>\$ (19,773)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,839</u>	<u>\$ 8,839</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,839</u>	<u>\$ 8,839</u>
<u>-</u>	<u>-</u>	<u>25,127</u>	<u>25,127</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,966</u></u>	<u><u>\$ 33,966</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT
– SERVICE AUTHORITY**

Statement of Net Position
Discretely Presented Component Unit - Service Authority
June 30, 2014

	Component Unit Service Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,118,972
Interest receivable	147
Accounts receivable, net of allowances for uncollectibles	95,950
Total current assets	<u>\$ 3,215,069</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (restricted for debt service)	\$ 46,266
Cash and cash equivalents (restricted for security deposits)	26,265
Total restricted assets	<u>\$ 72,531</u>
Capital assets:	
Land and land rights	\$ 69,165
Machinery and equipment	428,130
Utility plant in service	19,783,281
Construction in progress	446,231
Less accumulated depreciation	<u>(12,192,606)</u>
Total capital assets	<u>\$ 8,534,201</u>
Total noncurrent assets	<u>\$ 8,606,732</u>
Total assets	<u>\$ 11,821,801</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 60,171
Customer deposits	26,265
Unearned revenue	2,572,265
Bonds payable - current portion	50,207
Total current liabilities	<u>\$ 2,708,908</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 602,065
Compensated absences	2,331
Total noncurrent liabilities	<u>\$ 604,396</u>
Total liabilities	<u>\$ 3,313,304</u>
NET POSITION	
Net investment in capital assets	\$ 7,881,929
Restricted - reserve fund	46,266
Unrestricted	580,302
Total net position	<u>\$ 8,508,497</u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Service Authority
Year Ended June 30, 2014

	Component Unit Service Authority
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 665,563
Sewer revenues	297,243
Late fees	15,515
Total operating revenues	<u>\$ 978,321</u>
OPERATING EXPENSES	
Payroll and related benefits	\$ 531,476
Water	60,635
Sewer	105,017
Administration	35,120
Laboratory and engineering	19,032
Maintenance	33,293
Utilities and transportation	210,770
Insurance claims and premiums	19,618
Depreciation	517,395
Total operating expenses	<u>\$ 1,532,356</u>
Operating income (loss)	<u>\$ (554,035)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenue- contribution from County of Bath, Virginia	\$ 167,000
Interest income	45,646
Development fees	59,621
Interest expense	(7,845)
Total nonoperating revenues (expenses)	<u>\$ 264,422</u>
Change in net position	<u>\$ (289,613)</u>
Total net position - beginning	<u>\$ 8,798,110</u>
Total net position - ending	<u><u>\$ 8,508,497</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Service Authority
Year Ended June 30, 2014

	Component Unit Service Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 980,394
Payments to suppliers	(521,825)
Payments to employees	(531,476)
Net cash provided by (used for) operating activities	\$ (72,907)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (184,139)
Principal payments on bonds	(46,618)
Capital contribution from primary government	167,000
Development fees	184,791
Interest payments	(7,845)
Net cash provided by (used for) capital and related financing activities	\$ 113,189
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 46,600
Net cash provided by (used for) investing activities	\$ 46,600
Net increase (decrease) in cash and cash equivalents	\$ 86,882
Cash and cash equivalents - beginning - including restricted	3,104,621
Cash and cash equivalents - ending - including restricted	\$ 3,191,503
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (554,035)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 517,395
(Increase) decrease in accounts receivable	1,379
Increase (decrease) in customer deposits	694
Increase (decrease) in accounts payable	(38,340)
Total adjustments	\$ 481,128
Net cash provided by (used for) operating activities	\$ (72,907)

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2014

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	\$ 4,591,632	\$ 4,680,743	\$ 4,304,833	\$ (375,910)
Real and personal public service corporation taxes	6,903,500	6,903,500	7,175,908	272,408
Personal property taxes	164,500	164,500	155,282	(9,218)
Mobile home taxes	7,000	7,000	-	(7,000)
Penalties	15,000	15,000	23,784	8,784
Interest	5,000	5,000	15,242	10,242
Total general property taxes	\$ 11,686,632	\$ 11,775,743	\$ 11,675,049	\$ (100,694)
Other local taxes:				
Local sales and use taxes	\$ 875,000	\$ 875,000	\$ 920,676	\$ 45,676
Consumption tax	19,000	19,000	19,974	974
Mixed beverage license taxes	1,300	1,300	1,403	103
Motor vehicle license taxes	74,300	74,300	73,882	(418)
Bank stock taxes	30,000	30,000	37,797	7,797
Taxes on recordation and wills	44,000	44,000	50,256	6,256
Hotel and motel room taxes	500,000	500,000	484,924	(15,076)
Restaurant food taxes	730,000	730,000	859,248	129,248
Total other local taxes	\$ 2,273,600	\$ 2,273,600	\$ 2,448,160	\$ 174,560
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,500	\$ 1,500	\$ 1,778	\$ 278
Permits and other licenses	55,200	55,200	110,897	55,697
Total permits, privilege fees, and regulatory licenses	\$ 56,700	\$ 56,700	\$ 112,675	\$ 55,975
Fines and forfeitures:				
Court fines and forfeitures	\$ 150	\$ 150	\$ 5,841	\$ 5,691
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 4,069	\$ (5,931)
Revenue from use of property	42,200	42,200	31,865	(10,335)
Total revenue from use of money and property	\$ 52,200	\$ 52,200	\$ 35,934	\$ (16,266)
Charges for services:				
Charges for law enforcement and traffic control	\$ 5,000	\$ 5,000	\$ 4,114	\$ (886)
Charges for courthouse maintenance	2,500	2,500	2,941	441
Courthouse security fee	14,000	14,000	15,863	1,863
Concealed weapons permits	1,500	1,500	1,995	495
Charges for Commonwealth's Attorney	250	250	664	414
Sheriff's fees	300	300	321	21
Law library fees	600	600	671	71
Soil and erosion fees	100	100	290	190
Charges for sanitation and waste removal	60,000	60,000	24,310	(35,690)
Charges for parks and recreation	7,500	7,500	8,267	767
Charges for other protection	50	50	465	415
Charges for other services	12,500	12,500	18,107	5,607
Total charges for services	\$ 104,300	\$ 104,300	\$ 78,008	\$ (26,292)
Miscellaneous revenue:				
Miscellaneous	\$ 7,000	\$ 17,367	\$ 50,955	\$ 33,588
Refunds and recoveries	10,000	13,755	24,453	10,698
Total miscellaneous revenue	\$ 17,000	\$ 31,122	\$ 75,408	\$ 44,286
Total revenue from local sources	\$ 14,190,582	\$ 14,293,815	\$ 14,431,075	\$ 137,260

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock taxes	\$ 9,000	\$ 9,000	\$ 10,267	\$ 1,267
Mobile home titling tax	5,000	5,000	2,629	(2,371)
Communications taxes	110,000	110,000	116,111	6,111
Tax on deeds	15,000	15,000	13,656	(1,344)
Personal property tax relief funds	80,000	80,000	40,276	(39,724)
Reduction in state aid	(35,000)	(35,000)	-	35,000
Total noncategorical aid	\$ 184,000	\$ 184,000	\$ 182,939	\$ (1,061)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 67,000	\$ 67,000	\$ 67,761	\$ 761
Sheriff	490,000	490,000	492,465	2,465
Commissioner of revenue	73,000	73,000	75,014	2,014
Treasurer	56,000	56,000	56,183	183
Registrar/electoral board	27,000	27,000	27,868	868
Clerk of the Circuit Court	136,000	136,000	139,485	3,485
Total shared expenses	\$ 849,000	\$ 849,000	\$ 858,776	\$ 9,776
Other categorical aid:				
Shared expenses - Mountain Soil and Water				
Conservation District	\$ 94,000	\$ 94,000	\$ 142,079	\$ 48,079
Emergency medical services division fees	6,000	6,000	5,916	(84)
Fire programs fund	14,400	34,000	20,000	(14,000)
E-911 Addressing/Mapping/Implementation Project	40,000	45,000	52,007	7,007
Virginia Juvenile Community Crime Control Act	10,000	10,000	6,585	(3,415)
Litter grant	5,000	5,000	-	(5,000)
Seized funds	-	-	19,731	19,731
Other state funds	5,000	5,000	17,865	12,865
Total other categorical aid	\$ 174,400	\$ 199,000	\$ 264,183	\$ 65,183
Total categorical aid	\$ 1,023,400	\$ 1,048,000	\$ 1,122,959	\$ 74,959
Total revenue from the Commonwealth	\$ 1,207,400	\$ 1,232,000	\$ 1,305,898	\$ 73,898
Revenue from the federal government:				
Noncategorical aid:				
Payment in Lieu of Taxes	\$ 90,000	\$ 90,000	\$ 139,036	\$ 49,036
Total noncategorical aid	\$ 90,000	\$ 90,000	\$ 139,036	\$ 49,036
Categorical aid:				
Community development block grant	\$ 975,000	\$ 975,000	\$ 164,892	\$ (810,108)
FEMA grant	-	-	31,733	31,733
Justice Assistance grant	-	50,000	25,000	(25,000)
Asset Forfeiture	-	-	2,706	2,706
Total categorical aid	\$ 975,000	\$ 1,025,000	\$ 224,331	\$ (800,669)
Total revenue from the federal government	\$ 1,065,000	\$ 1,115,000	\$ 363,367	\$ (751,633)
Total General Fund	\$ 16,462,982	\$ 16,640,815	\$ 16,100,340	\$ (540,475)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 24,639	\$ 24,639	\$ -	\$ (24,639)
Total miscellaneous revenue	\$ 24,639	\$ 24,639	\$ -	\$ (24,639)
Total revenue from local sources	\$ 24,639	\$ 24,639	\$ -	\$ (24,639)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 301,332	\$ 301,332	\$ 131,800	\$ (169,532)
Total revenue from the Commonwealth	\$ 301,332	\$ 301,332	\$ 131,800	\$ (169,532)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 60,529	\$ 60,529	\$ 286,222	\$ 225,693
Total categorical aid	\$ 60,529	\$ 60,529	\$ 286,222	\$ 225,693
Total revenue from the federal government	\$ 60,529	\$ 60,529	\$ 286,222	\$ 225,693
Total Virginia Public Assistance Fund	\$ 386,500	\$ 386,500	\$ 418,022	\$ 31,522
CSA Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Refund to foster care	\$ -	\$ -	\$ 1,452	\$ 1,452
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ -	\$ 114,509	\$ 52,098	\$ (62,411)
Total categorical aid	\$ -	\$ 114,509	\$ 52,098	\$ (62,411)
Total revenue from the Commonwealth	\$ -	\$ 114,509	\$ 52,098	\$ (62,411)
Revenue from the federal government:				
Categorical aid:				
Social services block grant	\$ -	\$ -	\$ 24,867	\$ 24,867
Total categorical aid	\$ -	\$ -	\$ 24,867	\$ 24,867
Total revenue from the federal government	\$ -	\$ -	\$ 24,867	\$ 24,867
Total CSA Fund	\$ -	\$ 114,509	\$ 78,417	\$ (36,092)
Lodging Tax- Marketing /Capital Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes-designated for marketing	\$ 228,722	\$ 228,722	\$ 242,463	\$ 13,741
Hotel and motel room taxes-designated for capital improvem.	184,172	184,172	242,463	58,291
Total other local taxes	\$ 412,894	\$ 412,894	\$ 484,926	\$ 72,032
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 19,470	\$ 15,330	\$ (4,140)
Total miscellaneous revenue	\$ -	\$ 19,470	\$ 15,330	\$ (4,140)
Total revenue from local sources	\$ 412,894	\$ 432,364	\$ 500,256	\$ 67,892
Total Lodging Tax -Marketing/Capital Fund	\$ 412,894	\$ 432,364	\$ 500,256	\$ 67,892
Total Primary Government	\$ 17,262,376	\$ 17,574,188	\$ 17,097,035	\$ (477,153)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from another county or city	\$ 6,800	\$ 6,800	\$ 8,800	\$ 2,000
Miscellaneous revenue:				
Refunds and recoveries	\$ 14,755	\$ 14,755	\$ 73,586	\$ 58,831
Total miscellaneous revenue	14,755	14,755	73,586	58,831
Total revenue from local sources	\$ 21,555	\$ 21,555	\$ 82,386	\$ 60,831
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	\$ 7,720,536	\$ 7,720,536	\$ 7,262,959	\$ (457,577)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 632,014	\$ 632,014	\$ 608,735	\$ (23,279)
Basic school aid	585,677	585,677	582,292	(3,385)
Gifted and talented	5,520	5,520	5,470	(50)
Remedial education	13,080	13,080	12,962	(118)
Special Education	78,000	78,000	77,294	(706)
Textbook payment	10,768	10,768	10,670	(98)
Vocational standards of quality payments	53,803	53,803	59,156	5,353
Fringe benefits	99,720	99,720	98,817	(903)
At risk	10,275	10,275	10,217	(58)
English as a second language	2,385	2,385	2,266	(119)
Homebound payment	144	144	206	62
Early reading intervention	1,873	1,873	1,873	-
K-3 initiative	17,681	17,681	19,264	1,583
Individual student alternative education program	7,859	7,859	7,859	-
Vocational occupational preparedness	-	-	2,889	2,889
Special education - foster children	-	-	4,876	4,876
Preschool Pilot Grant	14,368	14,368	14,236	(132)
Technology	128,000	128,000	76,152	(51,848)
Medicaid	15,000	15,000	92,585	77,585
Standards of Learning algebra readiness	2,557	2,557	1,933	(624)
Other state funds	10,898	10,898	22,102	11,204
Total categorical aid	\$ 1,689,622	\$ 1,689,622	\$ 1,711,854	\$ 22,232
Revenue from the federal government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 134,500	\$ 134,500	\$ 134,500	\$ -
Categorical aid:				
Title VI-B, special education handicapped	\$ 99,640	\$ 99,640	\$ 146,482	\$ 46,842
Title I	61,100	61,100	89,462	28,362
Vocational education	8,000	8,000	7,751	(249)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Advanced placement test	\$ -	\$ -	\$ 90	\$ 90
Improving Teacher Quality	25,192	25,192	24,206	(986)
Rural education achievement program	42,243	42,243	34,738	(7,505)
DEQ royalty grant	-	-	848	848
Title III	850	850	750	(100)
Forest reserve	-	-	142,050	142,050
Total categorical aid	<u>\$ 237,025</u>	<u>\$ 237,025</u>	<u>\$ 446,377</u>	<u>\$ 209,352</u>
Total revenue from the federal government	<u>\$ 371,525</u>	<u>\$ 371,525</u>	<u>\$ 580,877</u>	<u>\$ 209,352</u>
Total School Operating Fund	<u>\$ 9,803,238</u>	<u>\$ 9,803,238</u>	<u>\$ 9,638,076</u>	<u>\$ (165,162)</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 146,357</u>	<u>\$ (18,643)</u>
Total revenue from local sources	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 146,357</u>	<u>\$ (18,643)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	<u>\$ 332,027</u>	<u>\$ 332,027</u>	<u>\$ 320,000</u>	<u>\$ (12,027)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 4,224</u>	<u>\$ 4,224</u>	<u>\$ 5,741</u>	<u>\$ 1,517</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ 166,073</u>	<u>\$ 35,573</u>
USDA donated food	<u>-</u>	<u>-</u>	<u>22,192</u>	<u>22,192</u>
Total revenue from the federal government	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ 188,265</u>	<u>\$ 57,765</u>
Total School Cafeteria Fund	<u>\$ 631,751</u>	<u>\$ 631,751</u>	<u>\$ 660,363</u>	<u>\$ 28,612</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 10,434,989</u>	<u>\$ 10,434,989</u>	<u>\$ 10,298,439</u>	<u>\$ (136,550)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2014

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 157,275	\$ 157,275	\$ 113,202	\$ 44,073
General and financial administration:				
County administrator	\$ 301,493	\$ 296,010	\$ 274,955	\$ 21,055
Commissioner of revenue	224,672	224,672	207,795	16,877
Treasurer	228,200	228,200	208,523	19,677
Data Processing	58,250	58,430	50,393	8,037
Total general and financial administration	\$ 812,615	\$ 807,312	\$ 741,666	\$ 65,646
Board of elections:				
Registrar	\$ 66,310	\$ 66,310	\$ 64,073	\$ 2,237
Electoral board and officials	47,764	47,764	28,867	18,897
Total board of elections	\$ 114,074	\$ 114,074	\$ 92,940	\$ 21,134
Total general government administration	\$ 1,083,964	\$ 1,078,661	\$ 947,808	\$ 130,853
Judicial administration:				
Courts:				
Circuit court	\$ 21,100	\$ 21,100	\$ 14,667	\$ 6,433
General district court	16,515	16,515	13,338	3,177
Special magistrates	850	850	726	124
Clerk of the circuit court	243,347	243,347	224,399	18,948
Total courts	\$ 281,812	\$ 281,812	\$ 253,130	\$ 28,682
Commonwealth's attorney:				
Commonwealth's attorney	\$ 115,801	\$ 115,801	\$ 113,437	\$ 2,364
Total commonwealth's attorney	\$ 115,801	\$ 115,801	\$ 113,437	\$ 2,364
Total judicial administration	\$ 397,613	\$ 397,613	\$ 366,567	\$ 31,046
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,158,256	\$ 1,264,385	\$ 1,250,270	\$ 14,115
Total law enforcement and traffic control	\$ 1,158,256	\$ 1,264,385	\$ 1,250,270	\$ 14,115
Fire and rescue services:				
Fire department	\$ 203,675	\$ 203,675	\$ 194,441	\$ 9,234
Contribution to fire and rescue	174,309	232,859	231,047	1,812
Total fire and rescue services	\$ 377,984	\$ 436,534	\$ 425,488	\$ 11,046
Correction and detention:				
County/City operated institutions	\$ 100,000	\$ 75,600	\$ 48,107	\$ 27,493
Total correction and detention	\$ 100,000	\$ 75,600	\$ 48,107	\$ 27,493
Inspections:				
Building	\$ 190,863	\$ 201,383	\$ 192,244	\$ 9,139
Total inspections	\$ 190,863	\$ 201,383	\$ 192,244	\$ 9,139
Other protection:				
Animal control	\$ 121,550	\$ 130,388	\$ 129,326	\$ 1,062
Emergency communications	73,204	79,443	79,442	1
Medical examiner (coroner)	200	200	80	120
VJCCCA	9,500	9,500	6,585	2,915
Total other protection	\$ 204,454	\$ 219,531	\$ 215,433	\$ 4,098
Total public safety	\$ 2,031,557	\$ 2,197,433	\$ 2,131,542	\$ 65,891

Schedule of Expenditures - Budget and Actual
Governmental Funds
June 30, 2014 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public works:				
Contribution to Bath County Service Authority	\$ 167,000	\$ 167,000	\$ 167,000	\$ -
Total maintenance of highways, streets, bridges & sidewalks	\$ 167,000	\$ 167,000	\$ 167,000	\$ -
Sanitation and waste removal:				
General engineering/administration	\$ 976,252	\$ 1,010,452	\$ 1,010,451	\$ 1
Total sanitation and waste removal	\$ 976,252	\$ 1,010,452	\$ 1,010,451	\$ 1
Maintenance of general buildings and grounds:				
General engineering/administration	\$ 239,226	\$ 239,226	\$ 198,927	\$ 40,299
Airport Authority	59,900	60,137	50,834	9,303
Total maintenance of general buildings and grounds	\$ 299,126	\$ 299,363	\$ 249,761	\$ 49,602
Total public works	\$ 1,442,378	\$ 1,476,815	\$ 1,427,212	\$ 49,603
Health and welfare:				
Health:				
Local health department	\$ 83,699	\$ 83,699	\$ 81,362	\$ 2,337
Total health	\$ 83,699	\$ 83,699	\$ 81,362	\$ 2,337
Mental health and mental retardation:				
Administration	\$ 34,084	\$ 34,084	\$ 30,221	\$ 3,863
Total mental health and mental retardation	\$ 34,084	\$ 34,084	\$ 30,221	\$ 3,863
Welfare:				
Welfare administration				-
Public welfare	\$ 91,815	\$ 86,815	\$ 82,901	\$ 3,914
Tax relief for the elderly	-	89,111	89,111	-
Total welfare	\$ 91,815	\$ 175,926	\$ 172,012	\$ 3,914
Total health and welfare	\$ 209,598	\$ 293,709	\$ 283,595	\$ 10,114
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 3,749	\$ 3,749	\$ 3,749	\$ -
Contributions to County School Board	8,052,563	8,052,563	7,582,959	469,604
Total education	\$ 8,056,312	\$ 8,056,312	\$ 7,586,708	\$ 469,604
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 379,005	\$ 381,218	\$ 332,912	\$ 48,306
Total parks and recreation	\$ 379,005	\$ 381,218	\$ 332,912	\$ 48,306
Library:				
Regional library	\$ 136,400	\$ 136,400	\$ 136,400	\$ -
Total library	\$ 136,400	\$ 136,400	\$ 136,400	\$ -
Total parks, recreation, and cultural	\$ 515,405	\$ 517,618	\$ 469,312	\$ 48,306
Community development:				
Planning and community development:				
Planning	\$ 1,242,599	\$ 1,265,089	\$ 483,179	\$ 781,910
Economic development	38,931	38,931	33,050	5,881
Total planning and community development	\$ 1,281,530	\$ 1,304,020	\$ 516,229	\$ 787,791
Environmental management:				
Administration	\$ 134,389	\$ 134,389	\$ 131,686	\$ 2,703
Total environmental management	\$ 134,389	\$ 134,389	\$ 131,686	\$ 2,703
Cooperative extension program:				
Administration	\$ 46,693	\$ 46,693	\$ 39,186	\$ 7,507
Total cooperative extension program	\$ 46,693	\$ 46,693	\$ 39,186	\$ 7,507
Total community development	\$ 1,462,612	\$ 1,485,102	\$ 687,101	\$ 798,001

Schedule of Expenditures - Budget and Actual
Governmental Funds
June 30, 2014 (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	\$ 183,552	\$ 81,357	\$ 68,899	\$ 12,458
Total nondepartmental	<u>\$ 183,552</u>	<u>\$ 81,357</u>	<u>\$ 68,899</u>	<u>\$ 12,458</u>
Capital outlay:				
Capital projects	\$ 1,017,450	\$ 1,017,450	\$ 806,721	\$ 210,729
Total capital outlay	<u>\$ 1,017,450</u>	<u>\$ 1,017,450</u>	<u>\$ 806,721</u>	<u>\$ 210,729</u>
Debt service:				
Principal retirement	\$ 974,258	\$ 974,258	\$ 915,000	\$ 59,258
Interest and other fiscal charges	113,180	113,180	197,733	(84,553)
Total debt service	<u>\$ 1,087,438</u>	<u>\$ 1,087,438</u>	<u>\$ 1,112,733</u>	<u>\$ (25,295)</u>
Total General Fund	<u>\$ 17,487,879</u>	<u>\$ 17,689,508</u>	<u>\$ 15,888,198</u>	<u>\$ 1,801,310</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 438,600	\$ 438,600	\$ 431,045	\$ 7,555
Purchased services	59,973	48,973	28,305	20,668
Child care	47,500	58,500	57,786	714
Total health and welfare	<u>\$ 546,073</u>	<u>\$ 546,073</u>	<u>\$ 517,136</u>	<u>\$ 28,937</u>
Total Virginia Public Assistance Fund	<u>\$ 546,073</u>	<u>\$ 546,073</u>	<u>\$ 517,136</u>	<u>\$ 28,937</u>
CSA Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services	\$ -	\$ 200,000	\$ 133,858	\$ 66,142
Total CSA Fund	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 133,858</u>	<u>\$ 66,142</u>
Lodging Tax Marketing & Capital Fund:				
Economic development	\$ 412,894	\$ 428,104	\$ 398,477	\$ 29,627
Total Marketing/Capital Fund	<u>\$ 412,894</u>	<u>\$ 428,104</u>	<u>\$ 398,477</u>	<u>\$ 29,627</u>
Total Primary Government	<u>\$ 18,446,846</u>	<u>\$ 18,863,685</u>	<u>\$ 16,937,669</u>	<u>\$ 1,926,016</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction	\$ 6,942,070	\$ 6,942,070	\$ 6,827,058	\$ 115,012
Operating costs:				
Administration, attendance and health services	\$ 450,702	\$ 450,702	\$ 450,215	\$ 487
Pupil transportation	927,827	927,827	916,823	11,004
Operation and maintenance of school plant	1,482,639	1,482,639	1,443,980	38,659
Total operating costs	<u>\$ 2,861,168</u>	<u>\$ 2,861,168</u>	<u>\$ 2,811,018</u>	<u>\$ 50,150</u>
Total education	<u>\$ 9,803,238</u>	<u>\$ 9,803,238</u>	<u>\$ 9,638,076</u>	<u>\$ 165,162</u>
Total School Operating Fund	<u>\$ 9,803,238</u>	<u>\$ 9,803,238</u>	<u>\$ 9,638,076</u>	<u>\$ 165,162</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
June 30, 2014 (Continued)

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special revenue fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 631,751	\$ 631,751	\$ 651,524	\$ (19,773)
Total School Cafeteria Fund	<u>\$ 631,751</u>	<u>\$ 631,751</u>	<u>\$ 651,524</u>	<u>\$ (19,773)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 10,434,989</u>	<u>\$ 10,434,989</u>	<u>\$ 10,289,600</u>	<u>\$ 145,389</u>

STATISTICAL TABLES

Statistical Section

Contents

Tables

Financial Trends

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

1 - 5

Revenue Capacity

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

6 - 10

Debt Capacity

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

11 - 12

Demographic and Economic Information

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

13

Operating Information

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

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 1,738,678	\$ 2,015,106	\$ 2,780,565	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865	\$ 1,108,675	\$ 1,805,410	\$ 1,322,610
Restricted	-	-	-	-	-	-	100,065	100,065	-	-
Unrestricted	8,275,170	7,298,565	6,029,869	4,283,623	4,504,735	5,504,308	7,374,898	10,001,253	9,882,222	10,072,864
Total governmental activities net position	\$ 10,013,848	\$ 9,313,671	\$ 8,810,434	\$ 6,696,150	\$ 6,994,080	\$ 7,256,147	\$ 9,340,828	\$ 11,209,993	\$ 11,687,632	\$ 11,395,474
Primary government										
Net investment in capital assets	\$ 1,738,678	\$ 2,015,106	\$ 2,780,565	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865	\$ 1,108,675	\$ 1,805,410	\$ 1,322,610
Restricted	-	-	-	-	-	-	100,065	100,065	-	-
Unrestricted	8,275,170	7,298,565	6,029,869	4,283,623	4,504,735	5,504,308	7,374,898	10,001,253	9,882,222	10,072,864
Total primary government net position	\$ 10,013,848	\$ 9,313,671	\$ 8,810,434	\$ 6,696,150	\$ 6,994,080	\$ 7,256,147	\$ 9,340,828	\$ 11,209,993	\$ 11,687,632	\$ 11,395,474

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government administration	\$ 849,302	\$ 812,657	\$ 1,128,216	\$ 1,748,192	\$ 1,302,485	\$ 1,721,629	\$ 1,229,730	\$ 1,211,724	\$ 1,268,772	\$ 1,049,191
Judicial administration	302,653	338,815	361,440	347,080	331,725	329,702	336,921	344,405	439,010	369,801
Public safety	1,858,083	2,039,547	1,603,440	1,683,552	2,233,245	1,850,466	1,829,651	2,040,286	2,112,434	2,478,869
Public works	1,201,687	1,331,678	1,889,642	1,307,268	1,080,364	1,120,874	1,100,064	1,064,089	1,155,574	1,429,114
Health and welfare	632,961	1,228,542	1,045,187	782,304	768,099	797,407	827,199	826,654	935,708	941,207
Education	6,888,684	7,325,783	7,050,754	7,151,033	6,528,980	6,062,084	6,460,206	6,904,010	7,459,886	8,899,869
Parks, recreation and cultural	481,137	550,337	553,650	498,344	602,237	477,243	465,168	467,408	539,930	542,796
Community development	952,375	651,494	831,774	285,774	284,996	271,641	241,827	1,145,116	969,681	1,087,763
Nondepartmental	-	-	-	45,333	60,783	180,027	281,777	47,199	65,610	68,899
Interest on long-term debt	34,253	30,421	104,707	256,604	270,256	412,588	399,090	383,614	1,234,856	196,898
Total governmental activities expenses	\$ 13,201,135	\$ 14,309,274	\$ 14,568,810	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633	\$ 14,434,505	\$ 16,181,461	\$ 17,064,407
Total primary government expenses	\$ 13,201,135	\$ 14,309,274	\$ 14,568,810	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633	\$ 14,434,505	\$ 16,181,461	\$ 17,064,407
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 16,400	\$ 14,042	\$ 16,479	\$ 17,695	\$ 14,214	\$ 14,629	\$ 18,315	\$ 16,135	\$ 17,263	\$ 18,107
Judicial administration	8,845	11,401	10,708	14,142	17,265	21,222	24,213	17,805	16,900	25,980
Public safety	86,606	145,520	143,143	91,746	69,465	77,630	51,081	70,979	110,031	119,570
Public works	100,232	86,694	75,961	83,748	73,972	62,381	55,290	60,820	73,434	24,600
Parks, recreation and cultural	41,772	34,926	34,265	9,008	8,510	8,208	9,328	9,245	7,470	8,267
Operating grants and contributions	1,823,783	1,099,837	2,478,120	1,560,001	1,734,588	1,624,870	1,453,368	1,784,659	1,721,339	1,817,277
Capital grants and contributions	-	-	-	-	-	-	-	-	-	25,000
Total governmental activities program revenues	\$ 2,077,638	\$ 1,392,420	\$ 2,758,676	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595	\$ 1,959,643	\$ 1,946,437	\$ 2,038,801
Total primary government program revenues	\$ 2,077,638	\$ 1,392,420	\$ 2,758,676	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595	\$ 1,959,643	\$ 1,946,437	\$ 2,038,801
Net (expense) / revenue										
Governmental activities	\$ (11,123,497)	\$ (12,916,854)	\$ (11,810,134)	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)	\$ (12,474,862)	\$ (14,235,024)	\$ (15,025,606)
Total primary government net expense	\$ (11,123,497)	\$ (12,916,854)	\$ (11,810,134)	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)	\$ (12,474,862)	\$ (14,235,024)	\$ (15,025,606)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 8,539,461	\$ 10,051,605	\$ 9,036,106	\$ 8,072,448	\$ 9,893,321	\$ 9,701,561	\$ 11,384,262	\$ 11,409,502	\$ 11,685,185	\$ 11,720,316
Local sales and use taxes	862,771	798,631	872,074	1,078,576	797,508	729,748	687,422	807,325	873,109	920,676
Restaurant food tax	-	-	-	-	-	-	195,557	804,380	879,825	859,248
Motor vehicle licenses taxes	33,551	1,711	-	-	70,691	77,576	72,513	72,341	72,794	73,882
Taxes on recordation and wills	116,934	109,023	150,329	85,196	69,523	62,594	68,993	91,714	98,445	50,256
Bank stock taxes	23,107	36,751	28,777	25,841	25,896	27,963	30,036	32,266	33,918	37,797
Hotel and motel room taxes	279,173	406,100	511,717	451,775	360,138	326,434	707,584	721,982	823,534	969,850
Other local taxes	20,197	20,050	21,395	19,478	2,763	306,680	19,695	21,958	20,760	21,377
Unrestricted grants and contributions	113,706	465,158	101,623	102,530	333,018	330,014	233,860	231,527	337,617	321,975
Unrestricted revenues from use of money and property	185,885	316,023	433,669	289,694	94,642	55,329	57,130	51,966	43,463	35,934
Miscellaneous	11,457	11,625	151,207	88,546	229,282	55,889	187,667	99,066	78,866	67,737
Loss on disposition of capital assets	-	-	-	-	(4,015)	-	-	-	-	-
Total governmental activities	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719	\$ 14,344,027	\$ 14,947,516	\$ 15,079,048
Total primary government	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719	\$ 14,344,027	\$ 14,947,516	\$ 15,079,048
Change in Net Position										
Governmental activities	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165	\$ 712,492	\$ 53,442
Total primary government	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165	\$ 712,492	\$ 53,442

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

Fiscal Year	Property Tax	Local sales and use Tax	Restaurant Food Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Hotel and Motel Taxes	Other Local Taxes	Total
2014 \$	11,720,316	\$ 920,676	\$ 859,248	\$ 73,882	\$ 50,256	\$ 969,850	\$ 59,174	14,653,402
2013	11,685,185	873,109	879,825	72,794	98,445	823,534	54,678	14,487,570
2012	11,409,502	807,325	804,380	72,341	91,714	721,982	54,224	13,961,468
2011	11,384,262	687,422	195,557	72,513	68,993	707,584	49,731	13,166,062
2010	9,701,561	729,748	-	77,576	62,594	611,092	295,680	11,478,251
2009	9,893,321	797,508	-	70,691	69,523	360,138	47,229	11,238,410
2008	8,072,448	1,078,576	-	-	85,196	451,775	45,319	9,733,314
2007	9,036,106	872,074	-	-	150,329	511,717	50,172	10,620,398
2006	10,051,605	798,631	-	1,711	109,023	406,100	56,801	11,423,871
2005	8,539,461	862,771	-	33,551	116,934	279,173	43,304	9,875,194

County of Bath, Virginia

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Reserved	\$ 48,251	\$ 48,251	\$ 48,251	\$ 48,251
Unreserved	8,232,393	7,260,245	8,048,086	4,172,476
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 8,280,644</u>	<u>\$ 7,308,496</u>	<u>\$ 8,096,337</u>	<u>\$ 4,220,727</u>
All other governmental funds				
Committed for:				
Special revenue funds	\$ 10,347	\$ 2,379	\$ 4,567	\$ 10,927
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 10,347</u>	<u>\$ 2,379</u>	<u>\$ 4,567</u>	<u>\$ 10,927</u>

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

Table 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,975,240	5,121,473	-	-	-	-
-	-	51,150	8,767	8,474	15,164
-	-	100,065	100,065	-	-
-	-	-	718,561	70,490	8,252
-	-	390,000	533,935	6,134,500	6,241,060
-	-	6,450,006	7,542,031	3,169,892	3,201,601
<u>\$ 4,975,240</u>	<u>\$ 5,121,473</u>	<u>\$ 6,991,221</u>	<u>\$ 8,903,359</u>	<u>\$ 9,383,356</u>	<u>\$ 9,466,077</u>
\$ 7,649	\$ 179,146	\$ 371,089	\$ 419,929	\$ 484,479	\$ 586,124
-	-	-	-	-	-
<u>\$ 7,649</u>	<u>\$ 179,146</u>	<u>\$ 371,089</u>	<u>\$ 419,929</u>	<u>\$ 484,479</u>	<u>\$ 586,124</u>

County of Bath, Virginia

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
General property taxes	\$ 8,594,217	\$ 10,043,202	\$ 8,988,828	\$ 8,068,136
Other local taxes	1,335,733	1,372,266	1,584,292	1,660,866
Permits, privilege fees and regulatory licenses	78,244	135,042	134,976	86,019
Fines and forfeitures	125	44	50	38
Revenue from use of money and property	185,885	316,023	433,669	289,694
Charges for services	175,486	157,497	145,530	131,058
Miscellaneous	11,457	11,625	22,930	48,759
Recovered costs	46,040	90,419	128,277	58,953
Intergovernmental:				
Commonwealth	1,369,196	1,212,859	1,479,756	1,412,926
Federal	568,293	352,136	1,099,987	230,439
Total revenues	\$ 12,364,676	\$ 13,691,113	\$ 14,018,295	\$ 11,986,888
Expenditures				
General government administration	\$ 718,972	\$ 761,839	\$ 797,212	\$ 955,323
Judicial administration	327,412	332,216	361,440	347,080
Public safety	1,467,711	1,776,193	1,634,764	1,680,543
Public works	1,204,373	1,301,048	1,891,595	1,307,050
Health and welfare	631,892	1,223,866	1,039,709	775,468
Education	6,513,855	6,857,731	7,050,754	7,151,033
Parks, recreation and cultural	514,141	518,396	550,619	498,063
Community development	943,988	649,316	834,884	285,774
Nondepartmental	62,952	36,833	45,484	45,333
Capital projects	763,048	908,543	3,183,429	6,374,681
Debt service:				
Principal	280,850	274,250	280,850	490,790
Interest and other fiscal charges	34,668	30,998	92,526	-
Total expenditures	\$ 13,463,862	\$ 14,671,229	\$ 17,763,266	\$ 19,911,138
Excess of revenues over (under) expenditures	\$ (1,099,186)	\$ (980,116)	\$ (3,744,971)	\$ (7,924,250)
Other financing sources (uses)				
Transfers in	\$ 2,714,381	\$ 250,234	\$ 171,535	\$ 188,507
Transfers out	(2,714,381)	(250,234)	(171,535)	(188,507)
Issuance of indebtedness	-	-	4,535,000	4,055,000
Total other financing sources (uses)	\$ -	\$ -	\$ 4,535,000	\$ 4,055,000
Net change in fund balances	\$ (1,099,186)	\$ (980,116)	\$ 790,029	\$ (3,869,250)
Debt service as a percentage of noncapital expenditures	2.4842%	2.2179%	2.5609%	3.6257%

Table 5

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ 9,820,700	\$ 9,507,978	\$ 11,579,115	\$ 11,342,321	\$ 11,719,341	\$ 11,675,049	
1,345,089	1,530,995	1,781,800	2,551,966	2,802,385	2,933,086	
62,368	68,806	44,109	63,894	103,695	112,675	
55	1,108	245	312	968	5,841	
94,642	55,329	57,130	51,966	43,463	35,934	
121,003	114,156	113,873	110,778	86,435	78,008	
181,280	155,431	64,507	47,310	78,866	67,737	
17,455	41,263	123,160	51,756	51,539	24,453	
1,689,706	1,396,191	1,348,968	1,356,016	1,420,094	1,489,796	
408,447	420,888	338,260	660,170	672,862	674,456	
<u>\$ 13,740,745</u>	<u>\$ 13,292,145</u>	<u>\$ 15,451,167</u>	<u>\$ 16,236,489</u>	<u>\$ 16,979,648</u>	<u>\$ 17,097,035</u>	
\$ 879,294	\$ 908,384	\$ 890,821	\$ 892,324	\$ 975,861	\$ 947,808	
322,987	326,046	333,562	342,536	431,886	366,567	
2,121,207	1,776,576	1,772,124	1,835,699	1,889,823	2,131,542	
1,078,993	1,119,666	1,109,988	1,062,139	1,172,565	1,427,212	
764,271	798,550	830,523	832,665	928,633	934,589	
6,528,980	6,017,182	6,160,206	6,595,610	7,564,786	7,586,708	
580,440	460,647	447,482	446,139	505,283	469,312	
284,996	268,388	240,380	1,080,677	966,366	1,085,578	
59,452	64,038	123,594	67,108	64,947	68,899	
964,911	766,235	372,194	429,675	973,322	806,721	
8,995,833	63,094	717,189	315,000	9,280,000	915,000	
109,125	405,610	391,413	375,939	1,226,629	197,733	
<u>\$ 22,690,489</u>	<u>\$ 12,974,416</u>	<u>\$ 13,389,476</u>	<u>\$ 14,275,511</u>	<u>\$ 25,980,101</u>	<u>\$ 16,937,669</u>	
<u>\$ (8,949,744)</u>	<u>\$ 317,729</u>	<u>\$ 2,061,691</u>	<u>\$ 1,960,978</u>	<u>\$ (9,000,453)</u>	<u>\$ 159,366</u>	
\$ 137,257	\$ 159,353	\$ 207,303	\$ 223,460	\$ 239,450	\$ 154,689	
(137,257)	(159,353)	(207,303)	(223,460)	(239,450)	(154,689)	
9,749,230	-	-	-	9,545,000	25,000	
<u>\$ 9,749,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,545,000</u>	<u>\$ 25,000</u>	
<u>\$ 799,486</u>	<u>\$ 317,729</u>	<u>\$ 2,061,691</u>	<u>\$ 1,960,978</u>	<u>\$ 544,547</u>	<u>\$ 184,366</u>	
41.9089%	3.6125%	8.2797%	4.8400%	40.4411%	6.5696%	

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

Fiscal Year	Property Tax	Local sales and use Tax	Meals Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Hotel and Motel Room Tax	Other Local Taxes	Total
2014	\$ 11,675,049	\$ 920,676	\$ 859,248	\$ 73,882	\$ 50,256	\$ 969,850	\$ 59,174	\$ 14,608,135
2013	11,719,341	873,109	879,825	72,794	98,445	823,534	54,678	14,521,726
2012	11,342,321	807,325	804,380	72,341	91,714	721,982	54,224	13,894,287
2011	11,579,115	687,422	195,557	72,513	68,993	707,584	49,731	13,360,915
2010	9,507,978	729,748	-	77,576	62,594	611,091	49,985	11,038,972
2009	9,820,700	797,508	-	70,691	69,523	360,138	47,229	11,165,789
2008	8,068,136	1,078,576	-	-	85,196	451,775	45,319	9,729,002
2007	8,988,828	872,074	-	-	150,329	511,717	50,172	10,573,120
2006	10,043,202	798,631	-	1,711	109,023	406,100	56,801	11,415,468
2005	8,594,217	862,771	-	33,551	116,934	279,173	43,304	9,929,950

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)
2014	\$ 968,454,300	\$ 55,169,760	\$ 749,700	\$ 1,495,398,310	\$ 2,519,772,070	\$ 880,351,500	110.01%
2013	964,065,600	57,923,200	81,300	1,494,282,594	2,516,352,694	876,106,500	110.04%
2012	959,247,900	57,112,800	85,900	1,431,099,852	2,447,546,452	881,592,556	108.81%
2011	804,584,300	58,144,700	268,200	1,270,143,889	2,133,141,089	745,469,827	107.93%
2010	796,900,200	58,748,900	59,900	974,004,286	1,829,713,286	739,333,542	107.79%
2009	790,724,600	62,405,200	66,500	1,016,138,462	1,869,334,762	734,000,300	107.73%
2008	711,421,700	57,033,500	84,100	1,059,460,297	1,827,999,597	661,487,000	107.55%
2007	714,237,700	53,290,700	182,800	1,297,733,110	2,065,444,310	667,576,900	106.99%
2006	657,528,300	54,448,400	224,600	1,549,842,388	2,262,043,688	611,480,800	107.53%
2005	477,084,800	49,178,700	78,700	1,218,373,189	1,744,715,389	454,162,300	105.05%

Source: Commissioner of Revenue

(1) Provided for real estate values only. Actual taxable value is net of land use and tax relief for the elderly.

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
2014	\$ 0.48	\$ 0.35	\$ 0.48	\$ 0.35
2013	0.48	0.35	0.48	0.35
2012	0.48	0.35	0.48	0.35
2011	0.55	0.35	0.55	0.35
2010	0.55	0.35	0.55	0.35
2009	0.55	0.35	0.55	0.35
2008	0.45	0.20	0.45	0.20
2007	0.45	0.20	0.45	0.20
2006	0.45	0.20	0.45	0.20
2005	0.50	0.20	0.50	0.20

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2014		Fiscal Year 2005	
		2013 Assessed Valuation	% of Total Assessed Valuation	2004 Assessed Valuation	% of Total Assessed Valuation
Public Service	Utilities (Power, etc.)	\$ 1,480,861,691	80.934%	\$ 1,218,373,189	58.297%
The Homestead LC	Hotel	100,033,400	5.467%	74,622,600	3.571%
NA Homestead Preserve	Hotel	46,240,800	2.527%	N.A.	
The Owners Club	Timeshares	23,579,900	1.289%	17,622,400	0.843%
Cambata Industries	Farming; aviation	7,866,100	0.430%	11,361,100	0.544%
DG Land Holdings	R.E. Prop. & invst.	7,570,700	0.414%	N.A.	
Fort Lewis Lodge	Lodging	4,505,000	0.246%	N.A.	
Bill Chambers	Real Estate Dev.	3,114,500	0.170%	N.A.	
CA Partners	Real Estate Dev.	2,172,700	0.119%	231,900	0.011%
Plecker & Son	Construction	2,024,300	0.111%	3,062,200	0.147%
		<u>\$ 1,677,969,091</u>	<u>91.71%</u>	<u>\$ 1,325,273,389</u>	<u>63.41%</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
2014	\$	11,670,710	\$ 11,469,643	98.28%	\$ -	\$ 11,469,643	98.28%
2013		11,654,162	11,475,356	98.47%	91,092	11,566,448	99.25%
2012		11,335,319	11,071,943	97.68%	223,852	11,295,795	99.65%
2011		11,327,270	11,123,491	98.20%	184,003	11,307,494	99.83%
2010		9,671,942	9,282,256	95.97%	381,450	9,663,706	99.91%
2009		9,917,942	9,726,824	98.07%	186,419	9,913,243	99.95%
2008		7,987,935	7,880,740	98.66%	106,298	7,987,038	99.99%
2007		8,939,212	8,797,853	98.42%	140,832	8,938,685	99.99%
2006		9,944,394	9,793,315	98.48%	150,570	9,943,885	99.99%
2005		8,522,863	8,479,786	99.49%	43,012	8,522,798	100.00%

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			
2014	\$ -	\$ -	\$ 7,885,000	\$ -	\$ 7,885,000	4.40%	\$ 1,708
2013	-	-	8,775,000	-	8,775,000	4.89%	1,923
2012	-	-	8,510,000	-	8,510,000	4.75%	1,827
2011	-	-	8,825,000	-	8,825,000	5.11%	1,865
2010	-	-	9,485,000	57,187	9,542,187	5.53%	2,017
2009	-	-	9,515,000	90,978	9,605,978	5.57%	2,024
2008	-	-	8,590,000	-	8,590,000	4.79%	1,754
2007	233,800	-	4,535,000	-	4,768,800	2.72%	985
2006	501,900	12,750	-	-	514,650	0.33%	101
2005	763,400	25,500	-	-	788,900	0.52%	162

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)
2014	\$ 7,885,000	\$ -	\$ 7,885,000	0.31%	\$ 1,708
2013	8,775,000	-	8,775,000	0.35%	1,923
2012	8,510,000	100,065	8,409,935	0.34%	1,799
2011	8,825,000	100,065	8,724,935	0.41%	1,874
2010	9,485,000	-	9,485,000	0.52%	2,005
2009	9,515,000	-	9,515,000	0.51%	1,957
2008	8,590,000	-	8,590,000	0.47%	1,754
2007	4,768,800	-	4,768,800	0.23%	985
2006	514,650	-	514,650	0.02%	101
2005	788,900	-	788,900	0.05%	162

(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, revenue bonds, and Literary Fund Loans; excludes capital leases, and compensated absences.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2014	4,616	215,493,344	\$ 46,684	48	622	4.10%
2013	4,563	195,609,000	42,048	48	597	4.90%
2012	4,676	185,959,844	39,769	48	625	4.80%
2011	4,657 (2)	179,271,215 (1)	38,495	47	658	5.00% (3)
2010	4,731	172,536,000 (1)	38,495	47	670	6.30%
2009	4,863	172,536,000	38,495	42	693	6.40%
2008	4,898	179,397,000	39,238	42	715	4.10%
2007	4,843	175,473,000	37,663	44	764	3.10%
2006	5,120	156,715,000	33,458	44	778	3.20%
2005	4,878	152,061,000	31,785	44	778	3.50%

(1) not available - estimated based on 2009

(2) 2011 estimate

(3) September 2012 rate

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

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Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2014			Fiscal Year 2005		
	(1) Employees	Rank	% of Total County Employment	(1) Employees	Rank	% of Total County Employment
The Homestead	850	1	29.84%	750	1	27.85%
Bath County Public Schools	146	2	5.12%	175	2	6.50%
Bath County Community Hospital	125	3	4.39%	175	3	6.50%
County of Bath	75	4	2.63%	75	5	2.78%
AFS of Hot Springs, Inc. (Springs Nursing Center)	65	5	2.28%	75	7	2.78%
Dominion Virginia Power (2)	50	6	1.76%	-	-	0.00%
Barc Electrical Co-op	45	7	1.58%	75	6	2.78%
Phantom Eagle LLC (2)	35	8	1.23%	-	-	0.00%
VA Department of Conservation	35	9	1.23%	35	8	1.30%
F. Clayton Plecker & Sons	30	10	1.05%	35	12	1.30%
Totals	<u>1,456</u>		<u>51.11%</u>	<u>1,395</u>		<u>51.80%</u>
Total estimated jobs in County	2,849			2,693		

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

(2) Company not in operation in 2005.

Sources:

VA Employment Commission, 7/23/2014, www.vec.virginia.gov (50 Largest Employers in Bath County for fourth quarter 2013 - latest available - and 2005).

VA Workforce Connection, 12/31/2014, www.vawc.virginia.gov (Virginia Workforce Connection - Labor Market Services - Area Profile for Bath County: Labor Force, Employment and Unemployment Statistics); total employment for October 2014 and 2005 annual.

County of Bath, Virginia

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

Function	Fiscal Year				
	2005	2006	2007	2008	2009
General government	10	10	10	10	10
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	17	17	17	18	18
911 Administrator	0	0	0	1	1
Building inspections	2	2	2	2	2
Animal control	2	2	2	2	2
Public works					
General maintenance	2	2	2	2	2
Landfill	2	2	0	0	0
Health and welfare					
Department of social services	7	7	7	7	7
Culture and recreation					
Parks and recreation	3	3	3	3	3
Library	2	2	1	1	2
Community development					
Tourism	0	0	0	0	0
Planning	2	2	2	2	2
Totals	<u>54</u>	<u>54</u>	<u>51</u>	<u>53</u>	<u>54</u>

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

Table 15

Fiscal Year				
2010	2011	2012	2013	2014
10	11	10	9	9
5	5	5	5	5
17	17	17	19	19
1	1	0	0	0
1	1	1	1	1
2	2	2	2	2
2	2	2	2	2
0	0	0	0	0
7	7	7	7	7
3	3	3	3	3
1	1	1	1	1
0	0	1	2	2
2	2	2	2	2
<u>51</u>	<u>52</u>	<u>51</u>	<u>53</u>	<u>53</u>

County of Bath, Virginia

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Public safety					
Sheriff's department:					
Physical arrests	128	92	70	94	93
Traffic violations	23	8	10	27	53
Civil papers	1,507	1,338	1,210	1,438	1,098
Building inspections:					
Inspections made	804	580	374	351	641
Permits issued	213	173	128	65	114
Animal control:					
Number of calls answered	610	646	665	669	611
Public works					
Landfill:					
Refuse collected (tons/day) (1)	26.1	N/A	N/A	27	20
Recycling (tons/day) (1)	1.6	N/A	N/A	3	3
Health and welfare					
Department of Social Services:					
Caseload	579	582	560	596	693
Culture and recreation					
Parks and recreation:					
After-school program participants	868	594	n/a	n/a	n/a
Youth sports participants	525	500	515	599	811
Component Unit - School Board					
Education:					
School age population (2)	931	931	757	717	692
Number of teachers (2)	85	85	78	71	71
Local expenditures per pupil (2)	\$8,712	\$8,712	\$12,939	\$10,194	\$14,341

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

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

(2) County of Bath Annual School Report

Table 16

Fiscal Year				
2010	2011	2012	2013	2014
103	62	125	167	146
31	10	12	52	137
1,105	1,101	1,114	1,215	1,056
74	77	118	239	345
99	90	93	112	103
540	547	579	620	643
20	20	20	20	20
5	5	5	5	5
726	775	814	884	900
n/a	n/a	n/a	n/a	n/a
553	523	477	450	311
672	630	635	604	590
70	69	61	67	67
\$13,443	\$9,888	\$10,153	\$16,129	\$12,807

County of Bath, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2005	2006	2007	2008	2009
General government					
Administration buildings	4	4	5	4	5
Vehicles	2	2	2	1	1
Public safety					
Sheriff's department:					
Patrol units	13	13	14	12	12
Animal control:					
Vehicles	1	1	1	1	1
Public works					
Vehicles	2	2	2	1	1
Sites	1	1	1	1	1
Culture and recreation					
Parks and recreation:					
Vehicles	1	1	2	2	2
Swimming pools	2	2	2	2	2
Health and welfare					
Buildings	1	1	1	1	1
Community development					
Planning:					
Vehicles	2	1	1	1	1
Component Unit - School Board					
Education:					
Schools	4	4	4	4	4
School buses	15	14	13	18	21

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

Table 17

Fiscal Year				
2010	2011	2012	2013	2014
5 1	5 1	5 1	5 1	5 1
10 1	12 1	12 1	13 1	13 1
1 1	1 1	1 1	1 1	1 1
2 2	2 2	3 2	3 2	3 2
1	1	1	1	1
1	1	1	1	1
5 19	5 18	4 19	4 19	4 19

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of County of Bath, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Bath, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Bath, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Bath, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Bath, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Bath, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 15, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Bath, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Bath, Virginia's major federal programs for the year ended June 30, 2014. County of Bath, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, County of Bath, Virginia complied, in all material respects, with the types of 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, 2014.

Report on Internal Control over Compliance

Management of County of Bath, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Bath, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Finner, Cox Associates

Staunton, Virginia
December 15, 2014

County of Bath, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	09050110/09050111	\$ 8,858
Temporary Assistance for Needy Families	93.558	0400110/0400111	53,906
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	381
Low-Income Home Energy Assistance	93.568	0600410/0600411	5,963
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	8,073
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	412
Foster Care - Title IV-E	93.658	1100110/1100111	48,262
Adoption Assistance	93.659	1120110/1120111	2,183
Social Services Block Grant	93.667	100110/100110/1000111	59,890
Chafee Foster Care Independence Program	93.674	9150110/9150111	420
State Children's Health Insurance Program	93.767	Not Available	1,840
		8020188/8020288/8020388/806	
Medical Assistance Program	93.778	0188/8130188	56,102
Total Department of Health and Human Services			\$ 246,290
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	Not Available	\$ 24,336
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	Not Available	121,486
Subtotal			\$ 145,822
School Breakfast Program (Child Nutrition Cluster)	10.553	Not Available	42,443
Schools and Roads - Grants to States	10.665	Not Available	142,050
Community Facilities Loans and Grants	10.766	Not Available	50,000
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0010111/0040111	64,799
Total Department of Agriculture			\$ 445,114
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Not Available	\$ 164,892
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Asset forfeiture proceeds	16.000	Not Available	\$ 2,706

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Homeland Security: Pass Through Payments: Department of Emergency Services: Emergency Management Performance Grants	97.042	Not Available	\$ <u>31,733</u>
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ Royalty Grants	66.000	Not Available	\$ <u>848</u>
Department of Education: Pass Through Payments: Department of Education: Title I Grants to Local Educational Agencies	84.010	S010A100046	\$ 89,462
Special Education Cluster: Special Education - Grants to States	84.027	H027A100107	142,766
Special Education Preschool Grants	84.173	H173100112	3,716
Career and Technical Education - Basic Grants to States	84.048	V048A10046	7,751
Higher Education Institutional Aid	84.031	Not Available	750
Improving Teacher Quality State Grants	84.367	S367A09044	24,206
Advanced Placement Grant	84.330	Not Available	90
Rural Education	84.358	S358A092437	<u>34,738</u>
Total Department of Education			\$ <u>303,479</u>
Total Expenditures of Federal Awards			\$ <u><u>1,195,062</u></u>

Notes to Schedule of Expenditures of Federal Awards

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, 2014. 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, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Bath, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE C - FOOD DISTRIBUTION

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

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2014

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

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental funds	\$	674,456
Add Federal loan funds included above		25,000
Less payments in lieu of tax under CFDA 15.226 not included above		(139,036)
Total primary government	\$	<u>560,420</u>

Discretely presented component unit - School Board:

School operating fund	\$	580,877
School cafeteria fund		188,265
Less payments in lieu of tax under CFDA 15.226 not included above		(134,500)
Total discretely presented component unit - School Board	\$	<u>634,642</u>

Total federal expenditures per basic financial statements	\$	<u>1,195,062</u>
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Total federal expenditures per the Schedule of Expenditures of Federal awards	\$	<u>1,195,062</u>
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County of Bath, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

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: unmodified

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

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
14.228 Community Development Block Grant / State's Program and Non-Entitlement Grants in Hawaii
Child Nutrition Cluster:	
10.553 School Breakfast Program
10.555 National School Lunch Program
10.555 Food Distribution
10.665 Schools and Roads - Grants to States

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 of Prior Year Findings

There were no prior year findings.