



COUNTY OF BATH, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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**COUNTY OF BATH, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2013**



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## COUNTY OF BATH, VIRGINIA

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### BOARD OF SUPERVISORS

Bruce McWilliams, Vice-Chairman	Clifford A. Gilchrest, Chairman	Phillip B. Perdue
Claire A. Collins		Henry Kevin Fry

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### COUNTY SCHOOL BOARD

William Manion	Rhonda Grimm, Chairman	Catherine Lowry, Vice-Chairman
Amy Gwin		Ellen Miller

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### COUNTY WELFARE BOARD

Clifford A. Gilchrest	Shirley Lennon, Chairman	Beatrice Clark, Vice-Chairman
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### PUBLIC SERVICE AUTHORITY

	Jeff Strasser, Chairman	
Bart Perdue		David Lindsay, Secretary/Treasurer
Chad Carpenter		Stuart L. Hall

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### OTHER OFFICIALS

Judge of the Circuit Court .....	Humes J. Franklin, Jr.
Clerk of the Circuit Court .....	M. Wayne Winebriner
Judge of the General District Court.....	J. Gregory Mooney
Judge of the Juvenile & Domestic Relations Court .....	Paul A. Tucker
Commonwealth's Attorney .....	John C. Singleton
Commissioner of the Revenue.....	Leta Norfleet
Treasurer.....	Pamela H. Webb
Sheriff.....	Robert W. Plecker
Superintendent of Schools.....	Sue Hirsh
Director of Social Services.....	Jason Miller
County Administrator .....	Ashton Harrison



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Bath, Virginia, as of and for the year ended June 30, 2013, 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 opinion.

## **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 unit, each major fund and the aggregate remaining fund information of the County of Bath, Virginia, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the County of Bath, Virginia's basic financial statements. The other supplementary information and supporting schedules, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The other supplementary information and supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 supporting schedules 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 them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2013, on our consideration of the County of Bath, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Bath, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
December 15, 2013

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## **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, 2013.

### **Financial Highlights**

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

The assets and deferred outflows of the County of Bath, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$11,687,632. Of this amount, \$9,882,222 is unrestricted (a decrease of \$40,606 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 \$1,805,410 invested in capital assets, net of related debt (an increase of \$853,163 from the previous fiscal year). The School Board's net position was \$4,807,001 of which there is an unrestricted deficit in the amount of \$362,071. (See Exhibit 1.)

The Primary Government's overall net position increased by \$712,492. The School Board's net position decreased by \$95,771, and the Service Authority's net position decreased by \$442,643. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,169,892. (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 2012-13 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,867,835 of which \$3,169,892 is available for spending at the government's discretion (unassigned fund balance). (See Exhibit 3.)

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

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

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

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

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

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

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions that are supported by general tax and other revenue. The statement of activities presents expenses before

revenues, emphasizing that in governments, revenues are generated for the express purpose of providing services rather than as an end in themselves.

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

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

### Fund Financial Statements

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

#### Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas, the government-wide financial statements are prepared on the accrual basis of accounting, the government fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

#### Proprietary funds

There are two types of proprietary funds: enterprise funds, which are established to account for the delivery of goods and services to the general public, and internal service funds, which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the accrual basis accounting, similar to private sector business.

The Bath County Public Service Authority is a component unit of the County of Bath. The Authority's financial statements are shown as an enterprise fund in the County's fund financial statements. The Authority provides a centralized source for the provision of public water and sewer services to County residents.

#### Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

## Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County of Bath, assets and deferred outflows exceeded liabilities and deferred inflows by \$11,687,632 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.

<b>Statement of Net Position</b>		
<b>June 30, 2013 and 2012</b>		
	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Current and other assets	\$ 10,619,461	\$ 10,001,251
Capital assets	10,580,410	10,067,404
Total assets	<u>\$ 21,199,871</u>	<u>\$ 20,068,655</u>
Deferred Outflows of Resources	\$ -	\$ 828,648
Long-term liabilities	\$ 8,993,492	\$ 9,519,462
Other liabilities	283,421	145,156
Total liabilities	<u>\$ 9,276,913</u>	<u>\$ 9,664,618</u>
Deferred Inflows of Resources	\$ 235,326	\$ 257,545
Net investment in capital assets	\$ 1,805,410	\$ 952,247
Restricted-debt service	-	100,065
Unrestricted	9,882,222	9,922,828
Total net position	<u><u>\$ 11,687,632</u></u>	<u><u>\$ 10,975,140</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 15.4 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 \$9,882,222 or 84.6 percent of total net position, may be used to meet government's ongoing obligations to citizens and creditors.

The government's net position increased by \$712,492 during the current fiscal year, compared to an increase of \$1,720,412 in FY 2012.



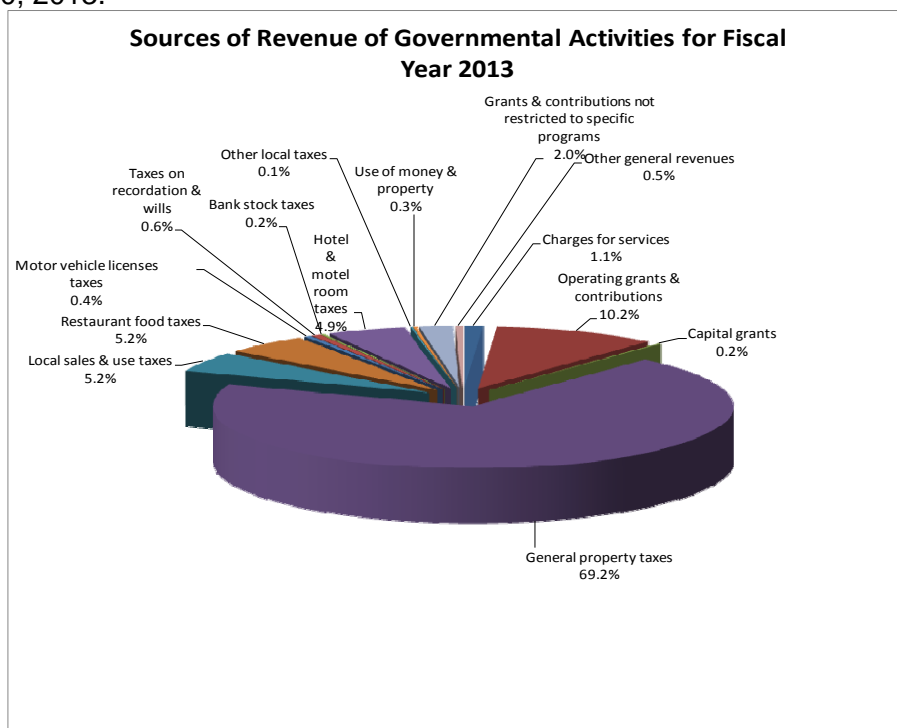
## Governmental Activities

Governmental activities increased the County's net position by \$712,492. Key elements of this increase are as follows on the following page:

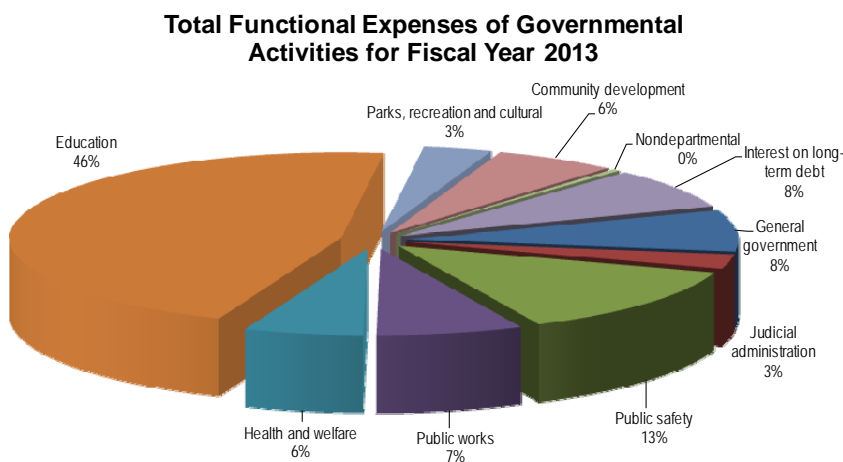
Changes in Net Position For the Year Ended June 30, 2013 and 2012		
	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 191,098	\$ 174,984
Operating grants & contributions	1,721,339	1,784,659
Capital grants & contributions	34,000	-
General revenues:		
General property taxes	11,685,185	11,409,502
Other local taxes	2,802,385	2,551,966
Use of money and property	43,463	51,966
Miscellaneous	78,866	99,066
Grants and contributions not restricted to specific programs	337,617	231,527
Total revenues	<u>\$ 16,893,953</u>	<u>\$ 16,303,670</u>
Expenses:		
General government	\$ 1,268,772	\$ 1,211,724
Judicial administration	439,010	344,405
Public safety	2,112,434	2,040,286
Public works	1,155,574	1,064,089
Health and welfare	935,708	826,654
Education	7,459,886	7,060,438
Parks, recreation and cultural	539,930	467,408
Community development	969,681	1,145,116
Nondepartmental	65,610	47,199
Interest on long-term debt	1,234,856	375,939
Total expenses	<u>\$ 16,181,461</u>	<u>\$ 14,583,258</u>
Increase (decrease) in net position	\$ 712,492	\$ 1,720,412
Beginning net position	\$ 10,975,140	\$ 9,254,728
Ending net position	<u>\$ 11,687,632</u>	<u>\$ 10,975,140</u>

Other local taxes increased by \$250,419, which is a good indicator of the County's revenue stream. Interest on long-term debt increased \$858,917, due primarily to the payoff of an interest rate swap agreement of \$869,000 during FY2013.

The chart below provides a visual analysis of the sources of revenue by percentage for the County for the year ended June 30, 2013.



Similarly, the following chart provides an analysis of the expenses of the Governmental Activities by major functional category for the year ended June 30, 2013:



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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$9,867,835, an increase of \$544,547 from the prior year. Approximately, 32.1 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, 2013, total fund balance of the general fund was \$9,383,356, of which \$3,169,892 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 12.7 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$7,311,037. Total fund balance represents 37.6 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$479,997 during the current fiscal year.

Key factors in this increase are as follows:

Actual expenditures increased to \$25.0 million, including \$11.5 million of capital and debt expenses, from the \$13.3 million spent the prior year. Actual revenues increased, from \$15.4 million the prior year to \$16.1 million in FY13, and there were proceeds from the issuance of indebtedness of \$9,545,000 in FY13. The most significant transaction was the issuance of refunding Series 2012 Bonds that were used to pay off Series 2008 Bonds and an interest rate swap agreement.

The sales tax, restaurant food tax, and hotel and motel room tax each increased significantly over the prior year, for a combined increase of \$242,781. This is a direct reflection of increased tourism efforts made by the County.

Contributions to the County School Board increased by \$969,176 from FY12 to FY13, representing the largest expenditure category of the County, other than debt service. The increase in contributions is attributable to the 5% increase in employee salaries, higher group insurance costs, a new security employee position, and capital purchases of security system equipment and school buses.

#### 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 \$8,798,110. As a component unit, the details of the finances of the Bath County Public Service Authority are not presented in the financial report for year ended June 30, 2013, however they may be obtained from the Authority's separately issued financial statements.

#### **General Fund Budgetary Highlights**

The general fund's original budgeted appropriations amounted to \$17,324,625 while the final amended general fund budget was \$18,265,114 representing an increase of \$940,489, or 5.4 percent of the original general fund budget. The most predominant increases were in the nondepartmental (\$310,424) and capital projects (\$746,436) categories. The increase in the capital projects budget were for the completion of the Animal Shelter and School locker room renovations construction projects.

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

##### Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2013 is \$10,580,410 (net of accumulated depreciation) and is an increase of \$513,006 from the previous fiscal year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress.

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

**As of June 30, 2013 and 2012**

	Governmental Activities	
	2013	2012
Land	\$ 303,240	\$ 303,240
Buildings and improvements	8,962,168	9,053,219
Machinery and equipment	676,245	649,044
Construction in progress	638,757	61,901
Total	<u>\$ 10,580,410</u>	<u>\$ 10,067,404</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, 2013 and 2012**

	Governmental Activities	
	2013	2012
Revenue bonds	\$ 8,775,000	\$ 8,510,000
Derivative instrument liability	-	828,648
OPEB Obligation (Note 10)	119,851	82,058
Compensated absences	98,641	98,756
Total	<u>\$ 8,993,492</u>	<u>\$ 9,519,462</u>

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

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

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

The unemployment rate for the County during FY 2012-13 averaged 4.9 percent (September 2012 - October 2013), which was unchanged compared to the prior year. This compares favorably to the state's average unemployment rate of 5.5 percent (June 2013) and the national average rate of 7.6 percent (June 2013) (data from U.S. Bureau of Labor Statistics).

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

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

All of these factors were considered in preparing the County's budget for the 2014 fiscal year.

During fiscal year 2013, the unassigned fund balance in the general fund decreased \$4,372,139 (from \$7,542,031 to \$3,169,892). This decrease is primarily due to the assignment of a significant portion of fund balance to capital projects. This assigned category of fund balance increased by \$5,600,565 from FY12 to FY13. The fund balance is an important working financial resource.

**Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Statement of Net Position  
June 30, 2013

	Primary Government Governmental Activities	Component Units School Board	Service Authority
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,224,460	\$ 763,831	\$ 3,042,975
Receivables (net of allowance for uncollectibles):			
Taxes receivable	559,757	-	-
Accounts receivable	275,464	-	97,329
Interest receivable	-	-	1,101
Due from component unit	190,609	-	-
Due from other governmental units	360,697	156,598	-
Inventories	-	17,311	-
Prepaid items	8,474	41,073	-
Restricted assets:			
Cash and cash equivalents	-	-	61,646
Capital assets (net of accumulated depreciation):			
Land and land improvements	303,240	238,282	69,165
Buildings and improvements	8,962,168	4,369,845	-
Machinery and equipment	676,245	560,945	40,421
Utility plant in service	-	-	8,390,203
Construction in progress	638,757	-	367,668
Total assets	<u>\$ 21,199,871</u>	<u>\$ 6,147,885</u>	<u>\$ 12,070,508</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 136,158	\$ -	\$ 98,511
Accrued payroll	-	628,577	-
Customers' deposits	-	-	25,571
Accrued interest payable	8,227	-	-
Due to primary government	-	190,609	-
Unearned revenue	139,036	134,500	2,447,095
Long-term liabilities:			
Due within one year	890,000	-	48,691
Due in more than one year	8,103,492	387,198	652,530
Total liabilities	<u>\$ 9,276,913</u>	<u>\$ 1,340,884</u>	<u>\$ 3,272,398</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 235,326	\$ -	\$ -
Total deferred inflows of resources	<u>\$ 235,326</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,805,410	\$ 5,169,072	\$ 8,168,567
Restricted -			
Reserve fund	-	-	36,075
Unrestricted (deficit)	9,882,222	(362,071)	593,468
Total net position	<u>\$ 11,687,632</u>	<u>\$ 4,807,001</u>	<u>\$ 8,798,110</u>

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

# County of Bath, Virginia

## Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,268,772	\$ 17,263	\$ 161,699	\$ -
Judicial administration	439,010	16,900	211,693	-
Public safety	2,112,434	110,031	582,671	-
Public works	1,155,574	39,434	14,562	34,000
Health and welfare	935,708	-	467,528	-
Education	7,459,886	-	-	-
Parks, recreation, and cultural	539,930	7,470	-	-
Community development	969,681	-	283,186	-
Nondepartmental	65,610	-	-	-
Interest on long-term debt	1,234,856	-	-	-
Total governmental activities	<u>\$ 16,181,461</u>	<u>\$ 191,098</u>	<u>\$ 1,721,339</u>	<u>\$ 34,000</u>
COMPONENT UNITS:				
School Board	\$ 10,104,731	\$ 156,964	\$ 2,145,089	\$ -
Service Authority	1,500,275	1,001,726	-	-
Total component units	<u>\$ 11,605,006</u>	<u>\$ 1,158,690</u>	<u>\$ 2,145,089</u>	<u>\$ -</u>

### General revenues:

General property taxes

Other local taxes

Local sales and use taxes

Restaurant food tax

Motor vehicle licenses taxes

Taxes on recordation and wills

Bank stock taxes

Hotel and motel room taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning, as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary	Component Units		
Government			
Governmental	School	Service	
Activities	Board	Authority	
\$ (1,089,810)	\$ -	\$ -	
(210,417)	-	-	
(1,419,732)	-	-	
(1,067,578)	-	-	
(468,180)	-	-	
(7,459,886)	-	-	
(532,460)	-	-	
(686,495)	-	-	
(65,610)	-	-	
(1,234,856)	-	-	
<u>\$ (14,235,024)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (7,802,678)	\$ -	
-	-	(498,549)	
<u>\$ -</u>	<u>\$ (7,802,678)</u>	<u>\$ (498,549)</u>	
\$ 11,685,185	\$ -	\$ -	
873,109	-	-	
879,825	-	-	
72,794	-	-	
98,445	-	-	
33,918	-	-	
823,534	-	-	
20,760	-	-	
43,463	1	54,922	
78,866	11,369	984	
337,617	7,695,537	-	
<u>\$ 14,947,516</u>	<u>\$ 7,706,907</u>	<u>\$ 55,906</u>	
\$ 712,492	\$ (95,771)	\$ (442,643)	
10,975,140	4,902,772	9,240,753	
<u>\$ 11,687,632</u>	<u>\$ 4,807,001</u>	<u>\$ 8,798,110</u>	

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## **FUND FINANCIAL STATEMENTS**

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Virginia Public Assistance	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,778,338	\$ -	\$ 446,122	\$ 9,224,460
Receivables (net of allowance for uncollectibles):				
Taxes receivable	559,757	-	-	559,757
Accounts receivable	221,690	-	53,774	275,464
Due from other funds	53,695	-	-	53,695
Due from component unit	190,609	-	-	190,609
Due from other governmental units	318,056	35,799	6,842	360,697
Prepaid items	8,474	-	-	8,474
Total assets	<u>\$ 10,130,619</u>	<u>\$ 35,799</u>	<u>\$ 506,738</u>	<u>\$ 10,673,156</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 131,795	\$ -	\$ 4,363	\$ 136,158
Due to other funds	-	35,799	17,896	53,695
Deferred revenue	139,036	-	-	139,036
Total liabilities	<u>\$ 270,831</u>	<u>\$ 35,799</u>	<u>\$ 22,259</u>	<u>\$ 328,889</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 476,432	\$ -	\$ -	\$ 476,432
Total deferred inflows of resources	<u>\$ 476,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,432</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid items	\$ 8,474	\$ -	\$ -	\$ 8,474
Committed:				
Special revenue funds	-	-	484,479	484,479
Pinehurst local rehab reserve	17,490	-	-	17,490
Radio needs assessment	53,000	-	-	53,000
Assigned:				
Line of duty	15,000	-	-	15,000
Capital projects	6,044,500	-	-	6,044,500
Volunteer fire department	75,000	-	-	75,000
Unassigned	3,169,892	-	-	3,169,892
Total fund balances	<u>\$ 9,383,356</u>	<u>\$ -</u>	<u>\$ 484,479</u>	<u>\$ 9,867,835</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,130,619</u>	<u>\$ 35,799</u>	<u>\$ 506,738</u>	<u>\$ 10,673,156</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, 2013

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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	\$ 9,867,835
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,580,410
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	241,106
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,001,719)</u>
Net position of governmental activities	\$ <u>11,687,632</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2013

	General	Virginia Public Assistance	Other Governmental Funds	Total
<b>REVENUES</b>				
General property taxes	\$ 11,719,341	\$ -	\$ -	\$ 11,719,341
Other local taxes	2,391,143	-	411,242	2,802,385
Permits, privilege fees, and regulatory licenses	103,695	-	-	103,695
Fines and forfeitures	968	-	-	968
Revenue from the use of money and property	43,463	-	-	43,463
Charges for services	86,435	-	-	86,435
Miscellaneous	52,984	-	25,882	78,866
Recovered costs	51,539	-	-	51,539
Intergovernmental revenues:				
Commonwealth	1,217,411	133,380	69,303	1,420,094
Federal	408,017	244,292	20,553	672,862
Total revenues	<u>\$ 16,074,996</u>	<u>\$ 377,672</u>	<u>\$ 526,980</u>	<u>\$ 16,979,648</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 975,861	\$ -	\$ -	\$ 975,861
Judicial administration	431,886	-	-	431,886
Public safety	1,889,823	-	-	1,889,823
Public works	1,172,565	-	-	1,172,565
Health and welfare	291,900	472,800	163,933	928,633
Education	7,564,786	-	-	7,564,786
Parks, recreation, and cultural	505,283	-	-	505,283
Community development	595,708	-	370,658	966,366
Nondepartmental	64,947	-	-	64,947
Capital projects	973,322	-	-	973,322
Debt service:				
Principal retirement	9,280,000	-	-	9,280,000
Interest and other fiscal charges	1,226,629	-	-	1,226,629
Total expenditures	<u>\$ 24,972,710</u>	<u>\$ 472,800</u>	<u>\$ 534,591</u>	<u>\$ 25,980,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,897,714)</u>	<u>\$ (95,128)</u>	<u>\$ (7,611)</u>	<u>\$ (9,000,453)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 167,289	\$ 72,161	\$ 239,450
Transfers out	(167,289)	(72,161)	-	(239,450)
Issuance of indebtedness	9,545,000	-	-	9,545,000
Total other financing sources (uses)	<u>\$ 9,377,711</u>	<u>\$ 95,128</u>	<u>\$ 72,161</u>	<u>\$ 9,545,000</u>
Net change in fund balances	\$ 479,997	\$ -	\$ 64,550	\$ 544,547
Fund balances - beginning	8,903,359	-	419,929	9,323,288
Fund balances - ending	<u>\$ 9,383,356</u>	<u>\$ -</u>	<u>\$ 484,479</u>	<u>\$ 9,867,835</u>

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



Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2013

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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	\$ 544,547
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.	513,006
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.	(34,156)
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.	(265,000)
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.	<u>(45,905)</u>
Change in net position of governmental activities	\$ <u><u>712,492</u></u>

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

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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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.

##### **B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

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

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

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

**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, Revenue Maximization, and Lodging Tax-Marketing/Capital funds are non-major special revenue funds of the County.

*Fiduciary funds* (trust and agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. There are no fiduciary funds at June 30, 2013.

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.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables and payables**

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

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

**3. Inventory**

Inventory is expensed as it is consumed.

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

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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 \$7,638 at June 30, 2013 and is comprised of uncollectible local taxes of the primary government in the amount of \$865 and uncollectible water and sewer accounts receivable of the component unit – Service Authority in the amount of \$6,773.

**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, 2013, \$36,075 was set aside for the repayment of the he component unit – Service Authority's enterprise fund revenue bonds and their use is limited by applicable bond covenants. In addition, the he component unit – Service Authority had \$25,571 in a bank account restricted for customer deposits.

**8. Capital assets**

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

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

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

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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.

**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.



**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 does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, personal property tax for 2013 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, 2013 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, personal property tax for 2013 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.

**15. Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board**

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (CONTINUED)

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

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

**16. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board**

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was changed as a result of implementing this Statement and a restatement of prior balances was required to write off bond issue costs in the amount of \$78,425 (reference Note 18 for details of the restatement of net position).

**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 (\$9,001,719) and (\$387,198) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Bonds payable	\$ (8,775,000)	\$ -
Net OPEB obligation	(119,851)	(147,049)
Accrued interest payable	(8,227)	-
Compensated absences	(98,641)	(240,149)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (9,001,719)</u>	<u>\$ (387,198)</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (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**

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 \$513,006 and (\$92,126) 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	\$ 808,279	\$ 311,913
Depreciation expense	(400,173)	(299,139)
Allocation of debt financed school assets based on current year repayments	104,900	(104,900)
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>\$ 513,006</u>	<u>\$ (92,126)</u>

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 (\$265,000) difference in the primary government are as follows:

	<b>Primary Government</b>
Debt issued or incurred:	
Issuance of revenue bonds	\$ (9,545,000)
Principal repayments:	
General obligation debt	<u>9,280,000</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (265,000)</u>

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

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**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 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 (\$45,905) and \$3,600 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	\$ (37,793)	\$ (207)
Compensated absences	115	3,807
Accrued interest payable	(8,227)	-
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>\$ (45,905)</u>	<u>\$ 3,600</u>

#### 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.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

#### A. Budgetary Information (Continued)

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, 2013, the following fund incurred expenditures exceeding appropriations:

Fund	Function	Excess of Expenditures over Appropriations
General	Health and Welfare	\$ 123,717
General	Debt Service	9,491,129
Total General Fund		\$ 9,614,846
CSA Fund	Health and Welfare	\$ 163,933
Cafeteria	School Food	\$ 23,190
Total All Funds		\$ 187,123

#### C. Deficit fund equity

At June 30, 2013, there were no funds with deficit fund equity.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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### Note 4—Deposits and Investments:

#### Deposits

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

#### Investments

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

#### Credit Risk of Debt Securities

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

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

The County's rated debt investments as of June 30, 2013 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

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

<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Ratings</u></b>
	<b><u>AAAm</u></b>
Local Government Investment Pool	\$ <u><u>1,538,998</u></u>

#### External Investment Pool

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

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

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

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 103,255
Local sales taxes	172,601	-
Communications Tax	18,676	-
Mobile Home tax	45	-
Rolling Stock	10,475	-
Fire Programs Fund	1,600	-
Jury duty claims reimbursement	210	-
Recordation tax	4,217	-
DMV license agent fee	1,934	-
Public assistance and welfare administration	12,735	-
Comprehensive Services Act funds	6,842	-
E-911 mapping	6,930	-
Shared expense - mt. soil and water dist.	26,885	-
Commonwealth attorney	5,657	-
Clerk of Circuit Court	11,475	-
Treasurer	9,987	-
Commissioner of revenue	7,338	-
Sheriff	40,026	-
Federal Government:		
Public assistance and welfare administration	23,064	-
Title I	-	37,422
Perkins CTE secondary	-	8,747
Emergency response and recovery	-	112
School cafeteria	-	7,062
Total	\$ <u>360,697</u>	\$ <u>156,598</u>

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

The following balances represent amounts due between funds at June 30, 2013:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 53,695	\$ -	\$ -	\$ 190,609
CSA Fund	-	17,896	-	-
VPA Fund	-	35,799	-	-
Total	<u>\$ 53,695</u>	<u>\$ 53,695</u>	<u>\$ -</u>	<u>\$ 190,609</u>
Component Unit-School Board:				
School Fund	\$ -	\$ -	\$ 190,609	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,609</u>	<u>\$ -</u>

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

### Note 7—Interfund Transfers:

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 167,289
Virginia Public Assistance Fund	167,289	72,161
CSA Fund	72,161	-
Total	<u>\$ 239,450</u>	<u>\$ 239,450</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.



# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

### Note 8—Long-Term Obligations:

#### Primary Government-Governmental Activity Liabilities:

The following is a summary of long-term liability transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue bond	\$ 8,510,000	\$ 9,545,000	\$ 9,280,000	\$ 8,775,000
Derivative instrument liability	828,648	-	828,648	-
Net OPEB Obligation (Note 10)	82,058	53,257	15,464	119,851
Compensated absences	98,756	-	115	98,641
Total Long-Term Obligations	\$ <u>9,519,462</u>	\$ <u>9,598,257</u>	\$ <u>10,124,227</u>	\$ <u>8,993,492</u>

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

Years Ending June 30,	Governmental Activities	
	Revenue Bond	
	Principal	Interest
2014	\$ 890,000	\$ 197,438
2015	910,000	177,412
2016	930,000	156,938
2017	950,000	136,012
2018	975,000	114,638
2019	995,000	92,700
2020	1,020,000	70,312
2021	1,040,000	47,362
2022	1,065,000	23,962
Total	\$ <u>8,775,000</u>	\$ <u>1,016,774</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (CONTINUED)

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

**Primary Government-Governmental Activity 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%.	\$ 8,775,000	\$ 890,000
Other Obligations:		
Net OPEB Obligation	119,851	-
Compensated absences (payable from General Fund)	<u>98,641</u>	<u>-</u>
Total long-term obligations	<u>\$ 8,993,492</u>	<u>\$ 890,000</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, 2013:

	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>
Revenue bonds	\$ 746,976	\$ -	\$ 48,086	\$ 698,890
Compensated absences	<u>10,253</u>	<u>-</u>	<u>7,922</u>	<u>2,331</u>
Total Long-Term Obligations	<u>\$ 757,229</u>	<u>\$ -</u>	<u>\$ 56,008</u>	<u>\$ 701,221</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (CONTINUED)

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

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

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

Fiscal Year	Revenue Bonds	
	Principal	Interest
2014	\$ 48,691	\$ 5,771
2015	50,207	4,918
2016	51,085	4,040
2017	51,991	3,134
2018	52,923	2,202
2019	52,444	1,241
2020	37,878	251
2021	21,135	-
2022	21,135	-
2023	21,135	-
2024	21,135	-
2025	21,135	-
2026	21,135	-
2027	21,135	-
2028	21,135	-
2029	21,135	-
2030	21,135	-
2031	21,135	-
2032	21,135	-
2033	21,135	-
2034	21,135	-
2035	21,135	-
2036	21,135	-
2037	15,511	-
Total	\$ <u>698,890</u>	\$ <u>21,557</u>

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (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.	\$ 501,564	\$ 20,473
\$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>197,326</u>	<u>28,218</u>
Total Revenue Bonds	<u>\$ 698,890</u>	<u>\$ 48,691</u>
Compensated absences (payable from Component Unit Service Authority)	<u>\$ 2,331</u>	<u>\$ -</u>
Total Service Authority Debt	<u>\$ 701,221</u>	<u>\$ 48,691</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, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Compensated absences	\$ 243,956	\$ -	\$ 3,807	\$ 240,149
Net OPEB Obligation	<u>146,842</u>	<u>65,343</u>	<u>65,136</u>	<u>147,049</u>
Total Long-Term Obligations	<u>\$ 390,798</u>	<u>\$ 65,343</u>	<u>\$ 68,943</u>	<u>\$ 387,198</u>
Compensated absences (payable from School Fund)			<u>\$ 240,149</u>	

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

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**A. Plan Description**

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

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

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employee contribution rates for the fiscal year ended 2013 were 11.19% and 10.60%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$483,198, \$242,458, and \$149,961, to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2011 and 2010, respectively. The contribution rate for 2013, 2012, and 2011 were 11.66%, 6.33%, and 3.93%, respectively, of covered payroll.

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

For fiscal year 2013, the County's annual pension cost of \$259,213 was equal to the County's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the board's non-professional employees was \$79,562 which was equal to the School Board's required and actual contributions.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

#### C. Annual Pension Cost (continued)

Three-Year Trend Information for the County and School Board			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County: (including the Service Authority)			
June 30, 2011	\$ 185,921	100.00%	-
June 30, 2012	183,293	100.00%	-
June 30, 2013	259,213	100.00%	-
School Board Non-Professional			
June 30, 2011	\$ 41,221	100.00%	-
June 30, 2012	42,525	100.00%	-
June 30, 2013	79,562	100.00%	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

#### D. Funded Status and Funding Progress

As of June 30, 2012 the most recent actuarial valuation date, the County's plan was 71.99% funded. The actuarial accrued liability for benefits was \$12,438,168, and the actuarial value of assets was \$8,953,624, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,484,544. The covered payroll (annual payroll of active employees covered by the plan) was \$2,194,346 and ratio of the UAAL to the covered payroll was 158.80%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 79.19% funded. The actuarial accrued liability for benefits was \$3,910,845 and the actuarial value of assets was \$3,096,962, resulting in an unfunded actuarial accrued liability (UAAL) of \$813,883. The covered payroll (annual payroll of active employees covered by the plan) was \$729,057, and ratio of the UAAL to the covered payroll was 111.63%.

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

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**D. Funded Status and Funding Progress (continued)**

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

**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, 2013 (CONTINUED)

Note 10—Other Postemployment Benefits: (Continued)

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

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

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

	County	School Board
Annual Required Contribution (ARC)	\$ 53,392	\$ 65,508
Interest on OPEB Obligation	4,131	5,069
Adjustment to ARC	(4,266)	(5,234)
Annual OPEB Cost	\$ 53,257	\$ 65,343
Contributions Made	(15,464)	(65,136)
Increase in Net OPEB Obligation	\$ 37,793	\$ 207
Net OPEB Obligation - beginning of year	82,058	146,842
Net OPEB Obligation - end of year	\$ 119,851	\$ 147,049

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 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
June 30, 2013	\$ 53,257	29%	\$ 119,851
June 30, 2012	41,405	70%	82,058
June 30, 2011	36,660	55%	69,547
School Board:			
June 30, 2013	\$ 65,343	100%	\$ 147,049
June 30, 2012	74,095	70%	146,842
June 30, 2011	75,340	55%	124,453

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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 June 30, 2013 is as follows:

	County	School Board
Actuarial Accrued liability (AAL)	\$ 517,545	\$ 632,555
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	\$ 517,545	\$ 632,555
Funded ratio (actuarial vlaue of plan assets)	0%	0%
Annual covered payroll	\$ 3,095,455	\$ 3,095,455
UAAL as a percentage of covered payroll	16.72%	20.43%

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%

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

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

**Non-professional plan:**

**A. Plan Description**

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

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

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

**B. Funding Policy**

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was .89% of annual covered payroll.

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

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**COUNTY OF BATH, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (CONTINUED)**

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

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

For 2013, the School Board's contribution of \$6,680 was equal to the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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, 2013	\$ 6,680	100%	\$ -
June 30, 2012	4,260	100%	-
June 30, 2011	4,129	100%	-

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date is as follows:

Actuarial Accrued liability (AAL)	\$ 81,397
Actuarial value of plan assets	3,258
Unfunded actuarial accrued liability (UAAL)	\$ 78,139
Funded ratio (actuarial value of plan assets)	4.00%
Annual covered payroll	\$ 729,057
UAAL as a percentage of covered payroll	10.72%

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.

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

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

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

**E. Actuarial Methods and Assumptions**

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5% and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining period at June 30, 2012 was 29 years.

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

**F. Professional Employees**

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$45,999, \$22,982, and \$22,894, respectively and equaled the required contributions for each year.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

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Unavailable/unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue of the Primary Government totaling \$476,432 and unearned revenue of the Primary Government, Component Unit School Board, and the Component Unit Services Authority totaling \$139,036, \$134,500 and \$2,447,095, is comprised of the following:

##### Unavailable Revenue:

Property Tax Revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$241,106 at June 30, 2013.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013, but paid in advance by taxpayers totaled \$1,767 at June 30, 2013.

Unbilled Property Taxes – Personal property taxes for 2013 that had not been billed as of June 30, 2013 amounted to \$233,559.

##### Unearned Revenue:

Payments in Lieu of Taxes – Unearned revenue representing payments in lieu of taxes not available for funding of current expenditures totaled \$139,036 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 \$2,220,239 from WSIC.

Prepaid Development Fees – Development fees prepaid to the Bath County Public Service Authority by the WSIC totaled \$207,160 at June 30, 2013.

Prepaid Water and Sewer Fees – Prepaid fees for water and sewer usage received from customers amounted to \$19,696 at June 30, 2013.

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (CONTINUED)

**Note 12—Capital Assets:**

Capital asset activity for the year ended June 30, 2013 was as follows:

**Primary Government:**

**Governmental activities:**

	Balance July 1, 2012, as restated	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 303,240	\$ -	\$ -	\$ 303,240
Construction in progress	61,901	709,795	(132,939)	638,757
Total capital assets not being depreciated	\$ 365,141	\$ 709,795	\$ (132,939)	\$ 941,997
Capital assets being depreciated:				
Buildings and improvements	\$ 12,217,165	\$ 349,750	\$ -	\$ 12,566,915
Machinery and equipment	1,509,728	146,673	-	1,656,401
Total capital assets being depreciated	\$ 13,726,893	\$ 496,423	\$ -	\$ 14,223,316
Accumulated depreciation:				
Buildings and improvements	\$ (3,163,946)	\$ (440,801)	\$ -	\$ (3,604,747)
Machinery and equipment	(860,684)	(119,472)	-	(980,156)
Total accumulated depreciation	\$ (4,024,630)	\$ (560,273)	\$ -	\$ (4,584,903)
Capital assets being depreciated, net	\$ 9,702,263	\$ (63,850)	\$ -	\$ 9,638,413
Net capital assets	\$ 10,067,404	\$ 645,945	\$ (132,939)	\$ 10,580,410

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

Governmental activities:	
General government administration	\$ 292,703
Judicial administration	1,333
Public safety	76,190
Education	160,100
Parks, recreation, cultural	29,947
Total depreciation expense -governmental activities	\$ 560,273

COUNTY OF BATH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 (CONTINUED)

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

**Discretely Presented Component Units:**

**Component Unit School Board:**

	Balance July 1, 2012, as restated	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land and land improvements	\$ 238,282	\$ -	\$ -	\$ 238,282
Construction in progress	10,707	223,993	(234,700)	-
Total capital assets not being depreciated	\$ 248,989	\$ 223,993	\$ (234,700)	\$ 238,282
Capital assets being depreciated:				
Buildings and improvements	\$ 12,784,460	\$ 108,616	\$ (265,000)	\$ 12,628,076
Machinery and equipment	1,429,476	214,004	-	1,643,480
Total capital assets being depreciated	\$ 14,213,936	\$ 322,620	\$ (265,000)	\$ 14,271,556
Accumulated depreciation:				
Buildings and improvements	\$ (8,236,537)	\$ (181,794)	\$ 160,100	\$ (8,258,231)
Machinery and equipment	(965,190)	(117,345)	-	(1,082,535)
Total accumulated depreciation	\$ (9,201,727)	\$ (299,139)	\$ 160,100	\$ (9,340,766)
Capital assets being depreciated, net	\$ 5,012,209	\$ 23,481	\$ (104,900)	\$ 4,930,790
Net capital assets	\$ 5,261,198	\$ 247,474	\$ (339,600)	\$ 5,169,072
Depreciation expense allocated to education		\$ 139,039		



# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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, 2013, is that school financed assets in the amount of \$7,908,900 are reported in the Primary Government for financial reporting purposes. The adjustment to capital assets was as follows:

	Balance June 30, 2012, as restated	Increases	Adjustment	Balance June 30, 2013
Primary Government:				
Buildings and improvements	\$ <u>12,217,165</u>	\$ <u>84,750</u>	\$ <u>265,000</u>	\$ <u>12,566,915</u>
Discretely Presented Component Unit-School Board				
Buildings and improvements	\$ <u>12,784,460</u>	\$ <u>108,616</u>	\$ <u>(265,000)</u>	\$ <u>12,628,076</u>

The 2013 adjustment to accumulated depreciation was a \$160,100 transfer to the School Board from the Primary Government.

# COUNTY OF BATH, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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, 2013 was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 69,165	\$ -	\$ -	\$ 69,165
Construction in progress	200,749	166,919	-	367,668
Total capital assets not being depreciated	\$ 269,914	\$ 166,919	\$ -	\$ 436,833
Capital assets being depreciated:				
Water System	\$ 9,438,482	\$ 9,236	\$ -	\$ 9,447,718
Sewer System	10,293,491	9,359	-	10,302,850
Equipment	339,840	15,427	-	355,267
Total capital assets being depreciated	\$ 20,071,813	\$ 34,022	\$ -	\$ 20,105,835
Accumulated depreciation:				
Water System	\$ (4,070,976)	\$ (228,073)	\$ -	\$ (4,299,049)
Sewer System	(6,798,092)	(263,224)	-	(7,061,316)
Equipment	(298,523)	(16,323)	-	(314,846)
Total accumulated depreciation	\$ (11,167,591)	\$ (507,620)	\$ -	\$ (11,675,211)
Capital assets being depreciated, net	\$ 8,904,222	\$ (473,598)	\$ -	\$ 8,430,624
Net capital assets	\$ 9,174,136	\$ (306,679)	\$ -	\$ 8,867,457

### Note 13—Contingent Liabilities:

Federal programs in which the County participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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, 2013, the County has not initiated final closure procedures to release itself from requirements for monitoring, etc. The County anticipates making this request during upcoming years as funds are available.

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

#### **Note 15—Surety Bonds:**

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

## COUNTY OF BATH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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—Litigation:**

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At June 30, 2013, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

#### **Note 18—Restatement of Net Position:**

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Beginning net position of the Primary Government was adjusted to write off bond issue costs in accordance with GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. The net position of both the Primary Government and the Component Unit School Board were adjusted to correct the allocation of debt financed assets as previously reported. The details of the restatement of net position are as follows:

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>School</u> <u>Board</u>
Net position as originally reported, July 1, 2012	\$ 11,209,993	\$ 4,746,344
To adjust for write-off of bond issue costs in accordance with GASB Statement No. 65	(78,425)	-
To correct the allocation of school debt financed assets	(156,428)	156,428
Net position as adjusted, July 1, 2012	<u>\$ 10,975,140</u>	<u>\$ 4,902,772</u>

#### **Note 19—Upcoming Pronouncements:**

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

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 11,301,234	\$ 11,432,359	\$ 11,719,341	\$ 286,982
Other local taxes	2,084,604	2,181,477	2,391,143	209,666
Permits, privilege fees, and regulatory licenses	49,200	49,200	103,695	54,495
Fines and forfeitures	150	150	968	818
Revenue from the use of money and property	52,200	52,200	43,463	(8,737)
Charges for services	103,828	103,828	86,435	(17,393)
Miscellaneous	59,460	9,460	52,984	43,524
Recovered costs	47,900	53,819	51,539	(2,280)
Intergovernmental revenues:				
Commonwealth	1,191,040	1,204,178	1,217,411	13,233
Federal	1,424,000	1,458,000	408,017	(1,049,983)
Total revenues	<u>\$ 16,313,616</u>	<u>\$ 16,544,671</u>	<u>\$ 16,074,996</u>	<u>\$ (469,675)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,021,172	\$ 1,020,382	\$ 975,861	\$ 44,521
Judicial administration	388,113	447,534	431,886	15,648
Public safety	2,037,900	1,993,105	1,889,823	103,282
Public works	1,395,943	1,236,244	1,172,565	63,679
Health and welfare	173,183	168,183	291,900	(123,717)
Education	7,633,680	7,559,108	7,564,786	(5,678)
Parks, recreation, and cultural	533,174	531,068	505,283	25,785
Community development	1,746,578	1,857,748	595,708	1,262,040
Nondepartmental	694,172	1,004,596	64,947	939,649
Capital projects	655,210	1,401,646	973,322	428,324
Debt service:				
Principal retirement	932,320	932,320	9,280,000	(8,347,680)
Interest and other fiscal charges	113,180	113,180	1,226,629	(1,113,449)
Total expenditures	<u>\$ 17,324,625</u>	<u>\$ 18,265,114</u>	<u>\$ 24,972,710</u>	<u>\$ (6,707,596)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,011,009)</u>	<u>\$ (1,720,443)</u>	<u>\$ (8,897,714)</u>	<u>\$ (7,177,271)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (238,575)	\$ (238,575)	\$ (167,289)	\$ 71,286
Issuance of general obligation bonds	-	-	9,545,000	9,545,000
Total other financing sources (uses)	<u>\$ (238,575)</u>	<u>\$ (238,575)</u>	<u>\$ 9,377,711</u>	<u>\$ 9,616,286</u>
Net change in fund balances	\$ (1,249,584)	\$ (1,959,018)	\$ 479,997	\$ 2,439,015
Fund balances - beginning	1,249,584	1,959,018	8,903,359	6,944,341
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,383,356</u>	<u>\$ 9,383,356</u>

## Special Revenue Fund - VPA

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ 29,313	\$ 29,313	\$ -	\$ (29,313)
Intergovernmental revenues:				
Commonwealth	303,213	303,213	133,380	(169,833)
Federal	15,474	15,474	244,292	228,818
Total revenues	<u>\$ 348,000</u>	<u>\$ 348,000</u>	<u>\$ 377,672</u>	<u>\$ 29,672</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 501,073	\$ 543,573	\$ 472,800	\$ 70,773
Total expenditures	<u>\$ 501,073</u>	<u>\$ 543,573</u>	<u>\$ 472,800</u>	<u>\$ 70,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (153,073)</u>	<u>\$ (195,573)</u>	<u>\$ (95,128)</u>	<u>\$ 100,445</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 238,575	\$ 238,575	\$ 167,289	\$ (71,286)
Transfers out	(85,502)	(43,002)	(72,161)	(29,159)
Total other financing sources (uses)	<u>\$ 153,073</u>	<u>\$ 195,573</u>	<u>\$ 95,128</u>	<u>\$ (100,445)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



Schedule of Pension Funding Progress  
As of June 30, 2013

## PRIMARY GOVERNMENT:

## County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/12 \$	8,953,624 \$	12,438,168 \$	3,484,544 \$	71.99% \$	2,194,346	158.80%
06/30/11	9,376,362	11,449,953	2,073,591	81.89%	2,240,182	92.56%
06/30/10	9,089,404	11,309,883	2,220,479	80.37%	2,268,445	97.89%
06/30/09	9,000,405	9,951,451	951,046	90.44%	2,306,229	41.24%
06/30/08	8,805,416	9,770,308	964,892	90.12%	2,300,264	41.95%

## DISCRETELY PRESENTED COMPONENT UNIT:

## School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/12 \$	3,096,962 \$	3,910,845 \$	813,883 \$	79.19% \$	729,057	111.63%
06/30/11	3,142,800	3,826,118	683,318	82.14%	688,165	99.30%
06/30/10	3,125,508	3,726,594	601,086	83.87%	688,165	87.35%
06/30/09	3,177,329	3,407,079	229,750	93.26%	787,708	29.17%
06/30/08	3,146,690	3,235,741	89,051	97.25%	765,443	11.63%

Other Post-Employment Benefits Program  
 Schedule of Funding Progress  
 As of June 30, 2013

## PRIMARY GOVERNMENT:

## County Other Post-Employment 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 )
06/30/12 \$	-	\$ 517,545	\$ 517,545	0.00% \$	3,095,455	16.72%
06/30/11	-	431,604	431,604	0.00%	2,026,116	21.30%
06/30/10	-	414,036	414,036	0.00%	2,026,116	20.43%
06/30/09	-	244,181	244,181	0.00%	n/a	n/a
06/30/08	-	227,700	227,700	0.00%	n/a	n/a

## DISCRETELY PRESENTED COMPONENT UNIT:

## School Board Other Post-Employment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets ( 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 )
06/30/12 \$	-	\$ 632,555	\$ 632,555	0.00% \$	3,095,455	20.43%
06/30/11	-	767,296	767,296	0.00%	3,601,984	21.30%
06/30/10	-	736,064	736,064	0.00%	3,601,984	20.43%
06/30/09	-	941,119	941,119	0.00%	n/a	n/a
06/30/08	-	877,600	877,600	0.00%	n/a	n/a

## School Board Health Insurance Credit Program

Actuarial Valuation Date	Actuarial Value of Assets ( 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 )
06/30/12 \$	3,258	\$ 81,397	\$ 78,139	4.00% \$	729,057	10.72%
06/30/11	3,066	85,138	82,072	3.60%	688,165	11.93%
06/30/10	2,683	81,826	79,143	3.28%	688,165	11.50%

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2013

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Tax	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,054	\$ 134	\$ 434,934	\$ 446,122
Receivables (net of allowance)				
Accounts receivable	-	-	53,774	53,774
Due from other governmental units	6,842	-	-	6,842
Total assets	<u>\$ 17,896</u>	<u>\$ 134</u>	<u>\$ 488,708</u>	<u>\$ 506,738</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 4,363	\$ 4,363
Due to other funds	17,896	-	-	17,896
Total liabilities	<u>\$ 17,896</u>	<u>\$ -</u>	<u>\$ 4,363</u>	<u>\$ 22,259</u>
Fund balances:				
Committed	\$ -	\$ 134	\$ 484,345	\$ 484,479
Total fund balances	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 484,345</u>	<u>\$ 484,479</u>
Total liabilities and fund balances	<u>\$ 17,896</u>	<u>\$ 134</u>	<u>\$ 488,708</u>	<u>\$ 506,738</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2013

	CSA Fund	Revenue Maximization Fund	Lodging Tax Marketing/ Capital Fund	Total
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 411,242	\$ 411,242
Miscellaneous	1,916	-	23,966	25,882
Intergovernmental revenues:				
Commonwealth	69,303	-	-	69,303
Federal	20,553	-	-	20,553
Total revenues	<u>\$ 91,772</u>	<u>\$ -</u>	<u>\$ 435,208</u>	<u>\$ 526,980</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 163,933	\$ -	\$ -	\$ 163,933
Community development	-	-	370,658	370,658
Total expenditures	<u>\$ 163,933</u>	<u>\$ -</u>	<u>\$ 370,658</u>	<u>\$ 534,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (72,161)</u>	<u>\$ -</u>	<u>\$ 64,550</u>	<u>\$ (7,611)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ 72,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,161</u>
Net change in fund balances	\$ -	\$ -	\$ 64,550	\$ 64,550
Fund balances - beginning	-	134	419,795	419,929
Fund balances - ending	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 484,345</u>	<u>\$ 484,479</u>



## **OTHER SUPPLEMENTARY INFORMATION**

County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	CSA Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	1,916	1,916
Intergovernmental revenues:				
Commonwealth	-	-	69,303	69,303
Federal	-	-	20,553	20,553
Total revenues	\$ -	\$ -	\$ 91,772	\$ 91,772
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ 163,933	\$ (163,933)
Community development	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 163,933	\$ (163,933)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (72,161)	\$ (72,161)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 72,161	\$ 72,161
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -



County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

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

Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Lodging Tax -Marketing/Capital Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ 400,000	\$ 400,000	\$ 411,242	\$ 11,242
Miscellaneous	-	-	23,966	23,966
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 435,208</u>	<u>\$ 35,208</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Community development	<u>395,623</u>	<u>419,636</u>	<u>370,658</u>	<u>48,978</u>
Total expenditures	<u>\$ 395,623</u>	<u>\$ 419,636</u>	<u>\$ 370,658</u>	<u>\$ 48,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,377</u>	<u>\$ (19,636)</u>	<u>\$ 64,550</u>	<u>\$ 84,186</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 4,377	\$ (19,636)	\$ 64,550	\$ 84,186
Fund balances - beginning	<u>(4,377)</u>	<u>-</u>	<u>419,795</u>	<u>419,795</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ (19,636)</u></u>	<u><u>\$ 484,345</u></u>	<u><u>\$ 503,981</u></u>

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

### **MAJOR GOVERNMENTAL FUNDS**

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

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

Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2013

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 729,210	\$ 34,621	\$ 763,831
Due from other governmental units	149,536	7,062	156,598
Inventories	-	17,311	17,311
Prepaid items	41,073	-	41,073
Total assets	<u>\$ 919,819</u>	<u>\$ 58,994</u>	<u>\$ 978,813</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued payroll	\$ 594,710	\$ 33,867	\$ 628,577
Due to primary government	190,609	-	190,609
Unearned revenue	134,500	-	134,500
Total liabilities	<u>\$ 919,819</u>	<u>\$ 33,867</u>	<u>\$ 953,686</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 17,311	\$ 17,311
Prepaid items	41,073	-	41,073
Committed:			
School cafeteria	-	7,816	7,816
Unassigned:	(41,073)	-	(41,073)
Total fund balances	<u>\$ -</u>	<u>\$ 25,127</u>	<u>\$ 25,127</u>
Total liabilities and fund balances	<u>\$ 919,819</u>	<u>\$ 58,994</u>	<u>\$ 978,813</u>

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

Total fund balances per above	\$ 25,127
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,169,072
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(387,198)</u>
Net position of governmental activities	<u>\$ 4,807,001</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2013

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 1	\$ 1
Charges for services	6,600	150,364	156,964
Miscellaneous	11,369	-	11,369
Intergovernmental revenues:			
Local government	7,311,037	250,000	7,561,037
Commonwealth	1,576,299	6,197	1,582,496
Federal	616,538	185,455	801,993
Total revenues	<u>\$ 9,521,843</u>	<u>\$ 592,017</u>	<u>\$ 10,113,860</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 9,521,843	\$ 599,262	\$ 10,121,105
Total expenditures	<u>\$ 9,521,843</u>	<u>\$ 599,262</u>	<u>\$ 10,121,105</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (7,245)	\$ (7,245)
Net change in fund balances	\$ -	\$ (7,245)	\$ (7,245)
Fund balances - beginning	-	32,372	32,372
Fund balances - ending	<u>\$ -</u>	<u>\$ 25,127</u>	<u>\$ 25,127</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	\$ (7,245)
--	------------

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.	(92,126)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	3,600
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Change in net position of governmental activities	<u>\$ (95,771)</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  
For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	6,800	6,800	6,600	(200)
Miscellaneous	14,755	15,226	11,369	(3,857)
Intergovernmental revenues:				
Local government	7,352,282	7,278,858	7,311,037	32,179
Commonwealth	1,605,469	1,605,469	1,576,299	(29,170)
Federal	380,893	380,893	616,538	235,645
Total revenues	<u>\$ 9,360,199</u>	<u>\$ 9,287,246</u>	<u>\$ 9,521,843</u>	<u>\$ 234,597</u>
EXPENDITURES				
Current:				
Education	<u>\$ 9,592,481</u>	<u>\$ 9,683,873</u>	<u>\$ 9,521,843</u>	<u>\$ 162,030</u>
Total expenditures	<u>\$ 9,592,481</u>	<u>\$ 9,683,873</u>	<u>\$ 9,521,843</u>	<u>\$ 162,030</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (232,282)</u>	<u>\$ (396,627)</u>	<u>\$ -</u>	<u>\$ 396,627</u>
Net change in fund balances	\$ (232,282)	\$ (396,627)	\$ -	\$ 396,627
Fund balances - beginning	232,282	396,627	-	(396,627)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ 1	\$ 1
165,000	165,000	150,364	(14,636)
-	-	-	-
277,649	276,501	250,000	(26,501)
4,071	4,071	6,197	2,126
130,500	130,500	185,455	54,955
<u>\$ 577,220</u>	<u>\$ 576,072</u>	<u>\$ 592,017</u>	<u>\$ 15,945</u>
\$ 577,220	\$ 576,072	\$ 599,262	\$ (23,190)
<u>\$ 577,220</u>	<u>\$ 576,072</u>	<u>\$ 599,262</u>	<u>\$ (23,190)</u>
\$ -	\$ -	\$ (7,245)	\$ (7,245)
\$ -	\$ -	\$ (7,245)	\$ (7,245)
-	-	32,372	32,372
<u>-</u>	<u>-</u>	<u>25,127</u>	<u>25,127</u>

Statement of Net Position  
Discretely Presented Component Unit - Service Authority  
June 30, 2013

	<b>Component Unit Service Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,042,975
Interest receivable	1,101
Accounts receivable, net of allowances for uncollectibles	97,329
Total current assets	<u>\$ 3,141,405</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (restricted for debt service)	\$ 36,075
Cash and cash equivalents (restricted for security deposits)	25,571
Total restricted assets	<u>\$ 61,646</u>
Capital assets:	
Land and land rights	\$ 69,165
Machinery and equipment	355,267
Utility plant in service	19,750,568
Construction in progress	367,668
Less accumulated depreciation	<u>(11,675,211)</u>
Total capital assets	<u>\$ 8,867,457</u>
Total noncurrent assets	<u>\$ 8,929,103</u>
Total assets	<u>\$ 12,070,508</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 98,511
Customer deposits	25,571
Unearned revenue	2,447,095
Bonds payable - current portion	48,691
Total current liabilities	<u>\$ 2,619,868</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 650,199
Compensated absences	2,331
Total noncurrent liabilities	<u>\$ 652,530</u>
Total liabilities	<u>\$ 3,272,398</u>
<b>NET Position</b>	
Net investment in capital assets	\$ 8,168,567
Restricted - reserve fund	36,075
Unrestricted	593,468
Total net position	<u><u>\$ 8,798,110</u></u>



Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Service Authority  
For the Year Ended June 30, 2013

	<u>Component Unit Service Authority</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 663,074
Sewer revenues	315,888
Late fees	22,764
Miscellaneous	984
Total operating revenues	<u>\$ 1,002,710</u>
<b>OPERATING EXPENSES</b>	
Payroll and related benefits	\$ 498,085
Water	53,019
Sewer	134,909
Administration	35,547
Laboratory and engineering	10,190
Maintenance	26,685
Utilities and transportation	207,696
Insurance claims and premiums	20,132
Depreciation	507,620
Total operating expenses	<u>\$ 1,493,883</u>
Operating income (loss)	<u>\$ (491,173)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	\$ 54,922
Interest expense	(6,392)
Total nonoperating revenues (expenses)	<u>\$ 48,530</u>
Income before contributions	<u>\$ (442,643)</u>
Change in net position	<u>\$ (442,643)</u>
Total net position - beginning	<u>\$ 9,240,753</u>
Total net position - ending	<u><u>\$ 8,798,110</u></u>

Statement of Cash Flows  
Discretely Presented Component Unit - Service Authority  
For the Year Ended June 30, 2013

	<u>Component Unit Service Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 997,429
Payments to suppliers	(414,895)
Payments to employees	(506,007)
Other receipts (payments)	984
Net cash provided by (used for) operating activities	\$ <u>77,511</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	\$ (200,941)
Principal payments on bonds	(48,086)
Deferred Development Fees	133,049
Interest payments	<u>(6,392)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(122,370)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ <u>54,985</u>
Net cash provided by (used for) investing activities	\$ <u>54,985</u>
Net increase (decrease) in cash and cash equivalents	\$ 10,126
Cash and cash equivalents - beginning - including restricted	\$ 3,094,495
Cash and cash equivalents - ending - including restricted	<u>\$ 3,104,621</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ <u>(491,173)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 507,620
(Increase) decrease in accounts receivable	(6,736)
(Increase) decrease in prepaid expenses	5,033
Increase (decrease) in customer deposits	2,439
Increase (decrease) in accounts payable	68,250
Increase (decrease) in compensated absences	<u>(7,922)</u>
Total adjustments	\$ 568,684
Net cash provided by (used for) operating activities	<u>\$ 77,511</u>

## **SUPPORTING SCHEDULES**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

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	\$ 4,115,500	\$ 4,246,625	\$ 4,351,909	\$ 105,284
Real and personal public service corporation taxes	7,003,878	7,003,878	7,171,135	167,257
Personal property taxes	155,356	155,356	160,133	4,777
Mobile home taxes	6,500	6,500	-	(6,500)
Penalties	15,000	15,000	26,187	11,187
Interest	5,000	5,000	9,977	4,977
Total general property taxes	<u>\$ 11,301,234</u>	<u>\$ 11,432,359</u>	<u>\$ 11,719,341</u>	<u>\$ 286,982</u>
Other local taxes:				
Local sales and use taxes	\$ 741,000	\$ 837,873	\$ 873,109	\$ 35,236
Consumption tax	19,000	19,000	19,156	156
Mixed beverage license taxes	1,304	1,304	1,604	300
Motor vehicle license taxes	74,800	74,800	72,794	(2,006)
Bank stock taxes	30,000	30,000	33,918	3,918
Taxes on recordation and wills	43,500	43,500	98,445	54,945
Hotel and motel room taxes	400,000	400,000	412,292	12,292
Restaurant food taxes	775,000	775,000	879,825	104,825
Total other local taxes	<u>\$ 2,084,604</u>	<u>\$ 2,181,477</u>	<u>\$ 2,391,143</u>	<u>\$ 209,666</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,500	\$ 1,500	\$ 1,917	\$ 417
Permits and other licenses	47,700	47,700	101,778	54,078
Total permits, privilege fees, and regulatory licenses	<u>\$ 49,200</u>	<u>\$ 49,200</u>	<u>\$ 103,695</u>	<u>\$ 54,495</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 150	\$ 150	\$ 968	\$ 818
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 8,142	\$ (1,858)
Revenue from use of property	42,200	42,200	35,321	(6,879)
Total revenue from use of money and property	<u>\$ 52,200</u>	<u>\$ 52,200</u>	<u>\$ 43,463</u>	<u>\$ (8,737)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 5,020	\$ 5,020	\$ 3,867	\$ (1,153)
Charges for courthouse maintenance	2,500	2,500	2,453	(47)
Courthouse security fee	14,000	14,000	12,137	(1,863)
Concealed weapons permits	750	750	2,190	1,440
Charges for Commonwealth's Attorney	250	250	544	294
Sheriff's fees	348	348	68	(280)
Law library fees	600	600	798	198
Soil and erosion fees	100	100	400	300
Charges for sanitation and waste removal	60,000	60,000	39,034	(20,966)
Charges for parks and recreation	7,500	7,500	7,470	(30)
Charges for other protection	50	50	211	161
Charges for other services	12,710	12,710	17,263	4,553
Total charges for services	<u>\$ 103,828</u>	<u>\$ 103,828</u>	<u>\$ 86,435</u>	<u>\$ (17,393)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 59,460	\$ 9,460	\$ 52,984	\$ 43,524
Refunds and recoveries	47,900	53,819	51,539	(2,280)
Total miscellaneous revenue	<u>\$ 107,360</u>	<u>\$ 63,279</u>	<u>\$ 104,523</u>	<u>\$ 41,244</u>
Total revenue from local sources	<u>\$ 13,698,576</u>	<u>\$ 13,882,493</u>	<u>\$ 14,449,568</u>	<u>\$ 567,075</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
<b>Intergovernmental revenues:</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock taxes	\$ 9,000	\$ 9,000	\$ 20,384	\$ 11,384
Mobile home titling tax	5,000	5,000	5,916	916
Communications taxes	110,000	110,000	118,123	8,123
Tax on deeds	14,000	18,272	25,225	6,953
Personal property tax relief funds	72,497	72,497	40,276	(32,221)
Reduction in state aid	(39,618)	(35,618)	(30,977)	4,641
Total noncategorical aid	\$ 170,879	\$ 179,151	\$ 178,947	\$ (204)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 66,175	\$ 66,188	\$ 66,004	\$ (184)
Sheriff	481,167	486,860	483,934	(2,926)
Commissioner of revenue	73,100	73,125	73,226	101
Treasurer	63,421	57,496	62,144	4,648
Registrar/electoral board	26,713	26,713	26,329	(384)
Clerk of the Circuit Court	135,146	135,206	145,689	10,483
Total shared expenses	\$ 845,722	\$ 845,588	\$ 857,326	\$ 11,738
Other categorical aid:				
Shared expenses - Mountain Soil and Water Conservation District	\$ 94,000	\$ 94,000	\$ 75,185	\$ (18,815)
Emergency medical services division fees	5,968	5,968	5,906	(62)
Fire programs fund	14,400	14,400	32,000	17,600
E-911 Addressing/Mapping/Implementation Project	40,000	45,000	45,371	371
Virginia Juvenile Community Crime Control Act	5,000	5,000	6,585	1,585
Litter grant	5,000	5,000	7,216	2,216
Seized funds	5,000	5,000	7,794	2,794
Other state funds	5,071	5,071	1,081	(3,990)
Total other categorical aid	\$ 174,439	\$ 179,439	\$ 181,138	\$ 1,699
Total categorical aid	\$ 1,020,161	\$ 1,025,027	\$ 1,038,464	\$ 13,437
Total revenue from the Commonwealth	\$ 1,191,040	\$ 1,204,178	\$ 1,217,411	\$ 13,233
Revenue from the federal government:				
Noncategorical aid:				
Payment in Lieu of Taxes	\$ 89,000	\$ 89,000	\$ 158,670	\$ 69,670
Total noncategorical aid	\$ 89,000	\$ 89,000	\$ 158,670	\$ 69,670
Categorical aid:				
Community development block grant	\$ 1,300,000	\$ 1,300,000	\$ 208,001	\$ (1,091,999)
US Forest Service grant	0	34,000	34,000	-
Secure Rural Schools	20,000	20,000	7,346	(12,654)
Justice Assistance grant	15,000	15,000	-	(15,000)
Total categorical aid	\$ 1,335,000	\$ 1,369,000	\$ 249,347	\$ (1,119,653)
Total revenue from the federal government	\$ 1,424,000	\$ 1,458,000	\$ 408,017	\$ (1,049,983)
Total General Fund	\$ 16,313,616	\$ 16,544,671	\$ 16,074,996	\$ (469,675)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013 (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 revenue:				
Other miscellaneous	\$ 29,313	\$ 29,313	\$ -	\$ (29,313)
Total miscellaneous revenue	\$ 29,313	\$ 29,313	\$ -	\$ (29,313)
Total revenue from local sources	\$ 29,313	\$ 29,313	\$ -	\$ (29,313)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 303,213	\$ 303,213	\$ 133,380	\$ (169,833)
Total revenue from the Commonwealth	\$ 303,213	\$ 303,213	\$ 133,380	\$ (169,833)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 15,474	\$ 15,474	\$ 244,292	\$ 228,818
Total categorical aid	\$ 15,474	\$ 15,474	\$ 244,292	\$ 228,818
Total revenue from the federal government	\$ 15,474	\$ 15,474	\$ 244,292	\$ 228,818
Total Virginia Public Assistance Fund	\$ 348,000	\$ 348,000	\$ 377,672	\$ 29,672
<b>CSA Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Refund to foster care	\$ -	\$ -	\$ 1,916	\$ 1,916
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ -	\$ -	\$ 69,303	\$ 69,303
Total categorical aid	\$ -	\$ -	\$ 69,303	\$ 69,303
Total revenue from the Commonwealth	\$ -	\$ -	\$ 69,303	\$ 69,303
Revenue from the federal government:				
Categorical aid:				
Social services block grant	\$ -	\$ -	\$ 20,553	\$ 20,553
Total categorical aid	\$ -	\$ -	\$ 20,553	\$ 20,553
Total revenue from the federal government	\$ -	\$ -	\$ 20,553	\$ 20,553
Total CSA Fund	\$ -	\$ -	\$ 91,772	\$ 91,772
<b>Lodging Tax- Marketing /Capital Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes-designated for marketing	\$ 200,000	\$ 200,000	\$ 205,096	\$ 5,096
Hotel and motel room taxes-designated for capital improvem.	200,000	200,000	206,146	6,146
Total other local taxes	\$ 400,000	\$ 400,000	\$ 411,242	\$ 11,242
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 23,966	\$ 23,966
Total miscellaneous revenue	\$ -	\$ -	\$ 23,966	\$ 23,966
Total revenue from local sources	\$ 400,000	\$ 400,000	\$ 435,208	\$ 35,208
Total Lodging Tax -Marketing/Capital Fund	\$ 400,000	\$ 400,000	\$ 435,208	\$ 35,208
Total Primary Government	\$ 17,061,616	\$ 17,292,671	\$ 16,979,648	\$ (313,023)

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2013 (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:				
Charges for services:				
Tuition and payments from another county or city	\$ 6,800	\$ 6,800	\$ 6,600	\$ (200)
Miscellaneous revenue:				
Refunds and recoveries	\$ 14,755	\$ 15,226	\$ 11,369	\$ (3,857)
Total miscellaneous revenue	14,755	15,226	11,369	(3,857)
Total revenue from local sources	\$ 21,555	\$ 22,026	\$ 17,969	\$ (4,057)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	\$ 7,352,282	\$ 7,278,858	\$ 7,311,037	\$ 32,179
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 598,885	\$ 598,885	\$ 590,659	\$ (8,226)
Basic school aid	587,780	587,780	603,126	15,346
Gifted and talented	5,566	5,566	5,617	51
Remedial education	13,189	13,189	13,310	121
Special Education	78,045	78,045	78,764	719
Textbook payment	10,857	10,857	10,957	100
Vocational standards of quality payments	41,036	41,036	64,274	23,238
Fringe benefits	100,551	100,551	101,477	926
At risk	10,370	10,370	10,407	37
English as a second language	2,385	2,385	2,385	-
School Construction	15,258	15,258	-	(15,258)
Homebound payment	9	9	134	125
Early reading intervention	3,122	3,122	1,873	(1,249)
Remedial summer school	-	-	134	134
K-3 initiative	-	-	18,256	18,256
Individual student alternative education program	7,859	7,859	7,859	-
Technology	128,000	128,000	51,848	(76,152)
Standards of Learning algebra readiness	2,557	2,557	2,557	-
Other state funds	-	-	12,662	12,662
Total categorical aid	\$ 1,605,469	\$ 1,605,469	\$ 1,576,299	\$ (29,170)
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	\$ 106,000	\$ 106,000	\$ 148,707	\$ 42,707
Title I	65,000	65,000	89,482	24,482
Vocational education	8,000	8,000	8,747	747
Enhancing education through technology, Title II, part D	-	-	3,928	3,928
State Fiscal Stabilization Funds ARRA	-	-	1,093	1,093

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2013 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
<b>Intergovernmental revenues: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Improving Teacher Quality	\$ 26,800	\$ 26,800	\$ 19,764	\$ (7,036)
Rural education achievement program	32,243	32,243	17,172	(15,071)
Medicaid	7,500	7,500	48,452	40,952
Emergency response and recovery	-	-	1,753	1,753
Title III	850	850	1,140	290
Immigrant and youth grant	-	-	3,353	3,353
Forest reserve	-	-	138,447	138,447
Total categorical aid	<u>\$ 246,393</u>	<u>\$ 246,393</u>	<u>\$ 482,038</u>	<u>\$ 235,645</u>
Total revenue from the federal government	<u>\$ 380,893</u>	<u>\$ 380,893</u>	<u>\$ 616,538</u>	<u>\$ 235,645</u>
Total School Operating Fund	<u>\$ 9,360,199</u>	<u>\$ 9,287,246</u>	<u>\$ 9,521,843</u>	<u>\$ 234,597</u>
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1	\$ 1
Charges for services:				
Cafeteria sales	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 150,364</u>	<u>\$ (14,636)</u>
Total revenue from local sources	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 150,365</u>	<u>\$ (14,635)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	<u>\$ 277,649</u>	<u>\$ 276,501</u>	<u>\$ 250,000</u>	<u>\$ (26,501)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 4,071</u>	<u>\$ 4,071</u>	<u>\$ 6,197</u>	<u>\$ 2,126</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ 163,263</u>	<u>\$ 32,763</u>
USDA donated food	<u>-</u>	<u>-</u>	<u>22,192</u>	<u>22,192</u>
Total revenue from the federal government	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ 185,455</u>	<u>\$ 54,955</u>
Total School Cafeteria Fund	<u>\$ 577,220</u>	<u>\$ 576,072</u>	<u>\$ 592,017</u>	<u>\$ 15,945</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 9,937,419</u>	<u>\$ 9,863,318</u>	<u>\$ 10,113,860</u>	<u>\$ 250,542</u>



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

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	\$ 155,053	\$ 178,574	\$ 149,645	\$ 28,929
General and financial administration:				
County administrator	\$ 219,673	\$ 238,242	\$ 238,340	\$ (98)
Commissioner of revenue	215,951	217,324	215,122	2,202
Assessors	5,500	250	-	250
Treasurer	222,167	226,396	220,634	5,762
Data Processing	67,975	49,344	44,148	5,196
Other general and financial administration	9,026	1,000	-	1,000
Total general and financial administration	\$ 740,292	\$ 732,556	\$ 718,244	\$ 14,312
Board of elections:				
Registrar	\$ 58,124	\$ 59,537	\$ 59,514	\$ 23
Electoral board and officials	67,703	49,715	48,458	1,257
Total board of elections	\$ 125,827	\$ 109,252	\$ 107,972	\$ 1,280
Total general government administration	\$ 1,021,172	\$ 1,020,382	\$ 975,861	\$ 44,521
Judicial administration:				
Courts:				
Circuit court	\$ 26,140	\$ 22,698	\$ 20,243	\$ 2,455
General district court	16,515	79,879	76,169	3,710
Special magistrates	1,100	946	552	394
Clerk of the circuit court	232,483	226,687	217,598	9,089
Total courts	\$ 276,238	\$ 330,210	\$ 314,562	\$ 15,648
Commonwealth's attorney:				
Commonwealth's attorney	\$ 111,875	\$ 117,324	\$ 117,324	\$ -
Total commonwealth's attorney	\$ 111,875	\$ 117,324	\$ 117,324	\$ -
Total judicial administration	\$ 388,113	\$ 447,534	\$ 431,886	\$ 15,648
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,020,540	\$ 1,085,489	\$ 1,092,061	\$ (6,572)
Total law enforcement and traffic control	\$ 1,020,540	\$ 1,085,489	\$ 1,092,061	\$ (6,572)
Fire and rescue services:				
Fire department	\$ 233,866	\$ 200,866	\$ 191,538	\$ 9,328
Contribution to fire and rescue	143,347	207,597	183,584	24,013
Total fire and rescue services	\$ 377,213	\$ 408,463	\$ 375,122	\$ 33,341
Correction and detention:				
County/City operated institutions	\$ 125,000	\$ 36,636	\$ 29,500	\$ 7,136
Total correction and detention	\$ 125,000	\$ 36,636	\$ 29,500	\$ 7,136
Inspections:				
Building	\$ 174,938	\$ 177,601	\$ 172,818	\$ 4,783
Total inspections	\$ 174,938	\$ 177,601	\$ 172,818	\$ 4,783
Other protection:				
Animal control	\$ 124,493	\$ 126,166	\$ 126,166	\$ -
Emergency communications	206,016	149,050	90,841	58,209
Medical examiner (coroner)	200	200	80	120
VJCCCA	9,500	9,500	3,235	6,265
Total other protection	\$ 340,209	\$ 284,916	\$ 220,322	\$ 64,594
Total public safety	\$ 2,037,900	\$ 1,993,105	\$ 1,889,823	\$ 103,282

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013 (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	\$ 1,155,000	\$ 995,500	\$ 976,710	\$ 18,790
Total sanitation and waste removal	\$ 1,155,000	\$ 995,500	\$ 976,710	\$ 18,790
Maintenance of general buildings and grounds:				
General engineering/administration	\$ 240,943	\$ 240,744	\$ 195,855	\$ 44,889
Total maintenance of general buildings and grounds	\$ 240,943	\$ 240,744	\$ 195,855	\$ 44,889
Total public works	\$ 1,395,943	\$ 1,236,244	\$ 1,172,565	\$ 63,679
Health and welfare:				
Health:				
Local health department	\$ 77,744	\$ 77,744	\$ 75,193	\$ 2,551
Total health	\$ 77,744	\$ 77,744	\$ 75,193	\$ 2,551
Mental health and mental retardation:				
Administration	\$ 29,087	\$ 29,087	\$ 29,087	\$ -
Total mental health and mental retardation	\$ 29,087	\$ 29,087	\$ 29,087	\$ -
Welfare:				
Welfare administration				-
Public welfare	\$ 66,352	\$ 61,352	\$ 98,996	\$ (37,644)
Tax relief for the elderly	-	-	88,624	(88,624)
Total welfare	\$ 66,352	\$ 61,352	\$ 187,620	\$ (126,268)
Total health and welfare	\$ 173,183	\$ 168,183	\$ 291,900	\$ (123,717)
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 3,749	\$ 3,749	\$ 3,749	\$ -
Contributions to County School Board	7,629,931	7,555,359	7,561,037	(5,678)
Total education	\$ 7,633,680	\$ 7,559,108	\$ 7,564,786	\$ (5,678)
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 398,289	\$ 396,183	\$ 370,398	\$ 25,785
Total parks and recreation	\$ 398,289	\$ 396,183	\$ 370,398	\$ 25,785
Library:				
Regional library	\$ 134,885	\$ 134,885	\$ 134,885	\$ -
Total library	\$ 134,885	\$ 134,885	\$ 134,885	\$ -
Total parks, recreation, and cultural	\$ 533,174	\$ 531,068	\$ 505,283	\$ 25,785
Community development:				
Planning and community development:				
Planning	\$ 1,575,759	\$ 1,686,929	\$ 433,383	\$ 1,253,546
Total planning and community development	\$ 1,575,759	\$ 1,686,929	\$ 433,383	\$ 1,253,546
Environmental management:				
Administration	\$ 127,759	\$ 127,759	\$ 128,438	\$ (679)
Total environmental management	\$ 127,759	\$ 127,759	\$ 128,438	\$ (679)
Cooperative extension program:				
Administration	\$ 43,060	\$ 43,060	\$ 33,887	\$ 9,173
Total cooperative extension program	\$ 43,060	\$ 43,060	\$ 33,887	\$ 9,173
Total community development	\$ 1,746,578	\$ 1,857,748	\$ 595,708	\$ 1,262,040

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013 (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	\$ 694,172	\$ 1,004,596	\$ 64,947	\$ 939,649
Total nondepartmental	<u>\$ 694,172</u>	<u>\$ 1,004,596</u>	<u>\$ 64,947</u>	<u>\$ 939,649</u>
Capital outlay:				
Capital projects	\$ 655,210	\$ 1,401,646	\$ 973,322	\$ 428,324
Total capital outlay	<u>\$ 655,210</u>	<u>\$ 1,401,646</u>	<u>\$ 973,322</u>	<u>\$ 428,324</u>
Debt service:				
Principal retirement	\$ 932,320	\$ 932,320	\$ 9,280,000	\$ (8,347,680)
Interest and other fiscal charges	113,180	113,180	1,226,629	(1,113,449)
Total debt service	<u>\$ 1,045,500</u>	<u>\$ 1,045,500</u>	<u>\$ 10,506,629</u>	<u>\$ (9,461,129)</u>
Total General Fund	<u>\$ 17,324,625</u>	<u>\$ 18,265,114</u>	<u>\$ 24,972,710</u>	<u>\$ (6,707,596)</u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 438,600	\$ 438,600	\$ 401,881	\$ 36,719
Purchased services	59,973	59,973	31,435	28,538
Child care	2,500	45,000	39,484	5,516
Total health and welfare	<u>\$ 501,073</u>	<u>\$ 543,573</u>	<u>\$ 472,800</u>	<u>\$ 70,773</u>
Total Virginia Public Assistance Fund	<u>\$ 501,073</u>	<u>\$ 543,573</u>	<u>\$ 472,800</u>	<u>\$ 70,773</u>
<b>CSA Fund:</b>				
Health and welfare:				
Welfare and social services:				
Comprehensive services	\$ -	\$ -	\$ 163,933	\$ (163,933)
Total CSA Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,933</u>	<u>\$ (163,933)</u>
<b>Lodging Tax Marketing &amp; Capital Fund:</b>				
Economic development	\$ 395,623	\$ 419,636	\$ 370,658	\$ 48,978
Total Marketing/Capital Fund	<u>\$ 395,623</u>	<u>\$ 419,636</u>	<u>\$ 370,658</u>	<u>\$ 48,978</u>
Total Primary Government	<u>\$ 18,221,321</u>	<u>\$ 19,228,323</u>	<u>\$ 25,980,101</u>	<u>\$ (6,751,778)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Instruction	\$ 6,532,717	\$ 6,509,822	\$ 6,512,569	\$ (2,747)
Operating costs:				
Administration, attendance and health services	\$ 397,424	\$ 396,393	\$ 390,315	\$ 6,078
Pupil transportation	1,094,530	1,067,185	925,929	141,256
Operation and maintenance of school plant	1,567,810	1,710,473	1,693,030	17,443
Total operating costs	<u>\$ 3,059,764</u>	<u>\$ 3,174,051</u>	<u>\$ 3,009,274</u>	<u>\$ 164,777</u>
Total education	<u>\$ 9,592,481</u>	<u>\$ 9,683,873</u>	<u>\$ 9,521,843</u>	<u>\$ 162,030</u>
Total School Operating Fund	<u>\$ 9,592,481</u>	<u>\$ 9,683,873</u>	<u>\$ 9,521,843</u>	<u>\$ 162,030</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013 (Continued)

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special revenue fund:</b>				
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 577,220	\$ 576,072	\$ 599,262	\$ (23,190)
Total School Cafeteria Fund	<u>\$ 577,220</u>	<u>\$ 576,072</u>	<u>\$ 599,262</u>	<u>\$ (23,190)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 10,169,701</u>	<u>\$ 10,259,945</u>	<u>\$ 10,121,105</u>	<u>\$ 138,840</u>

## **STATISTICAL TABLES**

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 1,524,370	\$ 1,738,678	\$ 2,015,106	\$ 2,780,565	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865	\$ 1,108,675	\$ 1,805,410
Restricted	2,528,339	-	-	-	-	-	-	100,065	100,065	-
Unrestricted	<u>6,898,394</u>	<u>8,275,170</u>	<u>7,298,565</u>	<u>6,029,869</u>	<u>4,283,623</u>	<u>4,504,735</u>	<u>5,504,308</u>	<u>7,374,898</u>	<u>10,001,253</u>	<u>9,882,222</u>
Total governmental activities net position	<u>\$ 10,951,103</u>	<u>\$ 10,013,848</u>	<u>\$ 9,313,671</u>	<u>\$ 8,810,434</u>	<u>\$ 6,696,150</u>	<u>\$ 6,994,080</u>	<u>\$ 7,256,147</u>	<u>\$ 9,340,828</u>	<u>\$ 11,209,993</u>	<u>\$ 11,687,632</u>
Primary government										
Net investment in capital assets	\$ 1,524,370	\$ 1,738,678	\$ 2,015,106	\$ 2,780,565	\$ 2,412,527	\$ 2,489,345	\$ 1,751,839	\$ 1,865,865	\$ 1,108,675	\$ 1,805,410
Restricted	2,528,339	-	-	-	-	-	-	100,065	100,065	-
Unrestricted	<u>6,898,394</u>	<u>8,275,170</u>	<u>7,298,565</u>	<u>6,029,869</u>	<u>4,283,623</u>	<u>4,504,735</u>	<u>5,504,308</u>	<u>7,374,898</u>	<u>10,001,253</u>	<u>9,882,222</u>
Total primary government net position	<u>\$ 10,951,103</u>	<u>\$ 10,013,848</u>	<u>\$ 9,313,671</u>	<u>\$ 8,810,434</u>	<u>\$ 6,696,150</u>	<u>\$ 6,994,080</u>	<u>\$ 7,256,147</u>	<u>\$ 9,340,828</u>	<u>\$ 11,209,993</u>	<u>\$ 11,687,632</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
General government administration	\$ 822,773	\$ 849,302	\$ 812,657	\$ 1,128,216	\$ 1,748,192	\$ 1,302,485	\$ 1,721,629	\$ 1,229,730	\$ 1,211,724	\$ 1,268,772
Judicial administration	273,795	302,653	338,815	361,440	347,080	331,725	329,702	336,921	344,405	439,010
Public safety	1,497,304	1,858,083	2,039,547	1,603,440	1,683,552	2,233,245	1,850,466	1,829,651	2,040,286	2,112,434
Public works	1,115,654	1,201,687	1,331,678	1,889,642	1,307,268	1,080,364	1,120,874	1,100,064	1,064,089	1,155,574
Health and welfare	723,923	632,961	1,228,542	1,045,187	782,304	768,099	797,407	827,199	826,654	935,708
Education	6,903,012	6,888,684	7,325,783	7,050,754	7,151,033	6,528,980	6,062,084	6,460,206	6,904,010	7,459,886
Parks, recreation and cultural	464,736	481,137	550,337	553,650	498,344	602,237	477,243	465,168	467,408	539,930
Community development	427,480	952,375	651,494	831,774	285,774	284,996	271,641	241,827	1,145,116	969,681
Nondepartmental	-	-	-	-	45,333	60,783	180,027	281,777	47,199	65,610
Interest on long-term debt	49,308	34,253	30,421	104,707	256,604	270,256	412,588	399,090	383,614	1,234,856
Total governmental activities expenses	\$ 12,277,985	\$ 13,201,135	\$ 14,309,274	\$ 14,568,810	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633	\$ 14,434,505	\$ 16,181,461
Total primary government expenses	\$ 12,277,985	\$ 13,201,135	\$ 14,309,274	\$ 14,568,810	\$ 14,105,484	\$ 13,463,170	\$ 13,223,661	\$ 13,171,633	\$ 14,434,505	\$ 16,181,461
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 4,767	\$ 16,400	\$ 14,042	\$ 16,479	\$ 17,695	\$ 14,214	\$ 14,629	\$ 18,315	\$ 16,135	\$ 17,263
Judicial administration	7,885	8,845	11,401	10,708	14,142	17,265	21,222	24,213	17,805	16,900
Public safety	54,363	86,606	145,520	143,143	91,746	69,465	77,630	51,081	70,979	110,031
Public works	150,210	100,232	86,694	75,961	83,748	73,972	62,381	55,290	60,820	73,434
Parks, recreation and cultural	30,497	41,772	34,926	34,265	9,008	8,510	8,208	9,328	9,245	7,470
Operating grants and contributions	1,424,381	1,823,783	1,099,837	2,478,120	1,560,001	1,734,588	1,624,870	1,453,368	1,784,659	1,721,339
Total governmental activities program revenues	\$ 1,672,083	\$ 2,077,638	\$ 1,392,420	\$ 2,758,676	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595	\$ 1,959,643	\$ 1,946,437
Total primary government program revenues	\$ 1,672,083	\$ 2,077,638	\$ 1,392,420	\$ 2,758,676	\$ 1,777,116	\$ 1,918,014	\$ 1,808,940	\$ 1,611,595	\$ 1,959,643	\$ 1,946,437
Net (expense) / revenue										
Governmental activities	\$ (10,605,902)	\$ (11,123,497)	\$ (12,916,854)	\$ (11,810,134)	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)	\$ (12,474,862)	\$ (14,235,024)
Total primary government net expense	\$ (10,605,902)	\$ (11,123,497)	\$ (12,916,854)	\$ (11,810,134)	\$ (12,328,368)	\$ (11,545,156)	\$ (11,414,721)	\$ (11,560,038)	\$ (12,474,862)	\$ (14,235,024)
<b>General Revenues and Other Changes</b>										
In Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 9,356,163	\$ 8,539,461	\$ 10,051,605	\$ 9,036,106	\$ 8,072,448	\$ 9,893,321	\$ 9,701,561	\$ 11,384,262	\$ 11,409,502	\$ 11,685,185
Local sales and use taxes	842,340	862,771	798,631	872,074	1,078,576	797,508	729,748	687,422	807,325	873,109
Restaurant food tax	-	-	-	-	-	-	-	195,557	804,380	879,825
Motor vehicle licenses taxes	32,764	33,551	1,711	-	-	70,691	77,576	72,513	72,341	72,794
Taxes on recordation and wills	67,103	116,934	108,023	150,329	85,196	69,523	62,594	68,993	91,714	98,445
Bank stock taxes	30,888	23,107	36,751	28,777	25,841	25,895	27,963	30,036	32,266	33,918
Hotel and motel room taxes	-	279,173	406,100	511,717	451,775	360,138	326,434	707,584	721,982	823,534
Other local taxes	1,505	20,197	20,050	21,395	19,478	2,763	306,680	19,695	21,958	20,760
Unrestricted grants and contributions	257,082	113,706	465,158	101,623	102,530	333,018	330,014	233,860	231,527	337,617
Unrestricted revenues from use of money and property	162,749	185,885	316,023	433,669	289,694	94,642	55,329	57,130	51,966	43,463
Miscellaneous	68,056	11,457	11,625	151,207	88,546	229,282	55,889	187,667	99,066	78,866
Loss on disposition of capital assets	(6,264)	-	-	-	-	(4,015)	-	-	-	-
Total governmental activities	\$ 10,810,386	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719	\$ 14,344,027	\$ 14,947,516
Total primary government	\$ 10,810,386	\$ 10,186,242	\$ 12,216,677	\$ 11,306,897	\$ 10,214,084	\$ 11,872,767	\$ 11,676,788	\$ 13,644,719	\$ 14,344,027	\$ 14,947,516
<b>Change in Net Position</b>										
Governmental activities	\$ 204,484	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165	\$ 712,492
Total primary government	\$ 204,484	\$ (937,255)	\$ (700,177)	\$ (503,237)	\$ (2,114,284)	\$ 327,611	\$ 262,067	\$ 2,084,681	\$ 1,869,165	\$ 712,492

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

Fiscal Year	Property Tax	Local sales and use Tax	Restaurant Food Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Hotel and Motel Taxes	Other Local Taxes	Total
2013	\$ 11,685,185	\$ 873,109	\$ 879,825	\$ 72,794	\$ 98,445	\$ 823,534	\$ 54,678	\$ 14,487,570
2012	11,409,502	807,325	804,380	72,341	91,714	721,982	54,224	13,961,468
2011	11,384,262	687,422	195,557	72,513	68,993	707,584	49,731	13,166,062
2010	9,701,561	729,748	-	77,576	62,594	611,092	295,680	11,478,251
2009	9,893,321	797,508	-	70,691	69,523	360,138	47,229	11,238,410
2008	8,072,448	1,078,576	-	-	85,196	451,775	45,319	9,733,314
2007	9,036,106	872,074	-	-	150,329	511,717	50,172	10,620,398
2006	10,051,605	798,631	-	1,711	109,023	406,100	56,801	11,423,871
2005	8,539,461	862,771	-	33,551	116,934	279,173	43,304	9,875,194
2004	9,356,163	842,340	-	32,764	67,103	-	51,268	10,349,638



County of Bath, Virginia

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund					
Reserved	\$ 48,251	\$ 48,251	\$ 48,251	\$ 48,251	\$ 48,251
Unreserved	6,801,456	8,232,393	7,260,245	8,048,086	4,172,476
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 6,849,707</u>	<u>\$ 8,280,644</u>	<u>\$ 7,308,496</u>	<u>\$ 8,096,337</u>	<u>\$ 4,220,727</u>
All other governmental funds					
Committed for:					
Special revenue funds	\$ 12,131	\$ 10,347	\$ 2,379	\$ 4,567	\$ 10,927
Capital projects funds	<u>2,528,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,540,470</u>	<u>\$ 10,347</u>	<u>\$ 2,379</u>	<u>\$ 4,567</u>	<u>\$ 10,927</u>

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

Table 4

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

# County of Bath, Virginia

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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Revenues</b>					
General property taxes	\$ 9,331,163	\$ 8,594,217	\$ 10,043,202	\$ 8,988,828	\$ 8,068,136
Other local taxes	993,475	1,335,733	1,372,266	1,584,292	1,660,866
Permits, privilege fees and regulatory licenses	45,459	78,244	135,042	134,976	86,019
Fines and forfeitures	223	125	44	50	38
Revenue from use of money and property	162,749	185,885	316,023	433,669	289,694
Charges for services	202,020	175,486	157,497	145,530	131,058
Miscellaneous	68,056	11,457	11,625	22,930	48,759
Recovered costs	18,519	46,040	90,419	128,277	58,953
Intergovernmental:					
Commonwealth	1,217,490	1,369,196	1,212,859	1,479,756	1,412,926
Federal	463,973	568,293	352,136	1,099,987	230,439
Total revenues	\$ 12,503,127	\$ 12,364,676	\$ 13,691,113	\$ 14,018,295	\$ 11,986,888
<b>Expenditures</b>					
General government administration	\$ 680,617	\$ 718,972	\$ 761,839	\$ 797,212	\$ 955,323
Judicial administration	281,265	327,412	332,216	361,440	347,080
Public safety	1,244,615	1,467,711	1,776,193	1,634,764	1,680,543
Public works	1,143,284	1,204,373	1,301,048	1,891,595	1,307,050
Health and welfare	662,539	631,892	1,223,866	1,039,709	775,468
Education	6,519,485	6,513,855	6,857,731	7,050,754	7,151,033
Parks, recreation and cultural	465,598	514,141	518,396	550,619	498,063
Community development	427,043	943,988	649,316	834,884	285,774
Nondepartmental	40,481	62,952	36,833	45,484	45,333
Capital projects	578,617	763,048	908,543	3,183,429	6,374,681
Debt service:					
Principal	427,250	280,850	274,250	280,850	490,790
Interest and other fiscal charges	50,660	34,668	30,998	92,526	-
Total expenditures	\$ 12,521,454	\$ 13,463,862	\$ 14,671,229	\$ 17,763,266	\$ 19,911,138
Excess of revenues over (under) expenditures	\$ (18,327)	\$ (1,099,186)	\$ (980,116)	\$ (3,744,971)	\$ (7,924,250)
<b>Other financing sources (uses)</b>					
Transfers in	\$ 126,198	\$ 2,714,381	\$ 250,234	\$ 171,535	\$ 188,507
Transfers out	(126,198)	(2,714,381)	(250,234)	(171,535)	(188,507)
Issuance of indebtedness	-	-	-	4,535,000	4,055,000
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ 4,535,000	\$ 4,055,000
Net change in fund balances	\$ (18,327)	\$ (1,099,186)	\$ (980,116)	\$ 790,029	\$ (3,869,250)
Debt service as a percentage of noncapital expenditures	4.0016%	2.4842%	2.2179%	2.5609%	3.6257%

Table 5

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

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

Fiscal Year	Property Tax	Local sales and use Tax	Meals Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Hotel and Motel Room Tax	Other Local Taxes	Total
2013	\$ 11,719,341	873,109	\$ 879,825	\$ 72,794	\$ 98,445	\$ 823,534	\$ 54,678	\$ 14,521,726
2012	11,342,321	807,325	804,380	72,341	91,714	721,982	54,224	13,894,287
2011	11,579,115	687,422	195,557	72,513	68,993	707,584	49,731	13,360,915
2010	9,507,978	729,748	-	77,576	62,594	611,091	49,985	11,038,972
2009	9,820,700	797,508	-	70,691	69,523	360,138	47,229	11,165,789
2008	8,068,136	1,078,576	-	-	85,196	451,775	45,319	9,729,002
2007	8,988,828	872,074	-	-	150,329	511,717	50,172	10,573,120
2006	10,043,202	798,631	-	1,711	109,023	406,100	56,801	11,415,468
2005	8,594,217	862,771	-	33,551	116,934	279,173	43,304	9,929,950
2004	9,331,163	842,340	-	32,764	67,103	-	51,268	10,324,638

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>
2013	\$ 937,462,500	\$ 57,923,200	\$ 81,300	\$ 1,494,282,594	\$ 2,489,749,594	\$ 937,462,500	100.00%
2012	941,238,956	57,112,800	85,900	1,431,099,852	2,429,537,508	941,238,956	100.00%
2011	789,780,227	58,144,700	268,200	1,270,143,889	2,118,337,016	789,780,227	100.00%
2010	739,333,542	58,748,900	59,900	974,004,286	1,772,146,628	739,333,542	100.00%
2009	754,137,000	62,405,200	66,500	1,016,138,462	1,832,747,162	754,137,000	100.00%
2008	711,421,700	57,033,500	84,100	1,059,460,297	1,827,999,597	711,421,700	100.00%
2007	686,187,300	53,290,700	182,800	1,297,733,110	2,037,393,910	686,187,300	100.00%
2006	657,528,300	54,448,400	224,600	1,549,842,388	2,262,043,688	657,528,300	100.00%
2005	477,084,800	49,178,700	78,700	1,218,373,189	1,744,715,389	477,084,800	100.00%
2004	471,229,430	53,072,500	77,400	1,384,778,102	1,909,157,432	471,229,430	100.00%

Source: Commissioner of Revenue

(1) Provided for real estate values only.

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

Fiscal Years	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2013	\$ 0.48	\$ 0.35	\$ 0.48	\$ 0.35
2012	0.48	0.35	0.48	0.35
2011	0.55	0.35	0.55	0.35
2010	0.55	0.35	0.55	0.35
2009	0.55	0.35	0.55	0.35
2008	0.45	0.20	0.45	0.20
2007	0.45	0.20	0.45	0.20
2006	0.45	0.20	0.45	0.20
2005	0.50	0.20	0.50	0.20
2004	0.50	0.20	0.50	0.20

(1) Per \$100 of assessed value

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2013		Fiscal Year 2004	
		2012 Assessed Valuation	% of Total Assessed Valuation	2003 Assessed Valuation	% of Total Assessed Valuation
Public Service	Utilities (Power, etc.)	\$ 1,494,282,594	84.320%	\$ 1,384,778,102	66.259%
The Homestead LC	Hotel	104,367,800	5.889%	74,758,200	3.577%
Redus VA Housing, LLC	R.E. Prop. & invst.	66,356,700	3.744%	N.A.	
The Owners Club	Timeshares	23,610,800	1.332%	17,662,500	0.845%
Cambata Industries	Farming; aviation	8,277,900	0.467%	11,532,300	0.552%
Plecker & Son	Construction	2,601,100	0.147%	3,143,600	0.150%
CA Partners	Real Estate Dev.	2,182,700	0.123%	N.A.	
Fort Lewis Lodge	Lodging	4,532,500	0.256%	N.A.	
Bill Chambers	Real Estate Dev.	3,272,800	0.185%	N.A.	
Lockridge Enterprises	Real Estate Dev.	1,833,400	0.103%	N.A.	
		<u>\$ 1,711,318,294</u>	<u>96.57%</u>	<u>\$ 1,491,874,702</u>	<u>71.38%</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
2013	\$ 11,654,162	\$ 11,475,356	98.47%	\$ -	\$ 11,475,356	98.47%
2012	11,335,319	11,071,943	97.68%	181,164	11,253,107	99.27%
2011	11,327,270	11,123,491	98.20%	164,688	11,288,179	99.65%
2010	9,671,942	9,282,256	95.97%	373,425	9,655,681	99.83%
2009	9,917,942	9,726,824	98.07%	183,397	9,910,221	99.92%
2008	7,987,935	7,880,740	98.66%	105,398	7,986,138	99.98%
2007	8,939,212	8,797,853	98.42%	140,832	8,938,685	99.99%
2006	9,944,394	9,793,315	98.48%	150,570	9,943,885	99.99%
2005	8,522,863	8,479,786	99.49%	43,012	8,522,798	100.00%
2004	9,328,632	9,221,796	98.85%	106,722	9,328,518	100.00%

Source: Commissioner of Revenue, County Treasurer's office

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases			
2013	\$ -	\$ -	\$ 8,775,000	\$ -	\$ 8,775,000	4.89%	\$ 1,923
2012	-	-	8,510,000	-	8,510,000	4.75%	1,827
2011	-	-	8,825,000	-	8,825,000	5.11%	1,865
2010	-	-	9,485,000	57,187	9,542,187	5.53%	2,017
2009	-	-	9,515,000	90,978	9,605,978	5.57%	2,024
2008	-	-	8,590,000	-	8,590,000	4.79%	1,754
2007	233,800	-	4,535,000	-	4,768,800	2.72%	985
2006	501,900	12,750	-	-	514,650	0.33%	101
2005	763,400	25,500	-	-	788,900	0.52%	162
2004	1,031,500	38,250	-	-	1,069,750	0.68%	219

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>
2013	\$	8,775,000	\$	-	\$ 8,775,000	0.35%	\$ 1,923
2012		8,510,000		100,065	8,409,935	0.35%	1,799
2011		8,825,000		100,065	8,724,935	0.41%	1,874
2010		9,485,000		-	9,485,000	0.54%	2,005
2009		9,515,000		-	9,515,000	0.52%	1,957
2008		8,590,000		-	8,590,000	0.47%	1,754
2007		4,768,800		-	4,768,800	0.23%	985
2006		514,650		-	514,650	0.02%	101
2005		788,900		-	788,900	0.05%	162
2004		1,069,750		-	1,069,750	0.06%	219

(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

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<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2013	4,563	195,609,000	\$ 42,048	48	597	4.90%
2012	4,676	185,959,844	39,769	48	625	4.80%
2011	4,657 (2)	179,271,215 (1)	38,495	47	658	5.00% (3)
2010	4,731	172,536,000 (1)	38,495	47	670	6.30%
2009	4,863	172,536,000	38,495	42	693	6.40%
2008	4,898	179,397,000	39,238	42	715	4.10%
2007	4,843	175,473,000	37,663	44	764	3.10%
2006	5,120	156,715,000	33,458	44	778	3.20%
2005	4,878	152,061,000	31,785	44	778	3.50%
2004	4,895	157,578,000	32,403	44	787	3.60%

(1) not available - estimated based on 2009

(2) 2011 estimate

(3) September 2012 rate

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

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2013			Fiscal Year 2004		
	(1) Employees	Rank	% of Total County Employment	(1) Employees	Rank	% of Total County Employment
The Homestead	850	1	32.78%	750	1	43.99%
Bath County Public Schools	146	2	5.63%	175	2	10.26%
Bath County Community Hospital	125	3	4.82%	175	3	10.26%
County of Bath	75	4	2.89%	75	5	4.40%
AFS of Hot Springs, Inc. (Springs Nursing Center)	65	5	2.51%	75	7	4.40%
Dominion Virginia Power (2)	50	6	1.93%	-	-	0.00%
Barc Electrical Co-op	45	7	1.74%	75	6	4.40%
Phantom Eagle LLC (2)	35	8	1.35%	-	-	0.00%
VA Department of Conservation	35	9	1.35%	35	8	2.05%
F. Clayton Plecker & Sons	30	10	1.16%	35	12	2.05%
Totals	<u>1,456</u>		<u>56.15%</u>	<u>1,395</u>		<u>81.82%</u>
Total estimated jobs in County	2,593			1,705		

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

(2) Company not in operation in 2004.

## Sources:

VA Employment Commission, 7/23/2013, [www.vec.virginia.gov](http://www.vec.virginia.gov) (50 Largest Employers in Bath County for fourth quarter 2012 - latest available - and 2004).

VA Workforce Connection, 12/31/2013, [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 2013 and 2004 annual.

## County of Bath, Virginia

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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
General government	10	10	10	10	10
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	17	17	17	17	18
911 Administrator	0	0	0	0	1
Building inspections	1	2	2	2	2
Animal control	2	2	2	2	2
Public works					
General maintenance	2	2	2	2	2
Landfill	2	2	2	0	0
Health and welfare					
Department of social services	7	7	7	7	7
Culture and recreation					
Parks and recreation	3	3	3	3	3
Library	2	2	2	1	1
Community development					
Tourism	0	0	0	0	0
Planning	1	2	2	2	2
Totals	<u>52</u>	<u>54</u>	<u>54</u>	<u>51</u>	<u>53</u>

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

Table 15

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Fiscal Year				
2009	2010	2011	2012	2013
10	10	11	10	9
5	5	5	5	5
18	17	17	17	19
1	1	1	0	0
2	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
2	1	1	1	1
0	0	0	1	2
2	2	2	2	2
<u>54</u>	<u>51</u>	<u>52</u>	<u>51</u>	<u>53</u>

## County of Bath, Virginia

### Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Public safety					
Sheriff's department:					
Physical arrests	94	128	92	70	94
Traffic violations	31	23	8	10	27
Civil papers	1,529	1,507	1,338	1,210	1,438
Building inspections:					
Inspections made	597	804	580	374	351
Permits issued	230	213	173	128	65
Animal control:					
Number of calls answered	522	610	646	665	669
Public works					
Landfill:					
Refuse collected (tons/day) (1)	26.6	26.1	N/A	N/A	27
Recycling (tons/day) (1)	2.3	1.6	N/A	N/A	3
Health and welfare					
Department of Social Services:					
Caseload	571	579	582	560	596
Culture and recreation					
Parks and recreation:					
After-school program participants	932	868	594	n/a	n/a
Youth sports participants	545	525	500	515	599
Component Unit - School Board					
Education:					
School age population (2)	912	931	931	757	717
Number of teachers (2)	84	85	85	78	71
Local expenditures per pupil (2)	\$8,424	\$8,712	\$8,712	\$12,939	\$10,194

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				
2009	2010	2011	2012	2013
93	103	62	125	167
53	31	10	12	52
1,098	1,105	1,101	1,114	1,215
641	74	77	118	239
114	99	90	93	112
611	540	547	579	620
20	20	20	20	20
3	5	5	5	5
693	726	775	814	884
n/a	n/a	n/a	n/a	n/a
811	553	523	477	450
692	672	630	635	604
71	70	69	61	67
\$14,341	\$13,443	\$9,888	\$10,153	\$16,129

## County of Bath, Virginia

### Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2004	2005	2006	2007	2008
General government					
Administration buildings	4	4	4	5	4
Vehicles	2	2	2	2	1
Public safety					
Sheriff's department:					
Patrol units	12	13	13	14	12
Animal control:					
Vehicles	1	1	1	1	1
Public works					
Vehicles	2	2	2	2	1
Sites	1	1	1	1	1
Culture and recreation					
Parks and recreation:					
Vehicles	1	1	1	2	2
Swimming pools	2	2	2	2	2
Health and welfare					
Buildings	1	1	1	1	1
Community development					
Planning:					
Vehicles	1	2	1	1	1
Component Unit - School Board					
Education:					
Schools	4	4	4	4	4
School buses	14	15	14	13	18

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

Table 17

Fiscal Year				
2009	2010	2011	2012	2013
5 1	5 1	5 1	5 1	5 1
12	10	12	12	13
1	1	1	1	1
1 1	1 1	1 1	1 1	1 1
2 2	2 2	3 2	3 2	3 2
1	1	1	1	1
1	1	1	1	1
4 21	5 19	5 18	4 19	4 19

## **COMPLIANCE**



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Bath, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Bath, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2013.

### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
December 15, 2013

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Report on Compliance for Each Major Federal Program

We have audited County of Bath, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Bath, Virginia's major federal programs for the year ended June 30, 2013. County of Bath, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of Bath, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Bath, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Bath, Virginia's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, County of Bath, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



## Report on Internal Control Over Compliance

Management of County of Bath, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Bath, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Bath, Virginia's internal control over compliance.

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

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

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
December 15, 2013

County of Bath, Virginia

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	09050110/09050111	\$ 10,242
Temporary Assistance for Needy Families	93.558	0400110/0400111	47,995
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	191
Low-Income Home Energy Assistance	93.568	0600410/0600411	5,709
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	7,994
Stephanie Tubbs Jones Child Welfare Services - Program	93.645	0900110/0900111	264
Foster Care - Title IV-E	93.658	1100110/1100111	36,890
Adoption Assistance	93.659	1120110/1120111	1,721
Social Services Block Grant	93.667	100110/100110/1000111	51,934
Chafee Foster Care Independence Program	93.674	9150110/9150111	236
State Children's Health Insurance Program	93.767	Not Available	1,506
		8020188/8020288/8020388/80	
Medical Assistance Program	93.778	60188/8130188	<u>86,032</u>
Total Dept. Health & Human Services-pass through			\$ <u>250,714</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	Not Available	\$ 22,192
Department of Education:			
Child Nutrition Cluster:			
School Lunch Program (Child Nutrition Cluster)	10.555	Not Available	<u>121,685</u>
Subtotal			\$ <u>143,877</u>
School Breakfast Program (Child Nutrition Cluster)	10.553	Not Available	\$ 41,578
Schools and Roads - Grants to States	10.665	Not Available	179,793
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0010111/0040111	<u>62,583</u>
Total Department of Agriculture			\$ <u>427,831</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	Not Available	\$ <u>208,001</u>

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Homeland Security: Pass Through Payments: Department of Emergency Services: Emergency Management Performance Grants	97.042	Not Available	\$ 839
Total Department of Homeland Security			\$ 839
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ Royalty Grants	66.000	Not Available	\$ 914
Department of Education: Pass Through Payments: Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education Preschool Grants English Language Acquisition State Grants Career and Technical Education - Basic grants to states Improving Teacher Quality State Grants Rural Education ARRA, Education Jobs Fund	84.010 84.027 84.173 84.365 84.048 84.367 84.358 84.410	S010A100046 H027A100107 H173100112 Not Available V048A10046 S367A09044 S358A092437 S410A10047	\$ 89,482 148,707 3,928 4,493 8,747 19,764 17,172 1,093
Total Department of Education			\$ 293,386
Total Expenditures of Federal Awards			\$ 1,181,685

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Bath, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Bath, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Bath.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE C - FOOD DISTRIBUTION

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

County of Bath, Virginia

Schedule of Expenditures of Federal Awards (continued)  
For the Year Ended June 30, 2013

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

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental funds	\$	672,862
Less payments in lieu of tax under CFDA 15.226 not included above		<u>(293,170)</u>
Total primary government	\$	<u>379,692</u>

Discretely presented component unit - School Board:

School operating fund	\$	616,538
School cafeteria fund		<u>185,455</u>
Total discretely presented component unit - School Board	\$	<u>801,993</u>

Total federal expenditures per basic financial statements	\$	<u>1,181,685</u>
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Total federal expenditures per the Schedule of Expenditures of Federal awards	\$	<u>1,181,685</u>
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**COUNTY OF BATH, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

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

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Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weaknesses identified?        yes   x   no

- Significant deficiencies identified that are not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to financial statements noted?        yes   x   no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?        yes   x   no

- Significant deficiencies identified that are not considered to be material weaknesses?        yes   x   none reported

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

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

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.228	.....	Community Development Block Grant
10.665	.....	Secure Payments for States and Counties Containing Federal Land

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

Auditee qualified as low-risk auditee?   x   yes        no

**Section II-Financial Statement Findings**

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None

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

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None

**Section IV-Summary of Prior Year Funds**

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None