

# COUNTY OF BATH, VIRGINIA



## FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

**COUNTY OF BATH, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2017**

**COUNTY OF BATH, VIRGINIA**

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**BOARD OF SUPERVISORS**

Richard B. Byrd, Chairman

Edward T. Hicklin, Vice-Chairman  
Claire A. Collins

Stuart L. Hall  
Bart Perdue

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**COUNTY SCHOOL BOARD**

Bryan Secoy, Chairman

Roy Burns  
Cathy Lowry

Eddie Ryder, Vice-Chairman  
Rhonda Grimm

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**DEPARTMENT OF SOCIAL SERVICES BOARD**

Beatrice Clark, Chairman

Richard B. Byrd

Charlotte Haynes, Vice-Chairman

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**PUBLIC SERVICE AUTHORITY**

Bart Perdue, Chairman

Chad Carpenter, Vice-Chairman  
Bartlett Ailstock

David Lindsay, Secretary/Treasurer  
Greg Tunning

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**OTHER OFFICIALS**

Judge of the Circuit Court ..... John E. Wetsel, Jr.  
Clerk of the Circuit Court..... Annette T. Loan  
Judge of the General District Court..... J. Gregory Mooney  
Judge of the Juvenile & Domestic Relations Court..... Laura L. Dascher  
Commonwealth's Attorney ..... John C. Singleton  
Commissioner of the Revenue..... Angel M. Grimm  
Treasurer ..... Pamela H. Webb  
Sheriff..... Robert W. Plecker  
Superintendent of Schools..... Sue Hirsh  
Director of Social Services..... Jason Miller  
County Administrator ..... Ashton Harrison

## Table of Contents

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		<u>Page</u>
Independent Auditors' Report .....		1-3
Management's Discussion and Analysis.....		4-11
	<u>Exhibit</u>	<u>Page</u>
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
Statement of Net Position .....	1	12
Statement of Activities .....	2	13-14
Fund Financial Statements:		
Balance Sheet-Governmental Funds.....	3	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	4	16
Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds .....	5	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6	18
Notes to Financial Statements.....		19-75
<b>Required Supplementary Information:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual:		
General Fund.....	7	76
Special Revenue Fund - VPA .....	8	77
Schedule of OPEB Funding Progress .....	9	78
Schedule of Changes in Net Pension Liability and Related Ratios – Primary Government .....	10	79
Schedule of Changes in Net Pension Liability and Related Ratios – Public Service Authority.....	11	80
Schedule of Changes in Net Pension Liability and Related Ratios – Component Unit School Board (nonprofessional) .....	12	81
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan ..	13	82
Schedule of Employer Contributions .....	14	83
Notes to Required Supplementary Information .....	15	84

**Table of Contents (Continued)**

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	<u><b>Exhibit</b></u>	<u><b>Page</b></u>
<b>Other Supplementary Information:</b>		
Combining and Individual Fund Financial Statements and Schedules:		
Combining Balance Sheet—Nonmajor Special Revenue Funds.....	16	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances— Nonmajor Special Revenue Funds.....	17	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Nonmajor Special Revenue Funds.....	18	87-88
Discretely Presented Component Unit—School Board:		
Combining Balance Sheet.....	19	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds.....	20	90
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual.....	21	91-92
Discretely Presented Component Unit—Service Authority:		
Statement of Net Position.....	22	93
Statement of Revenues, Expenses, and Changes in Net Position.....	23	94
Statement of Cash Flows .....	24	95
	<u><b>Schedule</b></u>	<u><b>Page</b></u>
Supporting Schedules:		
Schedule of Revenues—Budget and Actual—Governmental Funds .....	1	96-100
Schedule of Expenditures—Budget and Actual—Governmental Funds .....	2	101-104

## Table of Contents (Continued)

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	<u>Table</u>	<u>Page</u>
<b>Statistical Information:</b>		
Net Position by Component .....	1	105-106
Changes in Net Position .....	2	107-108
Governmental Activities Tax Revenues by Source .....	3	109
Fund Balances of Governmental Funds .....	4	110-111
Changes in Fund Balances of Governmental Funds .....	5	112-113
General Governmental Tax Revenues by Source .....	6	114
Assessed Value and Estimated Actual Value of Taxable Property .....	7	115
Property Tax Rates – Direct and Overlapping Governments .....	8	116
Principal Property Taxpayers .....	9	117
Property Tax Levies and Collections .....	10	118
Ratios of Outstanding Debt by Type .....	11	119
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita ....	12	120
Demographic and Economic Statistics .....	13	121
Principal Employers .....	14	122
Full-time Equivalent County Government Employees by Function .....	15	123-124
Operating Indicators by Function .....	16	125-126
Capital Asset Statistics by Function .....	17	127-128
<b>Compliance:</b>		
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 <i>Government Auditing Standards</i> .....		129-130
Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance .....		131-132
Schedule of Expenditures of Federal Awards .....		133-134
Schedule of Findings and Questioned Costs .....		135

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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### **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, 2017, 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, 2017, 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 related to pension and OPEB funding on pages 4-11, 76-77, and 78-84 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 7, 2017, 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, Finner, Cox Associates*

Staunton, Virginia  
December 7, 2017

## **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, 2017.

### **Financial Highlights**

#### **Government-Wide Financial Statements**

The assets and deferred outflows of the primary government of County of Bath, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$8,073,421. Of this amount, \$6,563,210 was unrestricted (a decrease of \$225,350 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 \$1,510,211 invested in capital assets, net of related debt (an increase of \$35,836 from the previous fiscal year). The School Board's net position was \$322,877 of which there was an unrestricted deficit in the amount of \$(8,221,194). (See Exhibit 1) The Service Authority's net position was \$8,056,619, of which there was an unrestricted net position of \$(263,534). (See Exhibit 1)

The Primary Government's overall net position decreased by \$189,514. The School Board's net position increased by \$1,000,170, and the Service Authority's net position decreased by \$362,589. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$7,794,839. (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 2016-17 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,696,891 of which \$7,794,839 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 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 separate columns of 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 governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided 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 of 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 statements 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 \$8,073,421 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, 2017 and 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 9,500,650	\$ 9,798,389
Capital assets	6,605,211	7,519,375
Total assets	<u>\$ 16,105,861</u>	<u>\$ 17,317,764</u>
Deferred Outflows of Resources	<u>\$ 652,227</u>	<u>\$ 390,147</u>
Long-term liabilities	\$ 8,097,537	\$ 8,447,696
Other liabilities	326,974	492,735
Total liabilities	<u>\$ 8,424,511</u>	<u>\$ 8,940,431</u>
Deferred Inflows of Resources	<u>\$ 260,156</u>	<u>\$ 504,545</u>
Net investment in capital assets	\$ 1,510,211	\$ 1,474,375
Unrestricted	6,563,210	6,788,560
Total net position	<u><u>\$ 8,073,421</u></u>	<u><u>\$ 8,262,935</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 18.71 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 \$6,563,210 or 81.29 percent of total net position, may be used to meet government's ongoing obligations to citizens and creditors.

The government's net position decreased by \$189,514 during the current fiscal year, compared to a decrease of \$630,002 in FY 2016.

## Governmental Activities

Governmental activities decreased the County's net position by \$189,514. Key elements of this decrease are as follows:

		<b>Governmental Activities</b>	
		<b>2017</b>	<b>2016</b>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$	95,852	\$ 99,799
Operating grants and contributions		1,919,398	1,967,670
Capital grants and contributions		251,865	190,572
<b>General revenues:</b>			
General property taxes		11,608,685	11,540,509
Other local taxes		3,054,720	2,846,310
Use of money and property		27,767	18,009
Miscellaneous		43,306	85,087
Grants and contributions not restricted to specific programs		402,731	370,041
Total revenues	\$	<u>17,404,324</u>	<u>\$ 17,117,997</u>
<b>Expenses:</b>			
General government	\$	1,114,156	\$ 1,174,034
Judicial administration		439,940	388,586
Public safety		2,925,952	2,646,136
Public works		1,097,385	1,736,640
Health and welfare		1,016,210	1,051,764
Education		9,395,332	8,815,193
Parks, recreation, and cultural		555,200	541,942
Community development		785,851	1,141,032
Nondepartmental		129,098	96,606
Interest on long-term debt		134,714	156,066
Total expenses	\$	<u>17,593,838</u>	<u>\$ 17,747,999</u>
Increase (decrease) in net position	\$	(189,514)	\$ (630,002)
Beginning net position, as restated		<u>8,262,935</u>	<u>8,892,937</u>
Ending net position	\$	<u><u>8,073,421</u></u>	<u><u>\$ 8,262,935</u></u>

Total revenues increased by \$286,327. This increase is primarily attributable to an increase in general property taxes of \$68,176. The County also sustained an increase in local sales tax revenue of \$147,607 and an increase in restaurant food taxes of \$44,485, as compared to the prior year.

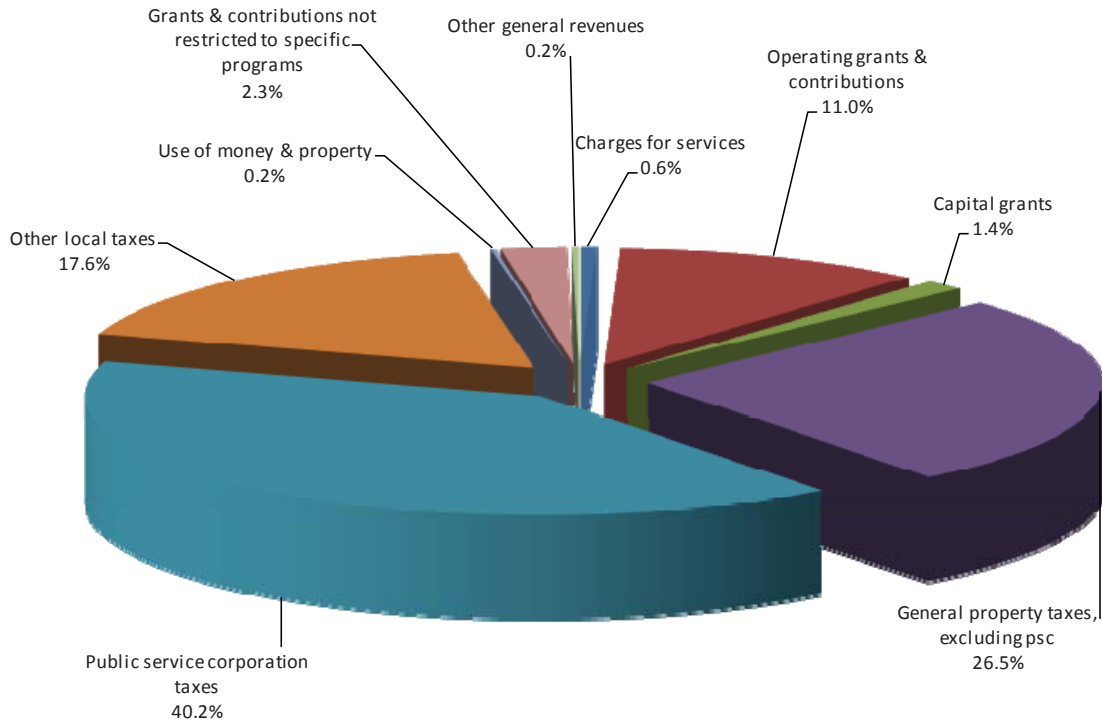
The increase in property tax revenue is due to an increase of real estate tax revenue of \$25,698 and an increase in public service corporation tax revenue of \$51,648. There was also a slight decrease in personal property tax revenues.

Total expenses decreased by \$154,161 from fiscal year 2016 to 2017. This is partially due to the County incurring expenses for its biennial real estate property reassessment in FY16 of \$110,327 versus only \$27,422 in FY17 due to the completion of that project. There was an increase in Board of Supervisors expenses of \$23,928, primarily associated with professional services. The Clerk of Circuit Court office sustained an increase in capital outlay expense of \$35,289. The County also sustained an increase in expenses of \$41,652 for its emergency management department that began in FY16 and is included in the Public Safety function. There was a decrease in the law enforcement department expense, reflective of the acquisition of vehicles in FY16 and none in FY17. The County also sustained increased contributions to its volunteer fire and rescue organizations by contributing an additional \$32,535 for operations and \$67,500 for capital outlay as compared to the prior year. There was a decrease in public works function expenses of \$639,255, which largely was comprised of a decrease in

transfers to the Bath County Service Authority (presented as a component unit), which were \$648,103 in FY16. The County also was able to increase its funding of its schools by \$461,649 as compared to the prior year.

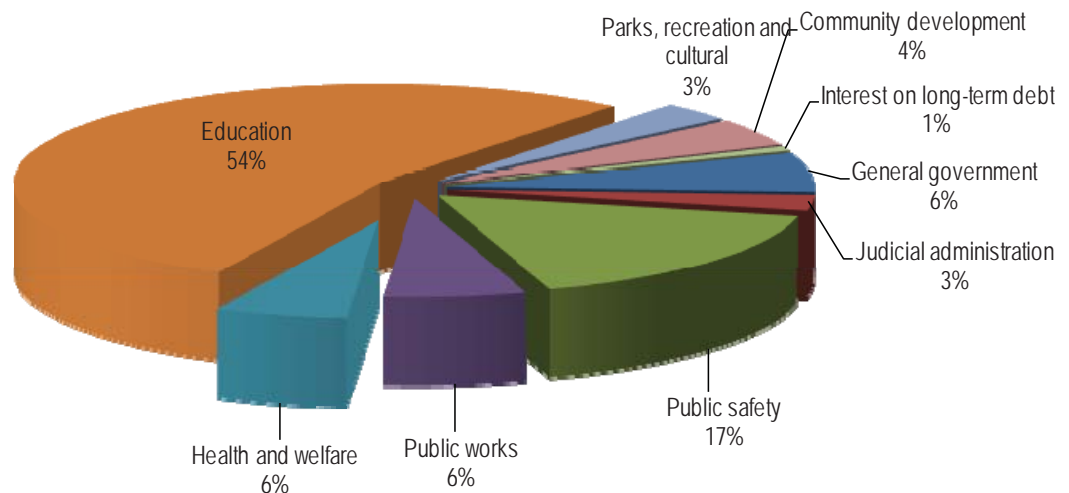
The chart below provides a visual analysis of the sources of revenue by percentage for the County for the year ended June 30, 2017.

### Sources of Revenue of Governmental Activities for Fiscal Year 2017



Similarly, the following chart provides an analysis of the expenses of the Governmental Activities by major functional category for the year ended June 30, 2017:

### Total Functional Expenses of Governmental Activities for Fiscal Year 2017





## **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 \$8,696,891, a decrease of \$151,198 from the prior year. Approximately, 89.6 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, 2017, total fund balance of the general fund was \$7,969,166 of which \$7,794,839 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 47.05 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$8,413,683. Total general fund balance represents 48.09 percent of total general fund expenditures.

The fund balance of the County's general fund decreased by \$413,419 during the current fiscal year as compared to a decrease of \$972,064 in fiscal 2016.

Fiscal 2017 expenditures unrelated to debt service decreased \$190,575 from fiscal 2016. This is partly attributable to an increase in funding of the local School Board of \$461,649, with an offsetting decrease in Public Works expenditures of \$640,818 for the year, which was primarily due to a contribution to the Bath County Service Authority of \$648,103 for the construction of a new waterline in FY16 and none in FY17.

There was also a decrease in General Government function expenditures of \$19,794, which was mostly due to the reassessment occurring in FY16, which cost \$110,327 in FY16, versus \$27,422 in FY17. The decrease in assessment cost was partially offset by increases in the Board of Supervisors department of \$23,928, which was primarily associated with professional service expenditures. There was an increase in public safety expenditures of \$151,072 as compared to the prior year. There was an increase in departmental expenditures for the relatively new emergency management department of \$41,652, and there was an additional \$100,035 in combined operating and capital contributions to the volunteer fire and rescue organizations. The County also sustained reductions in expenditures in community development of \$143,143, mainly attributable to a reduction in special needs program funding. There were fewer capital projects expenditures in FY17 versus FY16 as the County continued work on its E911 software upgrade and began a radio tower project.

Total general fund revenues in fiscal year 2017 were up by \$344,885 as compared to fiscal year 2016, or a 2.16% increase. There was an increase in general property tax revenue of \$76,700, partially comprised of a \$25,698 increase in real estate tax revenue and a \$51,648 increase in public service corporation tax revenue. There was also an increase in other local tax revenues of \$195,313, which consisted of a significant increase in local sales taxes received of \$147,607 and an increase in restaurant food taxes of \$44,485. All other categories of revenues sustained slight increases or decreases as compared to the previous fiscal year.

## 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 \$8,056,619. Additional financial information for the Bath County Public Service Authority for the year ended June 30, 2017 can be found in Exhibits 22-24 of the accompanying financial statements.

## **General Fund Budgetary Highlights**

The general fund's original budgeted appropriations amounted to \$17,347,517, the final amended general fund budget was \$17,392,079 representing an increase of \$44,562, or .26 percent of the original general fund budget. The most notable amendment to the budget increase in the final budget relative to the original budget is an increase in anticipated capital projects spending of \$24,930. This budget increase was due to planned capital outlay for E911 Software Upgrade and other County Projects. Overall, total General Fund actual expenses amounted to \$16,568,644, which were below both the adopted and amended budgets in total.

## **Capital Asset and Debt Administration**

### Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2017 is \$6,605,211 (net of accumulated depreciation) and is a decrease of \$914,164 from the previous fiscal year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. The most significant asset additions for fiscal year 2017 were the completion of the E911 telephone system, a gas suppression system for the courthouse, and a generator for emergency management.

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

##### **As of June 30, 2017 and 2016**

	Governmental Activities	
	2017	2016
Land	\$ 634,478	\$ 634,478
Buildings and improvements	5,156,403	6,231,099
Machinery and equipment	772,360	653,798
Construction in progress	41,970	-
Total	<u>\$ 6,605,211</u>	<u>\$ 7,519,375</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, 2017 and 2016**

	Governmental Activities	
	2017	2016
Revenue bonds	\$ 5,095,000	\$ 6,045,000
OPEB Obligation (Note 10)	234,751	198,251
Compensated absences	123,917	125,315
Net Pension Liability	2,643,869	2,079,130
Total	<u>\$ 8,097,537</u>	<u>\$ 8,447,696</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. There have been no significant changes in debt activity for the current fiscal year. This is the third year the County has reported net pension liability as an indebtedness pursuant to GASB Statements No.68 and 71 as discussed in detail last year. At June 30, 2017, the County's net pension liability represents 32.65% of the County's total outstanding debt. Much more detail on the Pension Plan of the County can be found in Note 9 of these financial statements.

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 as of June 30, 2017 was 2.9 percent, which was a slight decrease from the prior year. This compares favorably to the state's average unemployment rate of 3.9 percent and the national average rate of 4.4 percent for the same fiscal period (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. The County has increased real estate tax rates for fiscal 2018 \$.02 to \$.50 per \$100 of assessed value. The County does not expect a significant increase in real estate tax revenues as a result of this increase in FY18 as the increase is to equalize the loss of revenue anticipated from the recent reassessment.

Sales tax collections increased significantly \$147,607 in fiscal year 2017 and are expected to remain flat through fiscal year 2018.

During fiscal year 2017, the unassigned fund balance in the general fund decreased by \$485,403 (from \$8,280,242 to \$7,794,839). Committed and assigned fund balances increased by \$71,984 (from \$102,343 to \$174,327).

### **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, 2017

	Primary Government			
	Governmental Activities	School Board	Economic Development Authority	Service Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,787,934	\$ 714,610	\$ 253,550	\$ 3,097,667
Receivables (net of allowance for uncollectibles):				
Taxes receivable	641,352	-	-	-
Accounts receivable	241,844	-	-	114,178
Notes receivable	70,437	-	-	-
Interest receivable	-	-	-	12
Due from component unit	136,089	-	-	-
Due from other governmental units	612,167	218,362	-	-
Inventories	-	21,869	-	-
Prepaid items	10,827	74,106	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	73,119
Capital assets (net of accumulated depreciation):				
Land and land improvements	634,478	238,282	50,799	69,165
Buildings and improvements	5,156,403	7,160,215	154,480	-
Machinery and equipment	772,360	1,132,074	-	29,243
Utility plant in service	-	-	-	8,619,153
Construction in progress	41,970	13,500	-	59,406
Total assets	\$ 16,105,861	\$ 9,573,018	\$ 458,829	\$ 12,061,943
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to measurement date	\$ 280,582	\$ 726,693	\$ -	\$ 39,665
Items related to measurement of net pension liability	371,645	869,725	-	57,387
Total Deferred Outflows of Resources	\$ 652,227	\$ 1,596,418	\$ -	\$ 97,052
<b>LIABILITIES</b>				
Accounts payable	\$ 176,353	\$ -	\$ 1,838	\$ 43,962
Accrued payroll	-	711,200	-	-
Customers' deposits	-	-	-	29,883
Accrued interest payable	4,775	-	-	-
Due to primary government	-	136,089	-	-
Unearned revenue	145,846	134,500	-	3,106,234
Long-term liabilities:				
Due within one year	975,000	-	-	52,261
Due in more than one year	7,122,537	9,367,336	-	870,036
Total liabilities	\$ 8,424,511	\$ 10,349,125	\$ 1,838	\$ 4,102,376
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 260,156	\$ -	\$ -	\$ -
Items related to measurement of net pension liability	-	497,434	-	-
Total deferred inflows of resources	\$ 260,156	\$ 497,434	\$ -	\$ -
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,510,211	\$ 8,544,071	\$ 205,279	\$ 8,276,917
Restricted -				
Debt service reserve fund	-	-	-	43,236
Unrestricted	6,563,210	(8,221,194)	251,712	(263,534)
Total net position	\$ 8,073,421	\$ 322,877	\$ 456,991	\$ 8,056,619

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

County of Bath, Virginia

Statement of Activities  
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 1,114,156	\$ 20,584	\$ 177,139	\$ -
Judicial administration	439,940	32,006	214,908	-
Public safety	2,925,952	35,985	542,512	251,865
Public works	1,097,385	1,184	13,980	-
Health and welfare	1,016,210	-	557,868	-
Education	9,395,332	-	-	-
Parks, recreation, and cultural	555,200	6,093	-	-
Community development	785,851	-	412,991	-
Nondepartmental	129,098	-	-	-
Interest on long-term debt	134,714	-	-	-
Total governmental activities	<u>\$ 17,593,838</u>	<u>\$ 95,852</u>	<u>\$ 1,919,398</u>	<u>\$ 251,865</u>
<b>COMPONENT UNITS:</b>				
School Board	\$ 11,042,356	\$ 121,222	\$ 2,529,921	\$ -
Economic Development Authority	287,161	-	250,000	-
Service Authority	1,507,750	1,129,114	-	-
Total component units	<u>\$ 12,837,267</u>	<u>\$ 1,250,336</u>	<u>\$ 2,779,921</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

Gain on sale of capital assets

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.

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<u>Primary</u>				
<u>Government</u>	<u>Component Units</u>			
<u>Governmental Activities</u>	<u>School Board</u>	<u>Economic Development Authority</u>	<u>Service Authority</u>	
\$ (916,433)	\$ -	\$ -	\$ -	\$ -
(193,026)	-	-	-	-
(2,095,590)	-	-	-	-
(1,082,221)	-	-	-	-
(458,342)	-	-	-	-
(9,395,332)	-	-	-	-
(549,107)	-	-	-	-
(372,860)	-	-	-	-
(129,098)	-	-	-	-
(134,714)	-	-	-	-
<u>\$ (15,326,723)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (8,391,213)	\$ -	\$ -	\$ -
-	-	(37,161)	-	-
-	-	-	(378,636)	-
<u>\$ -</u>	<u>\$ (8,391,213)</u>	<u>\$ (37,161)</u>	<u>\$ (378,636)</u>	<u>\$ -</u>
\$ 11,608,685	\$ -	\$ -	\$ -	\$ -
937,441	-	-	-	-
834,316	-	-	-	-
76,835	-	-	-	-
41,867	-	-	-	-
40,394	-	-	-	-
1,103,163	-	-	-	-
20,704	-	-	-	-
27,767	-	36,148	16,047	-
-	-	100,299	-	-
43,306	1,800	-	-	-
402,731	9,389,583	-	-	-
<u>\$ 15,137,209</u>	<u>\$ 9,391,383</u>	<u>\$ 136,447</u>	<u>\$ 16,047</u>	<u>\$ -</u>
\$ (189,514)	\$ 1,000,170	\$ 99,286	\$ (362,589)	\$ -
8,262,935	(677,293)	357,705	8,419,208	-
<u>\$ 8,073,421</u>	<u>\$ 322,877</u>	<u>\$ 456,991</u>	<u>\$ 8,056,619</u>	<u>\$ -</u>

## **FUND FINANCIAL STATEMENTS**

Balance Sheet  
 Governmental Funds  
 June 30, 2017

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,105,645	\$ -	\$ 682,289	\$ 7,787,934
Receivables (net of allowance for uncollectibles):				
Taxes receivable	641,352	-	-	641,352
Accounts receivable	183,496	-	58,348	241,844
Notes receivable	70,437	-	-	70,437
Due from other funds	46,154	-	-	46,154
Due from component unit	136,089	-	-	136,089
Due from other governmental units	564,052	44,028	4,087	612,167
Prepaid items	10,827	-	-	10,827
Total assets	<u>\$ 8,758,052</u>	<u>\$ 44,028</u>	<u>\$ 744,724</u>	<u>\$ 9,546,804</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 161,480	\$ -	\$ 14,873	\$ 176,353
Due to other funds	-	44,028	2,126	46,154
Unearned revenue	145,846	-	-	145,846
Total liabilities	<u>\$ 307,326</u>	<u>\$ 44,028</u>	<u>\$ 16,999</u>	<u>\$ 368,353</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 481,560	\$ -	\$ -	\$ 481,560
Total deferred inflows of resources	<u>\$ 481,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,560</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 10,827	\$ -	\$ -	\$ 10,827
Committed:				
Special revenue funds	-	-	727,725	727,725
Assigned:				
Community development	62,000	-	-	62,000
Capital projects	101,500	-	-	101,500
Unassigned	7,794,839	-	-	7,794,839
Total fund balances	<u>\$ 7,969,166</u>	<u>\$ -</u>	<u>\$ 727,725</u>	<u>\$ 8,696,891</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,758,052</u>	<u>\$ 44,028</u>	<u>\$ 744,724</u>	<u>\$ 9,546,804</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, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,696,891
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,605,211
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	221,404
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	280,582
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,730,667)</u>
Net position of governmental activities	<u>\$ 8,073,421</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, 2017

	General	Virginia Public Assistance	Other Governmental Funds	Total
<b>REVENUES</b>				
General property taxes	\$ 11,597,266	\$ -	\$ -	\$ 11,597,266
Other local taxes	2,502,210	-	552,510	3,054,720
Permits, privilege fees, and regulatory licenses	30,973	-	-	30,973
Fines and forfeitures	8,676	-	-	8,676
Revenue from the use of money and property	27,767	-	-	27,767
Charges for services	56,203	-	-	56,203
Miscellaneous	37,334	-	5,972	43,306
Recovered costs	47,344	-	-	47,344
Intergovernmental:				
Commonwealth	1,452,674	147,823	55,895	1,656,392
Federal	563,452	354,150	-	917,602
Total revenues	<u>\$ 16,323,899</u>	<u>\$ 501,973</u>	<u>\$ 614,377</u>	<u>\$ 17,440,249</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,105,739	\$ -	\$ -	\$ 1,105,739
Judicial administration	438,287	-	-	438,287
Public safety	2,752,004	-	-	2,752,004
Public works	1,103,133	-	-	1,103,133
Health and welfare	278,818	596,949	129,743	1,005,510
Education	8,419,432	-	-	8,419,432
Parks, recreation, and cultural	522,250	-	-	522,250
Community development	555,149	-	296,111	851,260
Nondepartmental	129,098	-	-	129,098
Capital projects	179,128	-	-	179,128
Debt service:				
Principal retirement	950,000	-	-	950,000
Interest and other fiscal charges	135,606	-	-	135,606
Total expenditures	<u>\$ 16,568,644</u>	<u>\$ 596,949</u>	<u>\$ 425,854</u>	<u>\$ 17,591,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (244,745)</u>	<u>\$ (94,976)</u>	<u>\$ 188,523</u>	<u>\$ (151,198)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 94,976	\$ 73,698	\$ 168,674
Transfers out	(168,674)	-	-	(168,674)
Total other financing sources (uses)	<u>\$ (168,674)</u>	<u>\$ 94,976</u>	<u>\$ 73,698</u>	<u>\$ -</u>
Net change in fund balances	\$ (413,419)	\$ -	\$ 262,221	\$ (151,198)
Fund balances - beginning, as restated	8,382,585	-	465,504	8,848,089
Fund balances - ending	<u>\$ 7,969,166</u>	<u>\$ -</u>	<u>\$ 727,725</u>	<u>\$ 8,696,891</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, 2017

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

Net change in fund balances - total governmental funds \$ (151,198)

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. (914,164)

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. 262,717

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. 950,000

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. (336,869)

Change in net position of governmental activities \$ (189,514)

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

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

##### A. 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.

The Economic Development Authority of Bath County, Virginia has been determined to be a component unit of Bath County because the Authority's primary use of funds is to provide for economic development of the County, thereby benefiting the County even though it does not provide services directly to the County. The Economic Development Authority of Bath County, Virginia does prepare separate financial statements. Complete financial statements for the Authority may be obtained by contacting Karen Williams at the Authority's administrative office at PO Box 13 Warm Springs, VA 24484.

##### 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.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

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

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

Statement of Net Position – The Statement of Net Position is designed to display financial position of the primary government (governmental 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.

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, 2017 (CONTINUED)

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

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**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 and Lodging Tax-Marketing/Capital Tax funds are nonmajor 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, 2017.

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)**

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**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.

External investment pools are measured at amortized cost. All other investments are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations.

**2. Receivables and payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). 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, 2017 (CONTINUED)

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

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**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 5<sup>th</sup> and December 5<sup>th</sup>. Personal property is assessed at its value on January 1. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

**5. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$15,128 at June 30, 2017 and is comprised of uncollectible local taxes of the primary government in the amount of \$7,645 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, 2017, \$43,236 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 \$29,883 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 acquisition 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, 2017 (CONTINUED)

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

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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, 2017 (CONTINUED)

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

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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, 2017 (CONTINUED)

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

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**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 has two types of items that qualify for reporting in this category. One item is comprised of contributions to the pension plan made during the current year and subsequent to the measurement date, which will be recognized as a reduction of net pension liability next fiscal year. The other item is comprised of certain items related to the measurement of the net pension liability including differences between expected and actual experience. For more detailed information on this item, reference the pension note.

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 two types of item that qualify 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, property tax for 2017 levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the taxes levied but not due as of June 30, 2017 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, property tax for 2017 levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the tax levied during the fiscal year but due after June 30<sup>th</sup> are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on plan investments. For more detailed information on these items, reference the pension note.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

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

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

15. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County’s Retirement Plan and the additions to/deductions from the County’s Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 (\$7,730,667) and (\$8,497,611) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Bonds payable	\$ (5,095,000)	\$ -
Net OPEB obligation	(234,751)	(304,049)
Accrued interest payable	(4,775)	-
Compensated absences	(123,917)	(188,846)
Items related to measurement of net pension liability	371,645	869,725
Net pension liability	<u>(2,643,869)</u>	<u>(8,874,441)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (7,730,667)</u>	<u>\$ (8,497,611)</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

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

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (continued)**

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.” The details of these \$221,404 and (\$497,434) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Unavailable revenue - property taxes	\$ 221,404	\$ -
Items related to measurement of net pension liability	-	(497,434)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 221,404</u>	<u>\$ (497,434)</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 (\$914,164) and \$1,101,991 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Capital outlay	\$ 345,177	\$ 693,008
Depreciation expense	(283,441)	(566,917)
Allocation of debt financed school assets based on current year repayments	(975,900)	975,900
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>\$ (914,164)</u>	<u>\$ 1,101,991</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (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 \$950,000 difference in the primary government are as follows:

	<b>Primary Government</b>
Principal repayments:	
General obligation debt	\$ 950,000
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>	\$ 950,000

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 (\$336,869) and (\$303,087) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Net OPEB obligation	\$ (36,500)	\$ (48,500)
Compensated absences	1,398	2,920
Accrued interest payable	892	-
Pension contributions subsequent to the measurement date	(19,559)	14,109
Items related to measurement of net pension liability	281,639	491,725
Net pension liability	<u>(564,739)</u>	<u>(763,341)</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>(336,869)</u>	\$ <u>(303,087)</u>

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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**Note 3—Stewardship, Compliance, and Accountability:**

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**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, 2017, the following fund incurred expenditures exceeding appropriations:

<u>Fund</u>	<u>Function</u>	<u>Excess of Expenditures over Appropriations</u>
Cafeteria	School Food Services	\$ <u><u>20,710</u></u>

**C. Deficit fund equity**

At June 30, 2017, there were no funds with deficit fund equity.



**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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**Note 4—Deposits and Investments:**

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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, 2017 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.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>1,558,973</u>

External Investment Pool

The fair value of the positions in the external investment pool is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. The LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.



**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 106,508
Local sales taxes	149,323	-
Communications Tax	17,910	-
Rolling Stock	9,206	-
Public assistance and welfare administration	14,123	-
Comprehensive Services Act funds	4,087	-
E-911 wireless	7,497	-
Shared expenses	103,441	-
Other	23,147	1,678
Federal Government:		
Local emergency planning grant	32,500	-
Public assistance and welfare administration	29,904	-
Community development block grant	221,029	-
Title I	-	45,337
Title VIB	-	35,559
Perkins CTE secondary	-	7,401
School cafeteria	-	21,879
Total	<u>\$ 612,167</u>	<u>\$ 218,362</u>

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

The following balances represent amounts due between funds at June 30, 2017:

<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	\$ 46,154	\$ -	\$ -	\$ 136,089
CSA Fund	-	44,028	-	-
VPA Fund	-	2,126	-	-
Total	<u>\$ 46,154</u>	<u>\$ 46,154</u>	<u>\$ -</u>	<u>\$ 136,089</u>
Component Unit-School Board:				
School Fund	\$ -	\$ -	\$ 136,089	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,089</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.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**Note 7—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 168,674
Virginia Public Assistance Fund	94,976	-
CSA Fund	73,698	-
Total	<u>\$ 168,674</u>	<u>\$ 168,674</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.

**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, 2017:

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Revenue bond	\$ 6,045,000	\$ -	\$ 950,000	\$ 5,095,000
Net OPEB Obligation	198,251	42,000	5,500	234,751
Compensated absences	125,315	-	1,398	123,917
Net pension liability	2,079,130	1,136,523	571,784	2,643,869
Total Long-Term Obligations	<u>\$ 8,447,696</u>	<u>\$ 1,178,523</u>	<u>\$ 1,528,682</u>	<u>\$ 8,097,537</u>

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

Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 5,095,000</u>	<u>\$ 348,974</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (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%.	\$ 5,095,000	\$ 975,000
Other Obligations:		
Net OPEB Obligation	234,751	-
Compensated absences (payable from General Fund)	123,917	-
Net pension liability	<u>2,643,869</u>	-
Total long-term obligations	<u>\$ 8,097,537</u>	<u>\$ 975,000</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, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2017</u>
Revenue bonds	\$ 552,304	\$ -	\$ 52,254	\$ 500,050
Compensated absences	21,279	-	-	21,279
Net pension liability	315,321	172,364	86,717	400,968
Total Long-Term Obligations	<u>\$ 888,904</u>	<u>\$ 172,364</u>	<u>\$ 138,971</u>	<u>\$ 922,297</u>

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

Fiscal Year	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 52,261	\$ 2,202
2019	53,222	1,241
2020	35,958	251
2021	20,473	-
2022	20,473	-
2023-2027	102,365	-
2028-2032	102,365	-
2033-2037	102,365	-
2038	10,568	-
Total	<u>\$ 500,050</u>	<u>\$ 3,694</u>

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (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.	\$ 80,354	\$ 31,788
\$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>419,696</u>	<u>20,473</u>
Total Revenue Bonds	<u>\$ 500,050</u>	<u>\$ 52,261</u>
Compensated absences (payable from Component Unit Service Authority)	<u>\$ 21,279</u>	<u>\$ -</u>
Net pension liability	<u>\$ 400,968</u>	<u>\$ -</u>
Total Long-Term Obligations	<u>\$ 922,297</u>	<u>\$ 52,261</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, 2017:

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Compensated absences	\$ 191,766	\$ -	\$ 2,920	\$ 188,846
Net OPEB Obligation	255,549	73,500	25,000	304,049
Net pension liability	8,111,100	2,481,607	1,718,266	8,874,441
Total Long-Term Obligations	<u>\$ 8,558,415</u>	<u>\$ 2,555,107</u>	<u>\$ 1,746,186</u>	<u>\$ 9,367,336</u>

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

**Note 9—Pension Plan:**

**Plan Description**

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> 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 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.</p>	<p><b>About the Hybrid Retirement Plan</b> 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b>                      Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>                      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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b>                      Employees are in 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.</p> <p><b>Hybrid Opt-In Election</b>                      Eligible 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b>                      Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or 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.</li> </ul> <p><b>*Non-Eligible Members</b>                      Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b>                      Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b>                      Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b>                      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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017. 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.</p>	<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are be paying the full 5% as of July 1, 2017.</p>	<p><b>Retirement Contributions</b>                      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.</p>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b>                      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.</p>	<p><b>Creditable Service</b>                      Same as Plan 1.</p>	<p><b>Creditable Service</b>  <b><u>Defined Benefit Component:</u></b>                      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.</p> <p><b><u>Defined Contributions Component:</u></b>                      Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>



COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b>                      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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>                      Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>                      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. Plan 1 or 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.</p> <p><u><b>Defined Contributions Component:</b></u>                      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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p><b>Vesting (Cont.)</b>  <b><u>Defined Contributions Component: (Cont.)</u></b>                      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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      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.</p>	<p><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>                      See definition under Plan 1</p>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> 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.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> 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.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60.</p>	<p><b>Normal Retirement Age</b>  <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Same as Plan 1.</p>	<p><b>Normal Retirement Age</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Not applicable.</p> <p><b>Defined Contribution Component:</b>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Not applicable.</p> <p><b>Defined Contribution Component:</b>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p> <p><b><u>Eligibility:</u></b> 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.</p> <p>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.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

**Note 9—Pension Plan: (Continued)**

**Plan Description (Continued)**

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1 and Plan 2.</p>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> 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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> 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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> 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.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 CAFR may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>; or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government (1)</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	54	26
Inactive members:		
Vested inactive members	6	3
Non-vested inactive members	6	7
Inactive members active elsewhere in VRS	14	6
Total inactive members	26	16
Active members	65	27
Total covered employees	145	69

(1) Includes Primary Government and Component Unit Public Service Authority members

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The County contractually required contribution rate for the year ended June 30, 2017 was 12.37% of covered employee compensation for the County and Component Unit Public Service Authority. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.



**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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**Note 9—Pension Plan: (Continued)**

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**Contributions (Continued)**

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$280,582 and \$298,180 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions to the pension plan from the Component Unit Public Service Authority were \$39,665 and \$45,222 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 7.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$47,270 and \$69,463 for the years ended June 30, 2017 and June 30, 2016, respectively.

**Net Pension Liability**

The County's, Component Unit Public Service Authority's, and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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**Note 9—Pension Plan: (Continued)**

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**Actuarial Assumptions – General Employees (Continued)**

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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**Note 9—Pension Plan: (Continued)**

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**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

**Note 9—Pension Plan: (Continued)**

**Actuarial Assumptions – Public Safety Employees (Continued)**

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>8.33%</u>

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

**Note 9—Pension Plan: (Continued)**

**Long-Term Expected Rate of Return (Continued)**

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<b>Primary Government</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2015	\$ 11,654,402	\$ 9,575,272	\$ 2,079,130
Changes for the year:			
Service cost	\$ 259,627	\$ -	\$ 259,627
Interest	789,786	-	789,786
Differences between expected and actual experience	80,983	-	80,983
Impact of change in proportion	-	-	-
Contributions - employer	-	298,180	(298,180)
Contributions - employee	-	116,621	(116,621)
Net investment income	-	156,983	(156,983)
Benefit payments, including refunds of employee contributions	(743,484)	(743,484)	-
Administrative expenses	-	(6,057)	6,057
Other changes	-	(70)	70
Net changes	\$ 386,912	\$ (177,827)	\$ 564,739
Balances at June 30, 2016	\$ 12,041,314	\$ 9,397,445	\$ 2,643,869

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Changes in Net Pension Liability (Continued)

	Public Service Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 1,767,503	\$ 1,452,182	\$ 315,321
Changes for the year:			
Service cost	\$ 39,375	\$ -	\$ 39,375
Interest	119,779	-	119,779
Differences between expected and actual experience	12,282	-	12,282
Impact of change in proportion	-	-	-
Contributions - employer	-	45,222	(45,222)
Contributions - employee	-	17,687	(17,687)
Net investment income	-	23,808	(23,808)
Benefit payments, including refunds of employee contributions	(112,757)	(112,757)	-
Administrative expenses	-	(919)	919
Other changes	-	(9)	9
Net changes	\$ 58,679	\$ (26,968)	\$ 85,647
Balances at June 30, 2016	\$ 1,826,182	\$ 1,425,214	\$ 400,968

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 4,270,881	\$ 3,865,781	\$ 405,100
Changes for the year:			
Service cost	\$ 64,626	\$ -	\$ 64,626
Interest	292,531	-	292,531
Differences between expected and actual experience	(119,113)	-	(119,113)
Contributions - employer	-	69,463	(69,463)
Contributions - employee	-	33,631	(33,631)
Net investment income	-	66,059	(66,059)
Benefit payments, including refunds of employee contributions	(183,722)	(183,722)	-
Administrative expenses	-	(2,422)	2,422
Other changes	-	(28)	28
Net changes	\$ 54,322	\$ (17,019)	\$ 71,341
Balances at June 30, 2016	\$ 4,325,203	\$ 3,848,762	\$ 476,441

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County’s and Component Unit School Board’s (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 4,163,230	\$ 2,643,867	\$ 1,381,402
Component Unit Public Service Authority			
Net Pension Liability (Asset)	\$ 631,395	\$ 400,968	\$ 209,503
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 963,572	\$ 476,441	\$ 64,165

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) recognized pension expense of \$330,319, \$50,219, and \$4,021, respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Public Service Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 123,099	\$ -	\$ 19,446	\$ -
Net difference between projected and actual earnings on pension plan investments	248,546	-	37,941	-
Employer contributions subsequent to the measurement date	280,582	-	39,665	-
<b>Total</b>	<b>\$ 652,227</b>	<b>\$ -</b>	<b>\$ 97,052</b>	<b>\$ -</b>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
 Related to Pensions (Continued)

	<b>Component Unit School Board (nonprofessional)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 80,434
Net difference between projected and actual earnings on pension plan investments	99,725	-
Employer contributions subsequent to the measurement date	<u>47,270</u>	<u>-</u>
Total	<u>\$ 146,995</u>	<u>\$ 80,434</u>

\$280,582, \$39,665, and \$47,270 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Service Authority's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	<u>Primary Government</u>	<u>Component Unit Public Service Authority</u>	<u>Component Unit School Board (nonprofessional)</u>
2018	\$ 49,614	\$ 8,036	\$ (52,363)
2019	49,615	8,036	(26,902)
2020	167,340	25,379	58,230
2021	105,076	15,936	40,326
2022	-	-	-
Thereafter	-	-	-



COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

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**Note 9—Pension Plan: (Continued)**

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**Component Unit School Board (Professional)**

**Plan Description**

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$679,423 and \$642,494 for the years ended June 30, 2017 and June 30, 2016, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the school division reported a liability of \$8,398,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .05993% as compared to .06123% at June 30, 2015.

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

**Note 9—Pension Plan: (Continued)**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2017, the school division recognized pension expense of \$774,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 273,000
Net difference between projected and actual earnings on pension plan investments	480,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	290,000	144,000
Employer contributions subsequent to the measurement date	679,423	-
Total	<u>\$ 1,449,423</u>	<u>\$ 417,000</u>

\$679,423 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2018	\$ (4,000)
2019	(4,000)
2020	256,000
2021	137,000
2022	(32,000)
Thereafter	-

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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**Note 9—Pension Plan: (Continued)**

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

**Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Mortality rates:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

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**Note 9—Pension Plan: (Continued)**

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

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	<u><u>\$ 14,014,115</u></u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	  68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

Note 9—Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 11,972,000	\$ 8,398,000	\$ 5,455,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017 (CONTINUED)

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#### **Note 10—Other Postemployment Benefits:**

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Beginning in fiscal year 2009, the County and School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other 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, 2017 (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 ended June 30, 2017, the estimated contributions to the Plan, and changes in the County's and School Board's net OPEB obligations to the Plan.

	<u>County</u>	<u>School Board</u>
Annual Required Contribution (ARC)	\$ 42,300	\$ 73,900
Interest on OPEB Obligation	8,000	10,200
Adjustment to ARC	(8,300)	(10,600)
Annual OPEB Cost	\$ 42,000	\$ 73,500
Contributions Made	(5,500)	(25,000)
Increase in Net OPEB Obligation	\$ 36,500	\$ 48,500
Net OPEB Obligation - beginning of year	198,251	255,549
Net OPEB Obligation - end of year	<u>\$ 234,751</u>	<u>\$ 304,049</u>

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 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2017	\$ 42,000	13%	\$ 234,751
June 30, 2016	36,100	30%	198,251
June 30, 2015	34,500	28%	172,951
School Board:			
June 30, 2017	\$ 73,500	34%	\$ 304,049
June 30, 2016	71,400	58%	255,549
June 30, 2015	68,900	49%	225,849



COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (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, 2016 is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial Accrued liability (AAL)	\$ 556,248	\$ 720,452
Actuarial value of plan assets	\$ -	\$ -
Unfunded actuarial accrued liability	\$ 556,248	\$ 720,452
Funded ratio (actuarial value of plan assets)	0%	0%
Annual covered payroll	\$ 3,148,617	\$ 4,078,083
UAAL as a percentage of covered payroll	17.67%	17.67%

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, 2017 (CONTINUED)

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**Note 10—Other Postemployment Benefits: (Continued)**

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

**Nonprofessional 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 nonprofessional 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 2017 was .87% 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, 2017 (CONTINUED)

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**Note 10—Other Postemployment Benefits: (Continued)**

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**School Board VRS Health Insurance Credit Program: (Continued)**

Nonprofessional plan: (continued)

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

For 2017, the School Board's contribution of \$5,930 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 2017 and the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 5,930	100%	\$ -
June 30, 2016	5,139	100%	-
June 30, 2015	5,164	100%	-

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date is as follows:

Actuarial Accrued liability (AAL)	\$ 88,707
Actuarial value of plan assets	\$ 10,189
Unfunded actuarial accrued liability (UAAL)	\$ 78,518
Funded ratio (actuarial value of plan assets)	11.49%
Annual covered payroll	\$ 683,433
UAAL as a percentage of covered payroll	11.49%

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, 2017 (CONTINUED)

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**Note 10—Other Postemployment Benefits: (Continued)**

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**School Board VRS Health Insurance Credit Program: (Continued)**

**Nonprofessional 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, 2016 was 18-27 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, 2017, 2016, and 2015 were \$51,443, \$48,438, and \$45,113, respectively and equaled the required contributions for each year.

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

**Note 11—Deferred/ Unavailable/ Unearned Revenue:**

Deferred/ unavailable/ unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The following is a summary of deferred and unavailable revenue for the year ended June 30, 2017:

	<u>Government- wide Financial Statements</u>	<u>Fund Financial Statements</u>
Primary Government deferred/unavailable property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 221,404
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2017. The uncollected tax billings are not available for the funding of current expenditures.	249,616	249,616
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>10,540</u>	<u>10,540</u>
Total primary government deferred/unavailable revenue	<u>\$ 260,156</u>	<u>\$ 481,560</u>

Unearned revenue of the Primary Government, Component Unit School Board, and the Component Unit Services Authority totaling \$145,846, \$134,500 and \$3,106,234, is comprised of the following:

Payments in Lieu of Taxes – Unearned revenue representing payments in lieu of taxes not available for funding of current expenditures totaled \$145,846 and \$134,500 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 \$2,829,301 from WSIC.

Prepaid Development Fees – Development fees prepaid to the Bath County Public Service Authority by the WSIC totaled \$252,410 at June 30, 2017.

Prepaid Water and Sewer Fees – Prepaid fees for water and sewer usage received from customers amounted to \$24,523 at June 30, 2017.

**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)**

**Note 12—Capital Assets:**

Capital asset activity for the year ended June 30, 2017 was as follows:

**Primary Government:**

**Governmental activities:**

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital assets not being depreciated:				
Land	\$ 634,478	\$ -	\$ -	\$ 634,478
Construction in progress	<u>          -</u>	<u>41,970</u>	<u>          -</u>	<u>41,970</u>
Total capital assets not being depreciated	<u>\$ 634,478</u>	<u>\$ 41,970</u>	<u>\$ -</u>	<u>\$ 676,448</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 9,978,821	\$ 11,709	\$ (950,000)	\$ 9,040,530
Machinery and equipment	<u>1,750,461</u>	<u>291,498</u>	<u>(29,714)</u>	<u>2,012,245</u>
Total capital assets being depreciated	<u>\$ 11,729,282</u>	<u>\$ 303,207</u>	<u>\$ (979,714)</u>	<u>\$ 11,052,775</u>
Accumulated depreciation:				
Buildings and improvements	\$ (3,747,722)	\$ (110,505)	\$ (25,900)	\$ (3,884,127)
Machinery and equipment	<u>(1,096,663)</u>	<u>(172,936)</u>	<u>29,714</u>	<u>(1,239,885)</u>
Total accumulated depreciation	<u>\$ (4,844,385)</u>	<u>\$ (283,441)</u>	<u>\$ 3,814</u>	<u>\$ (5,124,012)</u>
Capital assets being depreciated, net	<u>\$ 6,884,897</u>	<u>\$ 19,766</u>	<u>\$ (975,900)</u>	<u>\$ 5,928,763</u>
Net capital assets	<u>\$ 7,519,375</u>	<u>\$ 61,736</u>	<u>\$ (975,900)</u>	<u>\$ 6,605,211</u>

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

Governmental activities:	
General government administration	\$ 114,971
Judicial administration	1,374
Public safety	133,596
Public works	549
Parks, recreation, cultural	32,951
Total depreciation expense - governmental activities	<u>\$ 283,441</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (CONTINUED)

Note 12—Capital Assets: (Continued)

Discretely Presented Component Units:

Component Unit School Board:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets not being depreciated:				
Land and land improvements	\$ 238,282	\$ -	\$ -	\$ 238,282
Construction in progress	<u>27,500</u>	<u>13,500</u>	<u>(27,500)</u>	<u>13,500</u>
Total capital assets not being depreciated	<u>\$ 265,782</u>	<u>\$ 13,500</u>	<u>\$ (27,500)</u>	<u>\$ 251,782</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 15,520,841	\$ 1,301,902	\$ -	\$ 16,822,743
Machinery and equipment	<u>2,352,822</u>	<u>355,106</u>	<u>-</u>	<u>2,707,928</u>
Total capital assets being depreciated	<u>\$ 17,873,663</u>	<u>\$ 1,657,008</u>	<u>\$ -</u>	<u>\$ 19,530,671</u>
Accumulated depreciation:				
Buildings and improvements	\$ (9,317,188)	\$ (345,340)	\$ -	\$ (9,662,528)
Machinery and equipment	<u>(1,380,177)</u>	<u>(195,677)</u>	<u>-</u>	<u>(1,575,854)</u>
Total accumulated depreciation	<u>\$ (10,697,365)</u>	<u>\$ (541,017)</u>	<u>\$ -</u>	<u>\$ (11,238,382)</u>
Capital assets being depreciated, net	<u>\$ 7,176,298</u>	<u>\$ 1,115,991</u>	<u>\$ -</u>	<u>\$ 8,292,289</u>
Net capital assets	<u><u>\$ 7,442,080</u></u>	<u><u>\$ 1,129,491</u></u>	<u><u>\$ (27,500)</u></u>	<u><u>\$ 8,544,071</u></u>
 Depreciation expense allocated to education		 <u>\$ 541,017</u>		

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COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 (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, 2017, is that school financed assets in the amount of \$5,095,000 are reported in the Primary Government for financial reporting purposes. The adjustment to capital assets was as follows:

	Balance June 30, 2016	Increases/ (Decreases)	Adjustment	Balance June 30, 2017
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Primary Government:				
Buildings and improvements	\$ 9,978,821	\$ 11,709	\$ (950,000)	\$ 9,040,530
Accumulated depreciation	<u>(3,747,722)</u>	<u>(110,505)</u>	<u>(25,900)</u>	<u>(3,884,127)</u>
Buildings and improvements, net of accumulated depreciation	<u>\$ 6,231,099</u>	<u>\$ (98,796)</u>	<u>\$ (975,900)</u>	<u>\$ 5,156,403</u>
Discretely Presented Component Unit-School Board				
Buildings and improvements	\$ 15,520,841	\$ 351,902	\$ 950,000	\$ 16,822,743
Accumulated depreciation	<u>(9,317,188)</u>	<u>(371,240)</u>	<u>25,900</u>	<u>(9,662,528)</u>
Buildings and improvements, net of accumulated depreciation	<u>\$ 6,203,653</u>	<u>\$ (19,338)</u>	<u>\$ 975,900</u>	<u>\$ 7,160,215</u>

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**COUNTY OF BATH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (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, 2017 was as follows:

	Balance July 1, 2016	Increases	Transfers/ Reclassifications	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 69,165	\$ -	\$ -	\$ 69,165
Construction in progress	116,606	336,946	(394,146)	59,406
Total capital assets not being depreciated	<u>\$ 185,771</u>	<u>\$ 336,946</u>	<u>\$ (394,146)</u>	<u>\$ 128,571</u>
Capital assets being depreciated:				
Water System	\$ 10,364,224	\$ 7,479	\$ 394,146	\$ 10,765,849
Sewer System	10,960,239	-	-	10,960,239
Machinery and equipment	436,058	-	-	436,058
Total capital assets being depreciated	<u>\$ 21,760,521</u>	<u>\$ 7,479</u>	<u>\$ 394,146</u>	<u>\$ 22,162,146</u>
Accumulated depreciation:				
Water System	\$ (5,070,666)	\$ (262,516)	\$ -	\$ (5,333,182)
Sewer System	(7,605,669)	(168,084)	-	(7,773,753)
Machinery and equipment	(388,290)	(18,525)	-	(406,815)
Total accumulated depreciation	<u>\$ (13,064,625)</u>	<u>\$ (449,125)</u>	<u>\$ -</u>	<u>\$ (13,513,750)</u>
Capital assets being depreciated, net	<u>\$ 8,695,896</u>	<u>\$ (441,646)</u>	<u>\$ 394,146</u>	<u>\$ 8,648,396</u>
Net capital assets	<u>\$ 8,881,667</u>	<u>\$ (104,700)</u>	<u>\$ -</u>	<u>\$ 8,776,967</u>

**Note 13—Contingent Liabilities:**

Federal programs in which the County participates were audited in accordance with the provisions of the Uniform Guidance. 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, 2017 (CONTINUED)**

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

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State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for ten years after closure. The County closed its landfill in 1993. The County has recognized as expenses in prior years all anticipated closure/post-closure costs. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. Postclosure care financial assurance requirements are being met through the use of the financial test mechanism. As of June 30, 2017, the County has not initiated final closure procedures to release itself from requirements for monitoring, etc. The County anticipates making this request during upcoming years as funds are available.

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

**Note 15—Surety Bonds:**

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Hartford Accident and Indemnity Company:		
Annette T. Loan, Clerk of Circuit Court	\$	5,000
Pam Webb, Treasurer		500,000
Angel M. Grimm, Commissioner of the Revenue		3,000
Robert Plecker, Sheriff		5,000
Claire A. Collins, Supervisor		1,000
Richard B. Byrd, Supervisor		1,000
Stuart L. Hall, Supervisor		1,000
Edward T. Hicklin, Supervisor		1,000
Bart Perdue, 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, 2017 (CONTINUED)

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**Note 16—Risk Management:**

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

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

**Note 17—Restatement of Beginning Fund Balance/Net Position:**

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Beginning fund balance has been restated in the financial statements as detailed below:

		Fund Financial Statements
		General Fund
		<u>                    </u>
Fund balance as reported at June 30, 2016	\$	8,306,960
Restatement to record CDBG program loans receivable as of June 30, 2016		75,625
Fund balance as restated at June 30, 2016	\$	<u><u>8,382,585</u></u>

Beginning net position has been restated in the financial statements as detailed below:

		Government-wide Financial Statements
		Governmental Activities
		<u>                    </u>
Net position as reported at June 30, 2016	\$	8,187,310
Restatement to record CDBG program loans receivable as of June 30, 2016		75,625
Net position as restated at June 30, 2016	\$	<u><u>8,262,935</u></u>

**Note 18—Litigation:**

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At June 30, 2017, 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.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

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#### Note 19—Upcoming Pronouncements:

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Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

## **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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 11,359,871	\$ 11,359,871	\$ 11,597,266	\$ 237,395
Other local taxes	2,385,525	2,385,525	2,502,210	116,685
Permits, privilege fees, and regulatory licenses	53,289	53,289	30,973	(22,316)
Fines and forfeitures	4,980	4,980	8,676	3,696
Revenue from the use of money and property	16,017	16,017	27,767	11,750
Charges for services	49,219	55,743	56,203	460
Miscellaneous	23,705	25,523	37,334	11,811
Recovered costs	22,505	68,069	47,344	(20,725)
Intergovernmental:				
Commonwealth	1,434,453	1,434,453	1,452,674	18,221
Federal	575,016	575,016	563,452	(11,564)
Total revenues	<u>\$ 15,924,580</u>	<u>\$ 15,978,486</u>	<u>\$ 16,323,899</u>	<u>\$ 345,413</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,119,584	\$ 1,138,258	\$ 1,105,739	\$ 32,519
Judicial administration	446,170	463,345	438,287	25,058
Public safety	2,866,606	2,802,258	2,752,004	50,254
Public works	1,233,305	1,307,796	1,103,133	204,663
Health and welfare	283,493	283,493	278,818	4,675
Education	8,595,244	8,595,244	8,419,432	175,812
Parks, recreation, and cultural	551,402	559,376	522,250	37,126
Community development	814,893	843,518	555,149	288,369
Nondepartmental	195,808	132,849	129,098	3,751
Capital projects	155,000	179,930	179,128	802
Debt service:				
Principal retirement	950,000	950,000	950,000	-
Interest and other fiscal charges	136,012	136,012	135,606	406
Total expenditures	<u>\$ 17,347,517</u>	<u>\$ 17,392,079</u>	<u>\$ 16,568,644</u>	<u>\$ 823,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,422,937)</u>	<u>\$ (1,413,593)</u>	<u>\$ (244,745)</u>	<u>\$ 1,168,848</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ 400,000	\$ 400,000	\$ (168,674)	\$ (568,674)
Total other financing sources (uses)	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ (168,674)</u>	<u>\$ (568,674)</u>
Net change in fund balances	\$ (1,022,937)	\$ (1,013,593)	\$ (413,419)	\$ 600,174
Fund balances - beginning, as restated	1,022,937	1,013,593	8,382,585	7,368,992
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,969,166</u>	<u>\$ 7,969,166</u>

Special Revenue Fund - VPA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 37,180	\$ 37,180	\$ -	\$ (37,180)
Intergovernmental:				
Commonwealth	260,260	260,260	147,823	(112,437)
Federal	374,760	374,760	354,150	(20,610)
Total revenues	<u>\$ 672,200</u>	<u>\$ 672,200</u>	<u>\$ 501,973</u>	<u>\$ (170,227)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	<u>\$ 922,200</u>	<u>\$ 922,200</u>	<u>\$ 596,949</u>	<u>\$ 325,251</u>
Total expenditures	<u>\$ 922,200</u>	<u>\$ 922,200</u>	<u>\$ 596,949</u>	<u>\$ 325,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	<u>\$ (94,976)</u>	<u>\$ 155,024</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 94,976</u>	<u>\$ (155,024)</u>
Total other financing sources (uses)	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 94,976</u>	<u>\$ (155,024)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of OPEB Funding Progress  
June 30, 2017

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)
06/30/16	\$ -	\$ 556,248	\$ 556,248	0.00%	\$ 3,148,617	17.67%
06/30/15	-	473,784	473,784	0.00%	3,434,723	13.79%
06/30/14	-	327,400	327,400	0.00%	3,073,382	10.65%
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%

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)
06/30/16	\$ -	\$ 720,452	\$ 720,452	0.00%	\$ 4,078,083	17.67%
06/30/15	-	610,716	610,716	0.00%	4,427,417	13.79%
06/30/14	-	697,600	697,600	0.00%	3,359,278	20.77%
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%

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)
06/03/16	\$ 10,189	\$ 88,707	\$ 78,518	11.49%	\$ 683,433	11.49%
06/03/15	10,085	91,158	81,073	11.06%	675,669	12.00%
06/30/14	9,196	88,886	79,690	10.35%	772,300	10.32%
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%



Schedule of Changes in Net Pension Liability and Related Ratios  
 Primary Government  
 Years Ended June 30, 2015 through June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 259,627	\$ 248,054	\$ 208,104
Interest	789,786	758,108	735,387
Differences between expected and actual experience	80,983	120,191	-
Impact of change in proportion	-	(8,319)	-
Benefit payments, including refunds of employee contributions	(743,484)	(604,144)	(617,023)
<b>Net change in total pension liability</b>	<u>\$ 386,912</u>	<u>\$ 513,890</u>	<u>\$ 326,468</u>
<b>Total pension liability - beginning</b>	11,654,402	11,140,512	10,814,044
<b>Total pension liability - ending (a)</b>	<u><u>\$ 12,041,314</u></u>	<u><u>\$ 11,654,402</u></u>	<u><u>\$ 11,140,512</u></u>
<b>Plan fiduciary net position</b>			
Impact of change in proportion	\$ -	\$ (6,970)	\$ -
Contributions - employer	298,180	286,900	242,398
Contributions - employee	116,621	146,741	108,309
Net investment income	156,983	424,375	1,288,118
Benefit payments, including refunds of employee contributions	(743,484)	(604,144)	(617,023)
Administrative expense	(6,057)	(5,891)	(7,107)
Other	(70)	(88)	68
<b>Net change in plan fiduciary net position</b>	<u>\$ (177,827)</u>	<u>\$ 240,923</u>	<u>\$ 1,014,763</u>
<b>Plan fiduciary net position - beginning</b>	9,575,272	9,334,349	8,319,586
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 9,397,445</u></u>	<u><u>\$ 9,575,272</u></u>	<u><u>\$ 9,334,349</u></u>
 <b>County's net pension liability - ending (a) - (b)</b>	 <u><u>\$ 2,643,869</u></u>	 <u><u>\$ 2,079,130</u></u>	 <u><u>\$ 1,806,163</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 78.04%	 82.16%	 83.79%
 <b>Covered payroll</b>	 <u><u>\$ 2,352,914</u></u>	 <u><u>\$ 2,255,503</u></u>	 <u><u>\$ 2,166,188</u></u>
 <b>County's net pension liability as a percentage of covered payroll</b>	 112.37%	 92.18%	 83.38%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios  
 Public Service Authority  
 Years Ended June 30, 2015 through June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 39,375	\$ 37,620	\$ 31,382
Interest	119,779	114,975	110,896
Differences between expected and actual experience	12,282	18,228	-
Impact of change in proportion	-	8,319	-
Benefit payments, including refunds of employee contributions	(112,757)	(91,624)	(93,047)
<b>Net change in total pension liability</b>	<b>\$ 58,679</b>	<b>\$ 87,518</b>	<b>\$ 49,231</b>
<b>Total pension liability - beginning</b>	<b>1,767,503</b>	<b>1,679,985</b>	<b>1,630,754</b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 1,826,182</u></b>	<b><u>\$ 1,767,503</u></b>	<b><u>\$ 1,679,985</u></b>
<b>Plan fiduciary net position</b>			
Impact of change in proportion	\$ -	\$ 6,970	\$ -
Contributions - employer	45,222	43,511	36,553
Contributions - employee	17,687	22,255	16,333
Net investment income	23,808	64,361	194,248
Benefit payments, including refunds of employee contributions	(112,757)	(91,624)	(93,047)
Administrative expense	(919)	(894)	(1,072)
Other	(9)	(13)	10
<b>Net change in plan fiduciary net position</b>	<b>\$ (26,968)</b>	<b>\$ 44,566</b>	<b>\$ 153,025</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,452,182</b>	<b>1,407,616</b>	<b>1,254,591</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 1,425,214</u></b>	<b><u>\$ 1,452,182</u></b>	<b><u>\$ 1,407,616</u></b>
<b>Public Service Authority's net pension liability - ending (a) - (b)</b>	<b>\$ 400,968</b>	<b>\$ 315,321</b>	<b>\$ 272,369</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>78.04%</b>	<b>82.16%</b>	<b>83.79%</b>
<b>Covered payroll</b>	<b>\$ 355,519</b>	<b>\$ 342,068</b>	<b>\$ 326,658</b>
<b>Public Service Authority's net pension liability as a percentage of covered payroll</b>	<b>112.78%</b>	<b>92.18%</b>	<b>83.38%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios  
 Component Unit School Board (nonprofessional)  
 Years Ended June 30, 2015 through June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 64,626	\$ 74,534	\$ 75,905
Interest	292,531	281,906	270,076
Differences between expected and actual experience	(119,113)	(25,192)	-
Benefit payments, including refunds of employee contributions	<u>(183,722)</u>	<u>(175,196)</u>	<u>(178,761)</u>
<b>Net change in total pension liability</b>	<b>\$ 54,322</b>	<b>\$ 156,052</b>	<b>\$ 167,220</b>
<b>Total pension liability - beginning</b>	<b>4,270,881</b>	<b>4,114,829</b>	<b>3,947,609</b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 4,325,203</u></b>	<b><u>\$ 4,270,881</u></b>	<b><u>\$ 4,114,829</u></b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 69,463	\$ 71,030	\$ 81,863
Contributions - employee	33,631	40,750	38,615
Net investment income	66,059	171,408	517,356
Benefit payments, including refunds of employee contributions	(183,722)	(175,196)	(178,761)
Administrative expense	(2,422)	(2,375)	(2,812)
Other	<u>(28)</u>	<u>(34)</u>	<u>27</u>
<b>Net change in plan fiduciary net position</b>	<b>\$ (17,019)</b>	<b>\$ 105,583</b>	<b>\$ 456,288</b>
<b>Plan fiduciary net position - beginning</b>	<b>3,865,781</b>	<b>3,760,198</b>	<b>3,303,910</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 3,848,762</u></b>	<b><u>\$ 3,865,781</u></b>	<b><u>\$ 3,760,198</u></b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 476,441</b>	<b>\$ 405,100</b>	<b>\$ 354,631</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>88.98%</b>	<b>90.51%</b>	<b>91.38%</b>
<b>Covered payroll</b>	<b>\$ 685,146</b>	<b>\$ 694,956</b>	<b>\$ 772,300</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>69.54%</b>	<b>58.29%</b>	<b>45.92%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 Years Ended June 30, 2015 through June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.05993%	0.06123%	0.05850%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,398,000	\$ 7,706,000	\$ 7,069,000
Employer's Covered Payroll	\$ 4,569,661	\$ 4,552,058	\$ 4,277,950
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.78%	169.29%	165.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions  
 Years Ended June 30, 2008 through June 30, 2017

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
<b>Primary Government</b>					
2017	\$ 280,582	\$ 280,582	\$ -	\$ 2,280,650	12.30%
2016	298,180	298,180	-	2,352,914	12.67%
2015	286,900	286,900	-	2,255,503	12.72%
2014	242,398	242,398	-	2,166,188	11.19%
2013	220,927	220,927	-	1,974,323	11.19%
2012	158,870	158,870	-	1,949,323	8.15%
2011	160,510	160,510	-	1,969,444	8.15%
2010	126,493	126,493	-	1,982,647	6.38%
2009	129,691	129,691	-	2,032,775	6.38%
2008	72,624	72,624	-	1,973,479	3.68%
<b>Component Unit Public Service Authority</b>					
2017	\$ 40,787	\$ 39,665	\$ -	\$ 320,655	12.37%
2016	45,222	45,222	-	355,519	12.72%
2015	43,511	43,511	-	342,068	12.72%
2014	36,553	36,553	-	326,658	11.19%
2013	39,444	39,444	-	352,493	11.19%
2012	24,446	24,446	-	299,951	8.15%
2011	25,497	25,497	-	312,847	8.15%
2010	19,161	19,161	-	300,329	6.38%
2009	18,487	18,487	-	289,765	6.38%
2008	10,180	10,180	-	276,630	3.68%
<b>Component Unit School Board (nonprofessional)</b>					
2017	\$ 47,270	\$ 47,270	\$ -	\$ 681,625	6.93%
2016	70,090	70,090	-	685,146	10.23%
2015	71,030	71,030	-	694,956	10.22%
2014	81,863	81,863	-	772,300	10.60%
2013	79,641	79,641	-	751,331	10.60%
2012	42,525	42,525	-	709,930	5.99%
2011	41,221	41,221	-	688,165	5.99%
2010	37,741	37,741	-	700,199	5.39%
2009	41,852	41,852	-	776,481	5.39%
2008	49,623	49,623	-	792,696	6.26%
<b>Component Unit School Board (professional)</b>					
2017	\$ 679,423	\$ 679,423	\$ -	\$ 4,634,534	14.66%
2016	642,494	642,494	-	4,569,661	14.06%
2015	660,048	660,048	-	4,552,058	14.50%
2014	498,809	498,809	-	4,277,950	11.66%
2013	483,198	483,198	-	4,144,068	11.66%
2012	242,458	242,458	-	3,830,295	6.33%
2011	149,961	149,961	-	3,815,801	3.93%
2010	251,891	251,891	-	3,996,385	6.30%
2009	365,758	365,758	-	4,151,627	8.81%
2008	464,292	464,292	-	4,507,688	10.30%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information  
Year Ended June 30, 2017

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

## **OTHER SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2017

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	<u>CSA Fund</u>	<u>Lodging Tax Marketing/ Capital Tax</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 682,289	\$ 682,289
Receivables (net of allowance Accounts receivable	-	58,348	58,348
Due from other governmental units	4,087	-	4,087
Total assets	<u>\$ 4,087</u>	<u>\$ 740,637</u>	<u>\$ 744,724</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,961	\$ 12,912	\$ 14,873
Due to other funds	2,126	-	2,126
Total liabilities	<u>\$ 4,087</u>	<u>\$ 12,912</u>	<u>\$ 16,999</u>
Fund balances:			
Committed	\$ -	\$ 727,725	\$ 727,725
Total fund balances	<u>\$ -</u>	<u>\$ 727,725</u>	<u>\$ 727,725</u>
Total liabilities and fund balances	<u>\$ 4,087</u>	<u>\$ 740,637</u>	<u>\$ 744,724</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 Year Ended June 30, 2017

	<b>CSA Fund</b>	<b>Lodging Tax Marketing/ Capital Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Other local taxes	\$ -	\$ 552,510	\$ 552,510
Miscellaneous	150	5,822	5,972
Intergovernmental:			
Commonwealth	55,895	-	55,895
Total revenues	<u>\$ 56,045</u>	<u>\$ 558,332</u>	<u>\$ 614,377</u>
<b>EXPENDITURES</b>			
Current:			
Health and welfare	\$ 129,743	\$ -	\$ 129,743
Community development	-	296,111	296,111
Total expenditures	<u>\$ 129,743</u>	<u>\$ 296,111</u>	<u>\$ 425,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (73,698)</u>	<u>\$ 262,221</u>	<u>\$ 188,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 73,698	\$ -	\$ 73,698
Total other financing sources (uses)	<u>\$ 73,698</u>	<u>\$ -</u>	<u>\$ 73,698</u>
Net change in fund balances	\$ -	\$ 262,221	\$ 262,221
Fund balances - beginning	-	465,504	465,504
Fund balances - ending	<u>\$ -</u>	<u>\$ 727,725</u>	<u>\$ 727,725</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, 2017

	<b>CSA Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	150	150
Intergovernmental:				
Commonwealth	-	-	55,895	55,895
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,045</b>	<b>\$ 56,045</b>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 150,000	\$ 152,147	\$ 129,743	\$ 22,404
Community development	-	-	-	-
<b>Total expenditures</b>	<b>\$ 150,000</b>	<b>\$ 152,147</b>	<b>\$ 129,743</b>	<b>\$ 22,404</b>
Excess (deficiency) of revenues over (under) expenditures	\$ (150,000)	\$ (152,147)	\$ (73,698)	\$ 78,449
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 150,000	\$ 152,147	\$ 73,698	\$ (78,449)
<b>Total other financing sources (uses)</b>	<b>\$ 150,000</b>	<b>\$ 152,147</b>	<b>\$ 73,698</b>	<b>\$ (78,449)</b>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2017

	<b>Lodging Tax -Marketing/Capital Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other local taxes	\$ 467,130	\$ 467,130	\$ 552,510	\$ 85,380
Miscellaneous	-	-	5,822	5,822
Intergovernmental:				
Commonwealth	-	-	-	-
Total revenues	<u>\$ 467,130</u>	<u>\$ 467,130</u>	<u>\$ 558,332</u>	<u>\$ 91,202</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ -	\$ -	\$ -	-
Community development	534,713	576,683	296,111	280,572
Total expenditures	<u>\$ 534,713</u>	<u>\$ 576,683</u>	<u>\$ 296,111</u>	<u>\$ 280,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (67,583)</u>	<u>\$ (109,553)</u>	<u>\$ 262,221</u>	<u>\$ 371,774</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (67,583)	\$ (109,553)	\$ 262,221	\$ 371,774
Fund balances - beginning	67,583	109,553	465,504	355,951
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 727,725</u></u>	<u><u>\$ 727,725</u></u>

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

### **MAJOR GOVERNMENTAL FUNDS**

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

School Cafeteria Fund – The School 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, 2017

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 667,134	\$ 47,476	\$ 714,610
Due from other governmental units	196,483	21,879	218,362
Inventories	-	21,869	21,869
Prepaid items	74,106	-	74,106
Total assets	<u>\$ 937,723</u>	<u>\$ 91,224</u>	<u>\$ 1,028,947</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued payroll	\$ 667,134	\$ 44,066	\$ 711,200
Due to primary government	136,089	-	136,089
Unearned revenue	134,500	-	134,500
Total liabilities	<u>\$ 937,723</u>	<u>\$ 44,066</u>	<u>\$ 981,789</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 21,869	\$ 21,869
Prepaid items	74,106	-	74,106
Committed:			
School cafeteria	-	25,289	25,289
Unassigned:			
	<u>(74,106)</u>	<u>-</u>	<u>(74,106)</u>
Total fund balances	<u>\$ -</u>	<u>\$ 47,158</u>	<u>\$ 47,158</u>
Total liabilities and fund balances	<u>\$ 937,723</u>	<u>\$ 91,224</u>	<u>\$ 1,028,947</u>

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

Total fund balances per above	\$ 47,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,544,071
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(497,434)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	726,693
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,497,611)</u>
Net position of governmental activities	<u>\$ 322,877</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2017

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Charges for services	\$ -	\$ 121,222	\$ 121,222
Miscellaneous	1,800	-	1,800
Intergovernmental:			
Local government	8,058,683	355,000	8,413,683
Commonwealth	1,866,132	6,441	1,872,573
Federal	465,103	192,245	657,348
Total revenues	<u>\$ 10,391,718</u>	<u>\$ 674,908</u>	<u>\$ 11,066,626</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 10,391,718	\$ 671,700	\$ 11,063,418
Total expenditures	<u>\$ 10,391,718</u>	<u>\$ 671,700</u>	<u>\$ 11,063,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 3,208</u>	<u>\$ 3,208</u>
Net change in fund balances	\$ -	\$ 3,208	\$ 3,208
Fund balances - beginning	-	43,950	43,950
Fund balances - ending	<u>\$ -</u>	<u>\$ 47,158</u>	<u>\$ 47,158</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			\$ 3,208
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.			1,101,991
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			198,058
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>(303,087)</u>
Change in net position of governmental activities			<u>\$ 1,000,170</u>

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**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, 2017

	<b>School Operating Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	9,000	20,377	1,800	(18,577)
Intergovernmental:				
Local government	8,228,185	8,228,185	8,058,683	(169,502)
Commonwealth	1,766,680	1,771,680	1,866,132	94,452
Federal	398,331	428,759	465,103	36,344
Total revenues	<u>\$ 10,402,196</u>	<u>\$ 10,449,001</u>	<u>\$ 10,391,718</u>	<u>\$ (57,283)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>\$ 10,402,196</u>	<u>\$ 10,449,001</u>	<u>\$ 10,391,718</u>	<u>\$ 57,283</u>
Total expenditures	<u>\$ 10,402,196</u>	<u>\$ 10,449,001</u>	<u>\$ 10,391,718</u>	<u>\$ 57,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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>

Exhibit 21

<b>School Cafeteria Fund</b>			
<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Original</b>	<b>Final</b>		
\$ 136,580	\$ 136,580	\$ 121,222	\$ (15,358)
-	-	-	-
361,310	361,310	355,000	(6,310)
5,600	5,600	6,441	841
147,500	147,500	192,245	44,745
<u>\$ 650,990</u>	<u>\$ 650,990</u>	<u>\$ 674,908</u>	<u>\$ 23,918</u>
<u>\$ 650,990</u>	<u>\$ 650,990</u>	<u>\$ 671,700</u>	<u>\$ (20,710)</u>
<u>\$ 650,990</u>	<u>\$ 650,990</u>	<u>\$ 671,700</u>	<u>\$ (20,710)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,208</u>	<u>\$ 3,208</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,208</u>	<u>\$ 3,208</u>
<u>-</u>	<u>-</u>	<u>43,950</u>	<u>43,950</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 47,158</u></u>	<u><u>\$ 47,158</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT  
– SERVICE AUTHORITY**

Statement of Net Position  
Discretely Presented Component Unit - Service Authority  
June 30, 2017

	<b>Component Unit Service Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,097,667
Interest receivable	12
Accounts receivable, net of allowances for uncollectibles	114,178
Total current assets	<u>\$ 3,211,857</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (restricted for debt service)	\$ 43,236
Cash and cash equivalents (restricted for security deposits)	29,883
Total restricted assets	<u>\$ 73,119</u>
Capital assets:	
Land and land rights	\$ 69,165
Machinery and equipment	436,058
Utility plant in service	21,726,088
Construction in progress	59,406
Accumulated depreciation	(13,513,750)
Total capital assets	<u>\$ 8,776,967</u>
Total noncurrent assets	<u>\$ 8,850,086</u>
Total assets	<u>\$ 12,061,943</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions subsequent to measurement date	\$ 39,665
Items related to measurement of net pension liability	57,387
Total deferred outflows of resources	<u>\$ 97,052</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 43,962
Customer deposits	29,883
Unearned revenue	3,106,234
Bonds payable - current portion	52,261
Total current liabilities	<u>\$ 3,232,340</u>
Noncurrent liabilities:	
Compensated absences	\$ 21,279
Bonds payable - net of current portion	447,789
Net pension liability	400,968
Total noncurrent liabilities	<u>\$ 870,036</u>
Total liabilities	<u>\$ 4,102,376</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 8,276,917
Restricted - reserve fund	43,236
Unrestricted	(263,534)
Total net position	<u>\$ 8,056,619</u>

Statement of Revenues, Expenses, and Changes in Net Position  
 Discretely Presented Component Unit - Service Authority  
 Year Ended June 30, 2017

	<u>Component Unit Service Authority</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 716,480
Sewer revenues	324,553
Late fees	20,386
Total operating revenues	<u>\$ 1,061,419</u>
<b>OPERATING EXPENSES</b>	
Payroll and related benefits	\$ 587,735
Water	63,569
Sewer	86,838
Administration	46,024
Laboratory and engineering	14,503
Maintenance	28,119
Utilities and transportation	210,231
Insurance claims and premiums	19,398
Depreciation	449,125
Total operating expenses	<u>\$ 1,505,542</u>
Operating income (loss)	<u>\$ (444,123)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	16,047
Development fees	67,695
Interest expense	(2,208)
Total nonoperating revenues (expenses)	<u>\$ 81,534</u>
Change in net position	\$ (362,589)
Total net position - beginning	<u>8,419,208</u>
Total net position - ending	<u><u>\$ 8,056,619</u></u>

Statement of Cash Flows  
Discretely Presented Component Unit - Service Authority  
Year Ended June 30, 2017

	<b>Component Unit Service Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,048,962
Payments to suppliers	(462,272)
Payments to employees	(577,694)
Net cash provided by (used for) operating activities	<u>\$ 8,996</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	\$ (344,425)
Principal payments on bonds	(52,254)
Development fees	288,739
Interest expense	(2,208)
Net cash provided by (used for) capital and related financing activities	<u>\$ (110,148)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 16,197
Net cash provided by (used for) investing activities	<u>\$ 16,197</u>
Net increase (decrease) in cash and cash equivalents	\$ (84,955)
Cash and cash equivalents - beginning - including restricted	<u>3,255,741</u>
Cash and cash equivalents - ending - including restricted	<u><u>\$ 3,170,786</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (444,123)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 449,125
(Increase) decrease in accounts receivable	(15,475)
(Increase) decrease in prepaid items	15,684
(Increase) decrease in deferred outflows of resources	(37,864)
Increase (decrease) in customer deposits	3,018
Increase (decrease) in accounts payable	(9,274)
Increase (decrease) in deferred inflows of resources	(37,742)
Increase (decrease) in net pension liability	85,647
Total adjustments	<u>\$ 453,119</u>
Net cash provided by (used for) operating activities	<u><u>\$ 8,996</u></u>

## **SUPPORTING SCHEDULES**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,392,400	\$ 4,392,400	\$ 4,387,455	\$ (4,945)
Real and personal public service corporation taxes	6,743,919	6,743,919	7,003,431	259,512
Personal property taxes	182,410	182,410	161,850	(20,560)
Penalties	25,465	25,465	30,285	4,820
Interest	15,677	15,677	14,245	(1,432)
Total general property taxes	<u>\$ 11,359,871</u>	<u>\$ 11,359,871</u>	<u>\$ 11,597,266</u>	<u>\$ 237,395</u>
Other local taxes:				
Local sales and use taxes	\$ 906,389	\$ 906,389	\$ 937,441	\$ 31,052
Consumption tax	19,640	19,640	18,849	(791)
Mixed beverage license taxes	1,487	1,487	1,855	368
Motor vehicle license taxes	77,000	77,000	76,835	(165)
Bank stock taxes	50,000	50,000	40,394	(9,606)
Taxes on recordation and wills	53,657	53,657	41,867	(11,790)
Hotel and motel room taxes	467,130	467,130	550,653	83,523
Restaurant food taxes	810,222	810,222	834,316	24,094
Total other local taxes	<u>\$ 2,385,525</u>	<u>\$ 2,385,525</u>	<u>\$ 2,502,210</u>	<u>\$ 116,685</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,827	\$ 1,827	\$ 1,560	\$ (267)
Permits and other licenses	51,462	51,462	29,413	(22,049)
Total permits, privilege fees, and regulatory licenses	<u>\$ 53,289</u>	<u>\$ 53,289</u>	<u>\$ 30,973</u>	<u>\$ (22,316)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 4,980	\$ 4,980	\$ 8,676	\$ 3,696
Revenue from use of money and property:				
Revenue from use of money	\$ 5,042	\$ 5,042	\$ 17,767	\$ 12,725
Revenue from use of property	10,975	10,975	10,000	(975)
Total revenue from use of money and property	<u>\$ 16,017</u>	<u>\$ 16,017</u>	<u>\$ 27,767</u>	<u>\$ 11,750</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 5,000	\$ 5,000	\$ 2,902	\$ (2,098)
Charges for courthouse maintenance	2,885	2,885	3,420	535
Courthouse security fee	15,048	15,048	19,071	4,023
Concealed weapons permits	1,950	1,950	1,710	(240)
Charges for Commonwealth's Attorney	586	586	417	(169)
Sheriff's fees	237	237	321	84
Law library fees	705	705	422	(283)
Soil and erosion fees	-	-	285	285
Charges for sanitation and waste removal	-	-	899	899
Charges for parks and recreation	1,641	8,165	6,093	(2,072)
Charges for other protection	331	331	79	(252)
Charges for other services	20,836	20,836	20,584	(252)
Total charges for services	<u>\$ 49,219</u>	<u>\$ 55,743</u>	<u>\$ 56,203</u>	<u>\$ 460</u>
Miscellaneous:				
Miscellaneous	\$ 23,705	\$ 25,523	\$ 37,334	\$ 11,811
Refunds and recoveries	22,505	68,069	47,344	(20,725)
Total miscellaneous	<u>\$ 46,210</u>	<u>\$ 93,592</u>	<u>\$ 84,678</u>	<u>\$ (8,914)</u>
Total revenue from local sources	<u>\$ 13,915,111</u>	<u>\$ 13,969,017</u>	<u>\$ 14,307,773</u>	<u>\$ 338,756</u>



Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock taxes	\$ 13,685	\$ 13,685	\$ 9,324	\$ (4,361)
Mobile home titling tax	3,063	3,063	9,483	6,420
Communications taxes	116,443	116,443	108,944	(7,499)
Tax on deeds	17,719	17,719	9,959	(7,760)
Personal property tax relief funds	40,200	40,200	40,276	76
Total noncategorical aid	<u>\$ 191,110</u>	<u>\$ 191,110</u>	<u>\$ 177,986</u>	<u>\$ (13,124)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 70,181	\$ 70,181	\$ 57,834	\$ (12,347)
Sheriff	507,241	507,241	495,880	(11,361)
Commissioner of revenue	72,720	72,720	83,162	10,442
Treasurer	63,249	63,249	60,756	(2,493)
Registrar/electoral board	25,000	25,000	33,221	8,221
Clerk of the Circuit Court	143,785	143,785	157,074	13,289
Total shared expenses	<u>\$ 882,176</u>	<u>\$ 882,176</u>	<u>\$ 887,927</u>	<u>\$ 5,751</u>
Other categorical aid:				
Shared expenses - Mountain Soil and Water				
Conservation District	\$ 133,108	\$ 133,108	\$ 114,284	\$ (18,824)
Emergency medical services division fees	4,900	4,900	5,855	955
Fire programs fund	20,000	20,000	20,000	-
E-911 Addressing/Mapping/Implementation Project	195,940	195,940	211,865	15,925
Timber sales	-	-	13,980	13,980
Virginia Juvenile Community Crime Control Act	6,385	6,385	-	(6,385)
Seized funds	-	-	1,436	1,436
Other state funds	834	834	19,341	18,507
Total other categorical aid	<u>\$ 361,167</u>	<u>\$ 361,167</u>	<u>\$ 386,761</u>	<u>\$ 25,594</u>
Total categorical aid	<u>\$ 1,243,343</u>	<u>\$ 1,243,343</u>	<u>\$ 1,274,688</u>	<u>\$ 31,345</u>
Total revenue from the Commonwealth	<u>\$ 1,434,453</u>	<u>\$ 1,434,453</u>	<u>\$ 1,452,674</u>	<u>\$ 18,221</u>
Revenue from the federal government:				
Noncategorical aid:				
Payment in Lieu of Taxes	\$ 154,516	\$ 154,516	\$ 224,745	\$ 70,229
Total noncategorical aid	<u>\$ 154,516</u>	<u>\$ 154,516</u>	<u>\$ 224,745</u>	<u>\$ 70,229</u>
Categorical aid:				
Community development block grant	\$ 413,000	\$ 413,000	\$ 298,707	\$ (114,293)
Local emergency planning grant	7,500	7,500	40,000	32,500
Total categorical aid	<u>\$ 420,500</u>	<u>\$ 420,500</u>	<u>\$ 338,707</u>	<u>\$ (81,793)</u>
Total revenue from the federal government	<u>\$ 575,016</u>	<u>\$ 575,016</u>	<u>\$ 563,452</u>	<u>\$ (11,564)</u>
Total General Fund	<u>\$ 15,924,580</u>	<u>\$ 15,978,486</u>	<u>\$ 16,323,899</u>	<u>\$ 345,413</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 37,180	\$ 37,180	\$ -	\$ (37,180)
Total miscellaneous	<u>\$ 37,180</u>	<u>\$ 37,180</u>	<u>\$ -</u>	<u>\$ (37,180)</u>
Total revenue from local sources	<u>\$ 37,180</u>	<u>\$ 37,180</u>	<u>\$ -</u>	<u>\$ (37,180)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 260,260	\$ 260,260	\$ 147,823	\$ (112,437)
Total revenue from the Commonwealth	<u>\$ 260,260</u>	<u>\$ 260,260</u>	<u>\$ 147,823</u>	<u>\$ (112,437)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 374,760	\$ 374,760	\$ 354,150	\$ (20,610)
Total categorical aid	<u>\$ 374,760</u>	<u>\$ 374,760</u>	<u>\$ 354,150</u>	<u>\$ (20,610)</u>
Total revenue from the federal government	<u>\$ 374,760</u>	<u>\$ 374,760</u>	<u>\$ 354,150</u>	<u>\$ (20,610)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 672,200</u></u>	<u><u>\$ 672,200</u></u>	<u><u>\$ 501,973</u></u>	<u><u>\$ (170,227)</u></u>
<b>CSA Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Refund to foster care	\$ -	\$ -	\$ 150	\$ 150
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 150</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 150</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ -	\$ -	\$ 55,895	\$ 55,895
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,895</u>	<u>\$ 55,895</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,895</u>	<u>\$ 55,895</u>
Total CSA Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,045</u></u>	<u><u>\$ 56,045</u></u>
<b>Lodging Tax- Marketing /Capital Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes-designated for marketing	\$ 233,565	\$ 233,565	\$ 276,187	\$ 42,622
Hotel and motel room taxes-designated for capital improvements	233,565	233,565	276,323	42,758
Total other local taxes	<u>\$ 467,130</u>	<u>\$ 467,130</u>	<u>\$ 552,510</u>	<u>\$ 85,380</u>
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 5,822	\$ 5,822
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,822</u>	<u>\$ 5,822</u>
Total revenue from local sources	<u>\$ 467,130</u>	<u>\$ 467,130</u>	<u>\$ 558,332</u>	<u>\$ 91,202</u>
Total Lodging Tax -Marketing/Capital Fund	<u><u>\$ 467,130</u></u>	<u><u>\$ 467,130</u></u>	<u><u>\$ 558,332</u></u>	<u><u>\$ 91,202</u></u>
Total Primary Government	<u><u>\$ 17,063,910</u></u>	<u><u>\$ 17,117,816</u></u>	<u><u>\$ 17,440,249</u></u>	<u><u>\$ 322,433</u></u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Refunds and recoveries	\$ 9,000	\$ 20,377	\$ 1,800	\$ (18,577)
Total miscellaneous	<u>9,000</u>	<u>20,377</u>	<u>1,800</u>	<u>(18,577)</u>
Total revenue from local sources	\$ 9,000	\$ 20,377	\$ 1,800	\$ (18,577)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	\$ 8,228,185	\$ 8,228,185	\$ 8,058,683	\$ (169,502)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 614,982	\$ 614,982	\$ 599,744	\$ (15,238)
Basic school aid	646,140	646,140	625,194	(20,946)
Gifted and talented	5,300	5,300	5,231	(69)
Remedial education	15,264	15,264	15,066	(198)
Enrollment loss	-	-	75,000	75,000
Special Education	72,504	72,504	71,563	(941)
Textbook payment	11,637	11,637	11,486	(151)
Vocational standards of quality payments	81,425	81,425	75,969	(5,456)
Fringe benefits	115,222	115,222	113,727	(1,495)
At risk	12,750	12,750	12,599	(151)
English as a second language	905	905	1,293	388
Homebound payment	-	-	888	888
Early reading intervention	2,612	2,612	3,918	1,306
Remedial summer school	2,705	2,705	3,808	1,103
K-3 initiative	12,722	12,722	13,929	1,207
Lottery proceeds	5,557	5,557	5,499	(58)
Individual student alternative education program	7,859	7,859	8,418	559
Special education - foster children	-	-	41,865	41,865
Preschool Pilot Grant	9,302	9,302	-	(9,302)
Technology	128,000	128,000	61,703	(66,297)
Medicaid	20,000	20,000	105,980	85,980
Standards of Learning algebra readiness	1,342	1,342	1,342	-
Other state funds	452	5,452	11,910	6,458
Total categorical aid	<u>\$ 1,766,680</u>	<u>\$ 1,771,680</u>	<u>\$ 1,866,132</u>	<u>\$ 94,452</u>
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	\$ 105,000	\$ 105,000	\$ 146,118	\$ 41,118
Title I	73,600	73,600	57,488	(16,112)
Vocational education	9,000	9,000	15,840	6,840

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
<b>Intergovernmental: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Advanced placement test	\$ 731	\$ 731	\$ 92	\$ (639)
Improving Teacher Quality	30,000	30,000	23,069	(6,931)
Rural education achievement program	44,000	44,000	8,491	(35,509)
Title III	1,500	1,500	1,543	43
Forest reserve	-	30,428	77,962	47,534
Total categorical aid	<u>\$ 263,831</u>	<u>\$ 294,259</u>	<u>\$ 330,603</u>	<u>\$ 36,344</u>
Total revenue from the federal government	<u>\$ 398,331</u>	<u>\$ 428,759</u>	<u>\$ 465,103</u>	<u>\$ 36,344</u>
Total School Operating Fund	<u>\$ 10,402,196</u>	<u>\$ 10,449,001</u>	<u>\$ 10,391,718</u>	<u>\$ (57,283)</u>
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	<u>\$ 136,580</u>	<u>\$ 136,580</u>	<u>\$ 121,222</u>	<u>\$ (15,358)</u>
Total revenue from local sources	<u>\$ 136,580</u>	<u>\$ 136,580</u>	<u>\$ 121,222</u>	<u>\$ (15,358)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	<u>\$ 361,310</u>	<u>\$ 361,310</u>	<u>\$ 355,000</u>	<u>\$ (6,310)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 5,600</u>	<u>\$ 5,600</u>	<u>\$ 6,441</u>	<u>\$ 841</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 147,500</u>	<u>\$ 147,500</u>	<u>\$ 169,409</u>	<u>\$ 21,909</u>
USDA donated food	<u>-</u>	<u>-</u>	<u>22,836</u>	<u>22,836</u>
Total revenue from the federal government	<u>\$ 147,500</u>	<u>\$ 147,500</u>	<u>\$ 192,245</u>	<u>\$ 44,745</u>
Total School Cafeteria Fund	<u>\$ 650,990</u>	<u>\$ 650,990</u>	<u>\$ 674,908</u>	<u>\$ 23,918</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,053,186</u>	<u>\$ 11,099,991</u>	<u>\$ 11,066,626</u>	<u>\$ (33,365)</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 176,925	\$ 176,925	\$ 164,349	\$ 12,576
General and financial administration:				
County administrator	\$ 300,672	\$ 298,896	\$ 281,479	\$ 17,417
Commissioner of revenue	195,606	197,382	198,300	(918)
Assessors	-	18,674	27,422	(8,748)
Treasurer	236,736	236,736	229,164	7,572
Data Processing	59,200	59,200	68,628	(9,428)
Other general and financial administration	7,750	7,750	3,769	3,981
Total general and financial administration	<u>\$ 799,964</u>	<u>\$ 818,638</u>	<u>\$ 808,762</u>	<u>\$ 9,876</u>
Board of elections:				
Registrar	\$ 81,070	\$ 81,070	\$ 80,492	\$ 578
Electoral board and officials	61,625	61,625	52,136	9,489
Total board of elections	<u>\$ 142,695</u>	<u>\$ 142,695</u>	<u>\$ 132,628</u>	<u>\$ 10,067</u>
Total general government administration	<u>\$ 1,119,584</u>	<u>\$ 1,138,258</u>	<u>\$ 1,105,739</u>	<u>\$ 32,519</u>
Judicial administration:				
Courts:				
Circuit court	\$ 30,580	\$ 20,769	\$ 11,182	\$ 9,587
General district court	21,310	21,310	18,149	3,161
Special magistrates	1,165	1,165	801	364
Clerk of the circuit court	269,280	296,266	284,133	12,133
Total courts	<u>\$ 322,335</u>	<u>\$ 339,510</u>	<u>\$ 314,265</u>	<u>\$ 25,245</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 123,835	\$ 123,835	\$ 124,022	\$ (187)
Total commonwealth's attorney	<u>\$ 123,835</u>	<u>\$ 123,835</u>	<u>\$ 124,022</u>	<u>\$ (187)</u>
Total judicial administration	<u>\$ 446,170</u>	<u>\$ 463,345</u>	<u>\$ 438,287</u>	<u>\$ 25,058</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 880,814	\$ 911,391	\$ 892,920	\$ 18,471
Total law enforcement and traffic control	<u>\$ 880,814</u>	<u>\$ 911,391</u>	<u>\$ 892,920</u>	<u>\$ 18,471</u>
Fire and rescue services:				
Fire department	\$ 240,400	\$ 240,400	\$ 235,400	\$ 5,000
Contribution to fire and rescue	724,048	599,588	598,087	1,501
Total fire and rescue services	<u>\$ 964,448</u>	<u>\$ 839,988</u>	<u>\$ 833,487</u>	<u>\$ 6,501</u>
Correction and detention:				
County/City operated institutions	\$ 100,000	\$ 127,755	\$ 122,755	\$ 5,000
Total correction and detention	<u>\$ 100,000</u>	<u>\$ 127,755</u>	<u>\$ 122,755</u>	<u>\$ 5,000</u>
Inspections:				
Building	\$ 209,014	\$ 209,014	\$ 201,825	\$ 7,189
Total inspections	<u>\$ 209,014</u>	<u>\$ 209,014</u>	<u>\$ 201,825</u>	<u>\$ 7,189</u>
Other protection:				
Animal control	\$ 157,167	\$ 157,167	\$ 144,071	\$ 13,096
Emergency communications	422,186	422,186	408,338	13,848
Emergency management	126,392	128,172	141,943	(13,771)
Medical examiner (coroner)	200	200	80	120
VJCCCA	6,385	6,385	6,585	(200)
Total other protection	<u>\$ 712,330</u>	<u>\$ 714,110</u>	<u>\$ 701,017</u>	<u>\$ 13,093</u>
Total public safety	<u>\$ 2,866,606</u>	<u>\$ 2,802,258</u>	<u>\$ 2,752,004</u>	<u>\$ 50,254</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Public works:				
Sanitation and waste removal:				
General engineering/administration	\$ 899,300	\$ 924,300	\$ 832,372	\$ 91,928
Total sanitation and waste removal	\$ 899,300	\$ 924,300	\$ 832,372	\$ 91,928
Maintenance of general buildings and grounds:				
General engineering/administration	\$ 248,793	\$ 298,284	\$ 226,277	\$ 72,007
Airport Authority	85,212	85,212	44,484	40,728
Total maintenance of general buildings and grounds	\$ 334,005	\$ 383,496	\$ 270,761	\$ 112,735
Total public works	\$ 1,233,305	\$ 1,307,796	\$ 1,103,133	\$ 204,663
Health and welfare:				
Health:				
Local health department	\$ 89,101	\$ 96,960	\$ 95,210	\$ 1,750
Total health	\$ 89,101	\$ 96,960	\$ 95,210	\$ 1,750
Mental health and mental retardation:				
Administration	\$ 31,437	\$ 23,578	\$ 23,578	\$ -
Total mental health and mental retardation	\$ 31,437	\$ 23,578	\$ 23,578	\$ -
Welfare:				
Welfare administration				
Public welfare	\$ 74,155	\$ 74,155	\$ 74,155	\$ -
Tax relief for the elderly	88,800	88,800	85,875	2,925
Total welfare	\$ 162,955	\$ 162,955	\$ 160,030	\$ 2,925
Total health and welfare	\$ 283,493	\$ 283,493	\$ 278,818	\$ 4,675
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 5,749	\$ 5,749	\$ 5,749	\$ -
Contributions to County School Board	8,589,495	8,589,495	8,413,683	175,812
Total education	\$ 8,595,244	\$ 8,595,244	\$ 8,419,432	\$ 175,812
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 397,605	\$ 405,579	\$ 368,453	\$ 37,126
Total parks and recreation	\$ 397,605	\$ 405,579	\$ 368,453	\$ 37,126
Library:				
Regional library	\$ 153,797	\$ 153,797	\$ 153,797	\$ -
Total library	\$ 153,797	\$ 153,797	\$ 153,797	\$ -
Total parks, recreation, and cultural	\$ 551,402	\$ 559,376	\$ 522,250	\$ 37,126
Community development:				
Planning and community development:				
Planning	\$ 552,163	\$ 580,788	\$ 372,082	\$ 208,706
Economic development	57,668	57,668	8,524	49,144
Total planning and community development	\$ 609,831	\$ 638,456	\$ 380,606	\$ 257,850
Environmental management:				
Administration	\$ 154,808	\$ 154,808	\$ 133,481	\$ 21,327
Total environmental management	\$ 154,808	\$ 154,808	\$ 133,481	\$ 21,327
Cooperative extension program:				
Administration	\$ 50,254	\$ 50,254	\$ 41,062	\$ 9,192
Total cooperative extension program	\$ 50,254	\$ 50,254	\$ 41,062	\$ 9,192
Total community development	\$ 814,893	\$ 843,518	\$ 555,149	\$ 288,369

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Miscellaneous	\$ 195,808	\$ 132,849	\$ 129,098	\$ 3,751
Total nondepartmental	<u>\$ 195,808</u>	<u>\$ 132,849</u>	<u>\$ 129,098</u>	<u>\$ 3,751</u>
Capital outlay:				
Capital projects	\$ 155,000	\$ 179,930	\$ 179,128	\$ 802
Total capital outlay	<u>\$ 155,000</u>	<u>\$ 179,930</u>	<u>\$ 179,128</u>	<u>\$ 802</u>
Debt service:				
Principal retirement	\$ 950,000	\$ 950,000	\$ 950,000	\$ -
Interest and other fiscal charges	136,012	136,012	135,606	406
Total debt service	<u>\$ 1,086,012</u>	<u>\$ 1,086,012</u>	<u>\$ 1,085,606</u>	<u>\$ 406</u>
Total General Fund	<u><u>\$ 17,347,517</u></u>	<u><u>\$ 17,392,079</u></u>	<u><u>\$ 16,568,644</u></u>	<u><u>\$ 823,435</u></u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 502,000	\$ 502,000	\$ 487,974	\$ 14,026
Purchased services	220,200	220,200	96,306	123,894
Child care	200,000	200,000	12,669	187,331
Total health and welfare	<u>\$ 922,200</u>	<u>\$ 922,200</u>	<u>\$ 596,949</u>	<u>\$ 325,251</u>
Total Virginia Public Assistance Fund	<u><u>\$ 922,200</u></u>	<u><u>\$ 922,200</u></u>	<u><u>\$ 596,949</u></u>	<u><u>\$ 325,251</u></u>
<b>CSA Fund:</b>				
Health and welfare:				
Welfare and social services:				
Comprehensive services	\$ 150,000	\$ 152,147	\$ 129,743	\$ 22,404
Total CSA Fund	<u>\$ 150,000</u>	<u>\$ 152,147</u>	<u>\$ 129,743</u>	<u>\$ 22,404</u>
<b>Lodging Tax Marketing &amp; Capital Fund:</b>				
Economic development	\$ 534,713	\$ 576,683	\$ 296,111	\$ 280,572
Total Marketing/Capital Fund	<u>\$ 534,713</u>	<u>\$ 576,683</u>	<u>\$ 296,111</u>	<u>\$ 280,572</u>
Total Primary Government	<u><u>\$ 18,954,430</u></u>	<u><u>\$ 19,043,109</u></u>	<u><u>\$ 17,591,447</u></u>	<u><u>\$ 1,451,662</u></u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Instruction	\$ 7,454,192	\$ 7,416,569	\$ 7,258,368	\$ 158,201
Operating costs:				
Administration, attendance and health services	\$ 526,614	\$ 526,614	\$ 526,549	\$ 65
Pupil transportation	956,833	1,010,833	1,048,638	(37,805)
Operation and maintenance of school plant	1,464,557	1,494,985	1,558,163	(63,178)
Total operating costs	<u>\$ 2,948,004</u>	<u>\$ 3,032,432</u>	<u>\$ 3,133,350</u>	<u>\$ (100,918)</u>
Total education	<u>\$ 10,402,196</u>	<u>\$ 10,449,001</u>	<u>\$ 10,391,718</u>	<u>\$ 57,283</u>
Total School Operating Fund	<u><u>\$ 10,402,196</u></u>	<u><u>\$ 10,449,001</u></u>	<u><u>\$ 10,391,718</u></u>	<u><u>\$ 57,283</u></u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special revenue fund:</b>				
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 650,990	\$ 650,990	\$ 671,700	\$ (20,710)
Total School Cafeteria Fund	<u>\$ 650,990</u>	<u>\$ 650,990</u>	<u>\$ 671,700</u>	<u>\$ (20,710)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,053,186</u>	<u>\$ 11,099,991</u>	<u>\$ 11,063,418</u>	<u>\$ 36,573</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.

14-17

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

**County of Bath, Virginia**

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865	\$ 1,108,675
Restricted	-	-	-	100,065	100,065
Unrestricted	4,283,623	4,504,735	5,504,308	7,374,898	10,001,253
Total governmental activities net position	<u>\$ 6,696,150</u>	<u>\$ 6,994,080</u>	<u>\$ 7,256,147</u>	<u>\$ 9,340,828</u>	<u>\$ 11,209,993</u>
Primary government					
Net investment in capital assets	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865	\$ 1,108,675
Restricted	-	-	-	100,065	100,065
Unrestricted	4,283,623	4,504,735	5,504,308	7,374,898	10,001,253
Total primary government net position	<u>\$ 6,696,150</u>	<u>\$ 6,994,080</u>	<u>\$ 7,256,147</u>	<u>\$ 9,340,828</u>	<u>\$ 11,209,993</u>

Table 1

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<b>Fiscal Year</b>				
<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 1,805,410	\$ 1,322,610	\$ 1,057,884	\$ 1,474,375	\$ 1,510,211
-	-	-	-	-
<u>9,882,222</u>	<u>10,072,864</u>	<u>7,835,053</u>	<u>6,712,935</u>	<u>6,563,210</u>
<u>\$ 11,687,632</u>	<u>\$ 11,395,474</u>	<u>\$ 8,892,937</u>	<u>\$ 8,187,310</u>	<u>\$ 8,073,421</u>
\$ 1,805,410	\$ 1,322,610	\$ 1,057,884	\$ 1,474,375	\$ 1,510,211
-	-	-	-	-
<u>9,882,222</u>	<u>10,072,864</u>	<u>7,835,053</u>	<u>6,712,935</u>	<u>6,563,210</u>
<u>\$ 11,687,632</u>	<u>\$ 11,395,474</u>	<u>\$ 8,892,937</u>	<u>\$ 8,187,310</u>	<u>\$ 8,073,421</u>

**County of Bath, Virginia**

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Expenses</b>					
Governmental activities:					
General government administration	\$ 1,748,192	\$ 1,302,485	\$ 1,721,629	\$ 1,229,730	\$ 1,211,724
Judicial administration	347,080	331,725	329,702	336,921	344,405
Public safety	1,683,552	2,233,245	1,850,466	1,829,651	2,040,286
Public works	1,307,268	1,080,364	1,120,874	1,100,064	1,064,089
Health and welfare	782,304	768,099	797,407	827,199	826,654
Education	7,151,033	6,528,980	6,062,084	6,460,206	6,904,010
Parks, recreation and cultural	498,344	602,237	477,243	465,168	467,408
Community development	285,774	284,996	271,641	241,827	1,145,116
Nondepartmental	45,333	60,783	180,027	281,777	47,199
Interest on long-term debt	256,604	270,256	412,588	399,090	383,614
Total governmental activities expenses	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633	\$ 14,434,505
Total primary government expenses	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633	\$ 14,434,505
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government administration	\$ 17,695	\$ 14,214	\$ 14,629	\$ 18,315	\$ 16,135
Judicial administration	14,142	17,265	21,222	24,213	17,805
Public safety	91,746	69,465	77,630	51,081	70,979
Public works	83,748	73,972	62,381	55,290	60,820
Parks, recreation and cultural	9,008	8,510	8,208	9,328	9,245
Operating grants and contributions	1,560,001	1,734,588	1,624,870	1,453,368	1,784,659
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595	\$ 1,959,643
Total primary government program revenues	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595	\$ 1,959,643
Net (expense) / revenue					
Governmental activities	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)	\$ (12,474,862)
Total primary government net expense	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)	\$ (12,474,862)
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 8,072,448	\$ 9,893,321	\$ 9,701,561	\$ 11,384,262	\$ 11,409,502
Local sales and use taxes	1,078,576	797,508	729,748	687,422	807,325
Restaurant food tax	-	-	-	195,557	804,380
Motor vehicle licenses taxes	-	70,691	77,576	72,513	72,341
Taxes on recordation and wills	85,196	69,523	62,594	68,993	91,714
Bank stock taxes	25,841	25,896	27,963	30,036	32,266
Hotel and motel room taxes	451,775	360,138	326,434	707,584	721,982
Other local taxes	19,478	2,763	306,680	19,695	21,958
Unrestricted grants and contributions	102,530	333,018	330,014	233,860	231,527
Unrestricted revenues from use of money and property	289,694	94,642	55,329	57,130	51,966
Miscellaneous	88,546	229,282	55,889	187,667	99,066
Loss on disposition of capital assets	-	(4,015)	-	-	-
Total governmental activities	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719	\$ 14,344,027
Total primary government	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719	\$ 14,344,027
<b>Change in Net Position</b>					
Governmental activities	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165
Total primary government	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165

Table 2

		Fiscal Year							
		2013	2014	2015	2016	2017			
\$	1,268,772	\$	1,049,191	\$	1,020,326	\$	1,174,034	\$	1,114,156
	439,010		369,801		356,973		388,586		439,940
	2,112,434		2,478,869		2,487,830		2,646,136		2,925,952
	1,155,574		1,429,114		1,421,247		1,736,640		1,097,385
	935,708		941,207		1,035,457		1,051,764		1,016,210
	7,459,886		8,899,869		9,084,728		8,815,193		9,395,332
	539,930		542,796		511,218		541,942		555,200
	969,681		1,087,763		1,307,591		1,216,657		785,851
	65,610		68,899		76,482		96,606		129,098
	1,234,856		196,898		172,996		156,066		134,714
\$	<u>16,181,461</u>	\$	<u>17,064,407</u>	\$	<u>17,474,848</u>	\$	<u>17,823,624</u>	\$	<u>17,593,838</u>
\$	<u>16,181,461</u>	\$	<u>17,064,407</u>	\$	<u>17,474,848</u>	\$	<u>17,823,624</u>	\$	<u>17,593,838</u>
\$	17,263	\$	18,107	\$	15,279	\$	15,612	\$	20,584
	16,900		25,980		29,729		27,207		32,006
	110,031		119,570		61,237		36,172		35,985
	73,434		24,600		37,625		15,619		1,184
	7,470		8,267		8,308		5,189		6,093
	1,721,339		1,817,277		2,133,388		1,967,670		1,919,398
	-		25,000		15,000		190,572		251,865
\$	<u>1,946,437</u>	\$	<u>2,038,801</u>	\$	<u>2,300,566</u>	\$	<u>2,258,041</u>	\$	<u>2,267,115</u>
\$	<u>1,946,437</u>	\$	<u>2,038,801</u>	\$	<u>2,300,566</u>	\$	<u>2,258,041</u>	\$	<u>2,267,115</u>
\$	<u>(14,235,024)</u>	\$	<u>(15,025,606)</u>	\$	<u>(15,174,282)</u>	\$	<u>(15,565,583)</u>	\$	<u>(15,326,723)</u>
\$	<u>(14,235,024)</u>	\$	<u>(15,025,606)</u>	\$	<u>(15,174,282)</u>	\$	<u>(15,565,583)</u>	\$	<u>(15,326,723)</u>
\$	11,685,185	\$	11,720,316	\$	11,682,189	\$	11,540,509	\$	11,608,685
	873,109		920,676		925,382		789,831		937,441
	879,825		859,248		691,592		789,831		834,316
	72,794		73,882		75,778		75,514		76,835
	98,445		50,256		63,019		45,124		41,867
	33,918		37,797		55,675		46,567		40,394
	823,534		969,850		1,008,345		1,078,690		1,103,163
	20,760		21,377		21,244		20,753		20,704
	337,617		321,975		346,539		370,041		402,731
	43,463		35,934		12,915		18,009		27,767
	78,866		67,737		41,127		85,087		43,306
	-		-		-		-		-
\$	<u>14,947,516</u>	\$	<u>15,079,048</u>	\$	<u>14,923,805</u>	\$	<u>14,859,956</u>	\$	<u>15,137,209</u>
\$	<u>14,947,516</u>	\$	<u>15,079,048</u>	\$	<u>14,923,805</u>	\$	<u>14,859,956</u>	\$	<u>15,137,209</u>
\$	<u>712,492</u>	\$	<u>53,442</u>	\$	<u>(250,477)</u>	\$	<u>(705,627)</u>	\$	<u>(189,514)</u>
\$	<u>712,492</u>	\$	<u>53,442</u>	\$	<u>(250,477)</u>	\$	<u>(705,627)</u>	\$	<u>(189,514)</u>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Restaurant Food Tax</b>	<b>Motor Vehicle License Tax</b>	<b>Recordation and Wills Tax</b>	<b>Hotel and Motel Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
2017 \$	11,608,685	\$ 937,441	\$ 834,316	\$ 76,835	\$ 41,867	\$ 1,103,163	\$ 61,098	\$ 14,663,405
2016	11,540,509	789,831	789,831	75,514	45,124	1,078,690	67,320	14,386,819
2015	11,682,189	925,382	691,592	75,778	63,019	1,008,345	76,919	14,523,224
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

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**County of Bath, Virginia**

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General fund					
Reserved	\$ 48,251	\$ -	\$ -	\$ -	\$ -
Unreserved	4,172,476	4,975,240	5,121,473	-	-
Nonspendable	-	-	-	51,150	8,767
Restricted	-	-	-	100,065	100,065
Committed	-	-	-	-	718,561
Assigned	-	-	-	390,000	533,935
Unassigned	-	-	-	6,450,006	7,542,031
Total general fund	<u>\$ 4,220,727</u>	<u>\$ 4,975,240</u>	<u>\$ 5,121,473</u>	<u>\$ 6,991,221</u>	<u>\$ 8,903,359</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Committed for:					
Special revenue funds	<u>10,927</u>	<u>7,649</u>	<u>179,146</u>	<u>371,089</u>	<u>419,929</u>
Total all other governmental funds	<u>\$ 10,927</u>	<u>\$ 7,649</u>	<u>\$ 179,146</u>	<u>\$ 371,089</u>	<u>\$ 419,929</u>

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

Table 4

Fiscal Year				
2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
8,474	15,164	39,978	29,669	10,827
-	-	-	-	-
70,490	8,252	-	-	-
6,134,500	6,241,060	299,643	72,674	163,500
<u>3,169,892</u>	<u>3,201,601</u>	<u>9,015,028</u>	<u>8,204,617</u>	<u>7,794,839</u>
<u>\$ 9,383,356</u>	<u>\$ 9,466,077</u>	<u>\$ 9,354,649</u>	<u>\$ 8,306,960</u>	<u>\$ 7,969,166</u>
\$ -	\$ -	\$ 2,540	\$ 200	\$ -
<u>484,479</u>	<u>586,124</u>	<u>674,451</u>	<u>465,304</u>	<u>727,725</u>
<u>\$ 484,479</u>	<u>\$ 586,124</u>	<u>\$ 676,991</u>	<u>\$ 465,504</u>	<u>\$ 727,725</u>

County of Bath, Virginia

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Revenues</b>					
General property taxes	\$ 8,068,136	\$ 9,820,700	\$ 9,507,978	\$ 11,579,115	\$ 11,342,321
Other local taxes	1,660,866	1,345,089	1,530,995	1,781,800	2,551,966
Permits, privilege fees and regulatory licenses	86,019	62,368	68,806	44,109	63,894
Fines and forfeitures	38	55	1,108	245	312
Revenue from use of money and property	289,694	94,642	55,329	57,130	51,966
Charges for services	131,058	121,003	114,156	113,873	110,778
Miscellaneous	48,759	181,280	155,431	64,507	47,310
Recovered costs	58,953	17,455	41,263	123,160	51,756
Intergovernmental:					
Commonwealth	1,412,926	1,689,706	1,396,191	1,348,968	1,356,016
Federal	230,439	408,447	420,888	338,260	660,170
<b>Total revenues</b>	<b>\$ 11,986,888</b>	<b>\$ 13,740,745</b>	<b>\$ 13,292,145</b>	<b>\$ 15,451,167</b>	<b>\$ 16,236,489</b>
<b>Expenditures</b>					
General government administration	\$ 955,323	\$ 879,294	\$ 908,384	\$ 890,821	\$ 892,324
Judicial administration	347,080	322,987	326,046	333,562	342,536
Public safety	1,680,543	2,121,207	1,776,576	1,772,124	1,835,699
Public works	1,307,050	1,078,993	1,119,666	1,109,988	1,062,139
Health and welfare	775,468	764,271	798,550	830,523	832,665
Education	7,151,033	6,528,980	6,017,182	6,160,206	6,595,610
Parks, recreation and cultural	498,063	580,440	460,647	447,482	446,139
Community development	285,774	284,996	268,388	240,380	1,080,677
Nondepartmental	45,333	59,452	64,038	123,594	67,108
Capital projects	6,374,681	964,911	766,235	372,194	429,675
Debt service:					
Principal	490,790	8,995,833	63,094	717,189	315,000
Interest and other fiscal charges	-	109,125	405,610	391,413	375,939
<b>Total expenditures</b>	<b>\$ 19,911,138</b>	<b>\$ 22,690,489</b>	<b>\$ 12,974,416</b>	<b>\$ 13,389,476</b>	<b>\$ 14,275,511</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (7,924,250)</b>	<b>\$ (8,949,744)</b>	<b>\$ 317,729</b>	<b>\$ 2,061,691</b>	<b>\$ 1,960,978</b>
<b>Other financing sources (uses)</b>					
Transfers in	\$ 188,507	\$ 137,257	\$ 159,353	\$ 207,303	\$ 223,460
Transfers out	(188,507)	(137,257)	(159,353)	(207,303)	(223,460)
Issuance of indebtedness	4,055,000	9,749,230	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 4,055,000</b>	<b>\$ 9,749,230</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net change in fund balances</b>	<b>\$ (3,869,250)</b>	<b>\$ 799,486</b>	<b>\$ 317,729</b>	<b>\$ 2,061,691</b>	<b>\$ 1,960,978</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>3.6257%</b>	<b>3.0793%</b>	<b>3.6125%</b>	<b>8.2797%</b>	<b>4.8400%</b>

Table 5

		Fiscal Year							
		2013	2014	2015	2016	2017			
\$	11,719,341	\$	11,675,049	\$	11,778,520	\$	11,520,566	\$	11,597,266
	2,802,385		2,933,086		2,841,035		2,846,310		3,054,720
	103,695		112,675		55,267		29,122		30,973
	968		5,841		8,130		5,647		8,676
	43,463		35,934		12,915		18,009		27,767
	86,435		78,008		88,781		65,030		56,203
	78,866		67,737		41,127		85,087		43,306
	51,539		24,453		26,717		25,518		47,344
	1,420,094		1,489,796		1,564,092		1,583,905		1,656,392
	672,862		674,456		930,835		944,378		917,602
\$	<u>16,979,648</u>	\$	<u>17,097,035</u>	\$	<u>17,347,419</u>	\$	<u>17,123,572</u>	\$	<u>17,440,249</u>
\$	975,861	\$	947,808	\$	982,285	\$	1,125,533	\$	1,105,739
	431,886		366,567		371,390		401,423		438,287
	1,889,823		2,131,542		2,129,588		2,600,932		2,752,004
	1,172,565		1,427,212		1,005,518		1,743,951		1,103,133
	928,633		934,589		1,055,014		1,051,884		1,005,510
	7,564,786		7,586,708		8,071,628		7,955,783		8,419,432
	505,283		469,312		495,977		506,166		522,250
	966,366		1,085,578		1,311,770		1,551,947		851,260
	64,947		68,899		76,482		96,606		129,098
	973,322		806,721		784,479		261,585		179,128
	9,280,000		915,000		910,000		930,000		950,000
	1,226,629		197,733		173,849		156,938		135,606
\$	<u>25,980,101</u>	\$	<u>16,937,669</u>	\$	<u>17,367,980</u>	\$	<u>18,382,748</u>	\$	<u>17,591,447</u>
\$	<u>(9,000,453)</u>	\$	<u>159,366</u>	\$	<u>(20,561)</u>	\$	<u>(1,259,176)</u>	\$	<u>(151,198)</u>
\$	239,450	\$	154,689	\$	209,891	\$	190,527	\$	168,674
	(239,450)		(154,689)		(209,891)		(190,527)		(168,674)
	9,545,000		25,000		-		-		-
\$	<u>9,545,000</u>	\$	<u>25,000</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>
\$	<u>544,547</u>	\$	<u>184,366</u>	\$	<u>(20,561)</u>	\$	<u>(1,259,176)</u>	\$	<u>(151,198)</u>
	7.7186%		6.5696%		6.3961%		6.0673%		6.2947%

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Meals Tax</b>	<b>Motor Vehicle License Tax</b>	<b>Recordation and Wills Tax</b>	<b>Hotel and Motel Room Tax</b>	<b>Other Local Taxes</b>	<b>Total</b>
2017	\$ 11,597,266	\$ 937,441	\$ 834,316	\$ 76,835	\$ 41,867	\$ 1,103,163	\$ 61,098	\$ 14,651,986
2016	11,520,566	789,831	789,831	75,514	45,124	1,078,690	67,320	14,366,876
2015	11,778,520	925,382	691,592	75,778	63,019	1,008,345	76,919	14,619,555
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

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

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value (1)</b>	<b>Assessed Value as a Percentage of Actual Value (1)</b>
2017	\$ 981,958,400	\$ 58,050,800	\$ 368,100	\$ 1,459,194,817	\$ 2,499,572,117	\$ 887,437,400	110.65%
2016	978,673,900	60,240,600	408,900	1,448,811,871	2,488,135,271	887,643,600	110.26%
2015	977,065,400	57,716,100	459,700	1,482,067,106	2,517,308,306	889,111,900	109.89%
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%

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 Year	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2017	\$ 0.48	\$ 0.35	\$ 0.48	\$ 0.35
2016	0.48	0.35	0.48	0.35
2015	0.48	0.35	0.48	0.35
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

(1) Per \$100 of assessed value

Principal Property Taxpayers  
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2017		Fiscal Year 2008	
		2016 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
Public Service	Utilities (Power, etc.)	\$ 1,432,056,425	57.292%	\$ 101,613,862	4.920%
The Homestead LC	Hotel	85,938,300	3.438%	110,202,400	5.336%
NA Homestead Preserve	Hotel	26,074,600	1.043%	-	0.000%
The Owners Club	Timeshares	22,816,600	0.913%	23,330,400	1.130%
DG Land Holdings	R.E. Prop. & invst.	7,450,600	0.298%	-	0.000%
Fort Lewis Lodge	Lodging	4,664,700	0.187%	-	0.000%
Plecker & Son	Construction	2,694,000	0.108%	2,985,800	0.145%
Bill Chambers	Real Estate Dev.	2,747,100	0.110%	-	0.000%
CA Partners	Real Estate Dev.	2,149,100	0.086%	2,779,700	0.135%
Lockridge Enterprises	Farming	1,922,800	0.093%	-	0.000%
CEA2 Investments	Real Estate Dev.	126,900	0.006%	-	0.000%
VA Hot Springs Land Co.	Real Estate Dev.	119,900	0.006%	733,700	0.036%
Warm Spring Investment	R.E. Prop. & invst.	-	0.000%	42,682,900	2.067%
Cambata Industries	Farming; aviation	-	0.000%	9,935,500	0.481%
Enterprise Leasing	Vehicle Leasing	-	0.000%	1,189,000	0.058%
SSPW	Vehicle Leasing	-	0.000%	128,300	0.006%
		<u>\$ 1,588,761,025</u>	<u>63.58%</u>	<u>\$ 295,581,562</u>	<u>14.31%</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
2017	\$ 11,555,323	\$ 11,262,008	97.46%	\$ -	\$ 11,262,008	97.46%
2016	11,499,348	11,327,388	98.50%	116,656	11,327,388	98.50%
2015	11,644,754	11,494,387	98.71%	130,191	11,624,578	99.83%
2014	11,670,710	11,469,643	98.28%	188,350	11,657,993	99.89%
2013	11,654,162	11,475,356	98.47%	170,054	11,645,410	99.92%
2012	11,335,319	11,071,943	97.68%	256,964	11,328,907	99.94%
2011	11,327,270	11,123,491	98.20%	201,680	11,325,171	99.98%
2010	9,671,942	9,282,256	95.97%	389,126	9,671,382	99.99%
2009	9,917,942	9,726,824	98.07%	191,072	9,917,896	100.00%
2008	7,987,935	7,880,740	98.66%	107,195	7,987,935	100.00%

Source: Commissioner of Revenue, County Treasurer's office

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases			
2017	\$ -	\$ -	\$ 5,095,000	\$ -	\$ 5,095,000	2.13%	\$ 1,095
2016	-	-	6,045,000	-	6,045,000	2.52%	1,279
2015	-	-	6,975,000	-	6,975,000	3.08%	1,462
2014	-	-	7,885,000	-	7,885,000	3.84%	1,708
2013	-	-	8,775,000	-	8,775,000	3.95%	1,923
2012	-	-	8,510,000	-	8,510,000	4.21%	1,820
2011	-	-	8,825,000	-	8,825,000	4.98%	1,895
2010	-	-	9,485,000	57,187	9,542,187	5.59%	2,017
2009	-	-	9,515,000	90,978	9,605,978	5.21%	1,975
2008	-	-	8,590,000	-	8,590,000	4.70%	1,754

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.  
(1) See the Schedule of Demographic and Economic Statistics - Table 13.

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2017	\$ 5,095,000	\$ -	\$ 5,095,000	0.20%	\$ 1,095
2016	6,045,000	-	6,045,000	0.24%	1,279
2015	6,975,000	-	6,975,000	0.28%	1,462
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

(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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2017	4,652	\$ 239,666,388	\$ 51,519	49	554	2.90%
2016	4,727	239,989,790	50,770	49	541	3.30%
2015	4,771	226,116,774	47,394	46	584	4.00%
2014	4,616	205,338,144	44,484	48	622	4.10%
2013	4,563	222,377,805	48,735	48	597	4.90%
2012	4,676	202,078,016	43,216	48	625	4.80%
2011	4,657	177,222,135	38,055	47	658	5.00%
2010	4,731	170,817,486	36,106	47	670	6.30%
2009	4,863	184,293,111	37,897	42	693	6.40%
2008	4,898	182,827,646	37,327	42	715	4.10%

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

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	(1) Employees	Rank	% of Total County Employment	(1) Employees	Rank	% of Total County Employment
Omni	850	1	34.41%	750	1	25.74%
Bath County Public Schools	146	2	5.91%	175	2	6.01%
Bath County Community Hospital	125	3	5.06%	175	3	6.01%
County of Bath	55	4	2.23%	75	6	2.57%
AFS of Hot Springs, Inc. (Springs Nursing Center)	65	5	2.63%	75	4	2.57%
Dominion Virginia Power (2)	50	6	2.02%	-	-	0.00%
Barc Electrical Co-op	45	7	1.82%	35	7	1.20%
VA Department of Conservation	35	9	1.42%	35	9	1.20%
F. Clayton Plecker & Sons	30	10	1.21%	35	10	1.20%
The Owners Club (2)	30	11	1.21%	-	-	0.00%
Virginia Electric and Power Company			0.00%	75	5	2.57%
Management Company of Homestead			0.00%	35	8	1.20%
Totals	<u>1,431</u>		<u>57.94%</u>	<u>1,465</u>		<u>50.27%</u>
Total estimated jobs in County	2,470			2,914		

(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 2008.

## Sources:

VA Employment Commission, [www.vec.virginia.gov](http://www.vec.virginia.gov) (50 Largest Employers in Bath County for fourth quarter 2014 - latest available -and 2006).

VA Workforce Connection, 12/22/2015, [www.vawc.virginia.gov](http://www.vawc.virginia.gov) (Virginia Workforce Connection - Labor Market Services - Area Profile for Bath County: Labor Force, Employment and Unemployment Statistics); total employment for October 2015 and 2008 annual.

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**County of Bath, Virginia**

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General government administration	10	10	10	11	10
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	18	18	17	17	17
911 Administrator	1	1	1	1	0
Building inspections	2	2	1	1	1
Animal control	2	2	2	2	2
Public works					
General maintenance	2	2	2	2	2
Landfill	0	0	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	1	2	1	1	1
Community development					
Tourism	0	0	0	0	1
Planning	2	2	2	2	2
Totals	<u>53</u>	<u>54</u>	<u>51</u>	<u>52</u>	<u>51</u>

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

Table 15

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Fiscal Year				
2013	2014	2015	2016	2017
9	9	9	9	9
5	5	5	5	5
19	19	19	19	19
0	0	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	0
2	2	2	1	1
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>53</u>	<u>53</u>	<u>53</u>	<u>52</u>	<u>51</u>



**County of Bath, Virginia**

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
Public safety				
Sheriff's department:				
Physical arrests	94	93	103	62
Traffic violations	27	53	31	10
Civil papers	1,438	1,098	1,105	1,101
Building inspections:				
Inspections made	351	641	74	77
Permits issued	65	114	99	90
Animal control:				
Number of calls answered	669	611	540	547
Public works				
Landfill:				
Refuse collected (tons/day) (1)	27	20	20	20
Recycling (tons/day) (1)	3	3	5	5
Health and welfare				
Department of Social Services:				
Caseload	596	693	726	775
Culture and recreation				
Parks and recreation:				
After-school program participants	n/a	n/a	n/a	n/a
Youth sports participants	599	811	553	523
Component Unit - School Board				
Education:				
School age population (2)	717	692	672	630
Number of teachers (2)	71	71	70	69
Local expenditures per pupil (2)	\$10,194	\$14,341	\$13,443	\$9,888

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					
2012	2013	2014	2015	2016	2017
125	167	146	134	93	207
12	52	137	157	159	182
1,114	1,215	1,056	1,149	1,020	993
118	239	345	336	337	395
93	112	103	116	109	133
579	620	643	520	499	413
20	20	20	14	15	17
5	5	5	7	7	7
814	884	900	900	1,176	4,295
n/a	n/a	n/a	n/a	n/a	n/a
477	450	311	355	466	492
635	604	590	570	584	562
61	67	67	68	66	66
\$10,153	\$16,129	\$12,807	\$14,450	\$14,522	\$16,424

**County of Bath, Virginia**

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
General government administration				
Buildings	4	5	5	5
Vehicles	1	1	1	1
Public safety				
Sheriff's department:				
Patrol units	12	12	10	12
Animal control:				
Vehicles	1	1	1	1
Public works				
Vehicles	1	1	1	1
Sites	1	1	1	1
Culture and recreation				
Parks and recreation:				
Vehicles	2	2	2	2
Swimming pools	2	2	2	2
Health and welfare				
Buildings	1	1	1	1
Community development				
Planning:				
Vehicles	1	1	1	1
Component Unit - School Board				
Education:				
Schools	4	4	5	5
School buses	18	21	19	18

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

Table 17

Fiscal Year					
2012	2013	2014	2015	2016	2017
5	5	5	5	5	5
1	1	1	1	2	2
12	13	13	13	13	13
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
4	4	4	4	4	4
19	19	19	18	16	18

# **COMPLIANCE**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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

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### 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, 2017, 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 7, 2017.

#### 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, Farrow, Cox Associates*

Staunton, Virginia  
December 7, 2017

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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**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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.



## 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
December 7, 2017

County of Bath, Virginia

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

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	Not Available	\$ 6,079
Temporary Assistance for Needy Families	93.558	Not Available	54,031
Refugee and Entrant Assistance - State Administered Programs	93.566	Not Available	191
Low-Income Home Energy Assistance	93.568	Not Available	6,921
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Available	9,436
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	84
Foster Care - Title IV-E	93.658	Not Available	32,922
Adoption Assistance	93.659	Not Available	45,207
Social Services Block Grant	93.667	Not Available	34,713
Chafee Foster Care Independence Program	93.674	Not Available	262
Children's Health Insurance Program	93.767	Not Available	2,675
Medical Assistance Program	93.778	Not Available	<u>89,409</u>
Total Department of Health and Human Services			<u>\$ 281,930</u>
Department of Agriculture:			
Pass Through Payments:			
Virginia Department of Agriculture and Consumer Services:			
Commodities (Child Nutrition Cluster)	10.555	Not Available	\$ 22,836
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	APE40254	121,753
Subtotal CFDA 10.555			<u>\$ 144,589</u>
School Breakfast Program (Child Nutrition Cluster)	10.553	APE40253	<u>\$ 47,656</u>
Child Nutrition Cluster Total			<u>\$ 192,245</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	<u>72,220</u>
Total Department of Agriculture			<u>\$ 264,465</u>
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	HCD507790	<u>\$ 298,707</u>
Department of Defense			
Pass Through Payments:			
Department of Education:			
Payments to States in Lieu of Real Estate Taxes	12.112	APE42855	<u>\$ 77,962</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	DEM6274500	<u>\$ 40,000</u>

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (Continued)  
 Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Special Education - Grants to States	84.027	APE43071	\$ 146,118
Title I Grants to Local Educational Agencies	84.010	APE42901	57,488
Higher Education Institutional Aid	84.031	Not available	1,543
Career and Technical Education - Basic Grants to States	84.048	APE61095	15,840
Advanced Placement Program	84.330	APE60957	92
Supporting Effective Instruction State Grant	84.367	Not available	23,069
Rural Education	84.358	Not available	8,491
Total Department of Education			\$ 252,641
Total Expenditures of Federal Awards			\$ 1,215,705

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 award activity of the County of Bath, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 position, 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The County of Bath, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

NOTE C - FOOD DISTRIBUTION

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

NOTE D - SUBRECIPIENTS

No awards were passed through to subrecipients.

NOTE E - 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	\$ 917,602
Less payments in lieu of tax under CFDA 15.226 not included above	(224,745)
Total primary government	<u>\$ 692,857</u>

Discretely presented component unit - School Board:

School operating fund	\$ 465,103
School cafeteria fund	192,245
Less payments in lieu of tax under CFDA 15.226 not included above	(134,500)
Total discretely presented component unit - School Board	<u>\$ 522,848</u>

Total federal expenditures per basic financial statements \$ 1,215,705

Total federal expenditures per the Schedule of Expenditures of Federal awards \$ 1,215,705

**County of Bath, Virginia**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

**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 2 CFR section 200.516(a)?        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

Dollar threshold used to distinguish between type A and type B programs:   \$750,000  

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.