County of Bath, Virginia

Image: ©The Nature Conservancy (Kent Mason)

Comprehensive Annual Financial Report

Year Ended June 30, 2018

COUNTY OF BATH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Prepared by

Ashton Harrison, County Administrator

County of Bath, Virginia

COUNTY OF BATH, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

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Ashton N. Harrison
County Administrator

COUNTY OF BATH
COMMONWEALTH OF VIRGINIA

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December 7, 2018

To the Honorable Board of Supervisors and the Citizens of the County of Bath, Virginia:

Commonwealth of Virginia law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Robinson, Farmer, Cox Associates, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of Bath's financial statements for the year ended June 30, 2018. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. The independent auditor's report is located at the front of the financial section of this document.

In addition to meeting requirements set forth by state statues, the independent audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) to meet the special needs of federal grantor agencies. As a part of the County's single audit, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2018 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations. The auditors' report related specifically to the single audit is included in the Compliance Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management discussion and analysis (MD&A). The MD&A complements the letter of transmittal and should be read in conjunction with it. The County of Bath MD&A immediately follows the independent auditor's report.

Mission Statement

It is our mission to enrich the quality of life for Bath County citizens and businesses alike. In meeting this commitment, the Board of Supervisors pledges to work in partnership with the citizens of Bath County to achieve the following:

- Provide for the health, safety and welfare of the citizens;
- Foster pride in our community;
- Develop a vibrant and diversified local economy;
- Plan for the County’s future;
- Preserve our rural character and heritage;
- Preserve our natural environment; and,
- Be good stewards of the public treasury today as well as tomorrow.

Governance

Bath County is a political subdivision of the Commonwealth of Virginia that is governed by a five-member Board of Supervisors. Board members are residents of and elected from designated magisterial districts: Cedar Creek, Millboro, Warm Springs, Williamsville, and Valley Springs. Policy-making and legislative authority is vested in the governing body (Board). The Board of Supervisors appoints the County Administrator who oversees the County’s operations.

Bath County is also served by five Constitutional Officers: Sheriff, Commonwealth Attorney, Treasurer, Commissioner of the Revenue, and Circuit Court Clerk.

The County seat is located in Warm Springs.

Core Government Services

The County provides a wide range of services to its residents: law enforcement, E-911, emergency management, judicial services, sanitation and waste disposal, parks and recreation, tourism, community and economic development, animal control and animal shelter, buildings and grounds maintenance, and general and financial administration.

Utility services (water and sewer) are provided by the Bath County Service Authority.

The Bath County Economic Development Authority assists with the attraction of new businesses and the expansion of existing businesses to help improve the local economy.

Public Education

The Bath County Public School System (BCPS) is fully accredited by the Virginia Department of Education and provides education to approximately 515 students in grades K-12. The County has three schools: two elementary schools (Pre-Kindergarten – Grade 7), one high school (Grades 8 – 12), and a career and technical center.

Higher Education

Bath County is located within an hour’s drive of several higher education institutions. These include Washington and Lee University and Virginia Military Institute in Lexington; Southern Virginia University in Buena Vista; and Dabney S. Lancaster Community College in Clifton Forge.

History

Bath County was formed from parts of Augusta, Botetourt, and Greenbrier counties in December 1790. Named for the English resort city of Bath, Bath County was, similarly, to become a resort area of national reputation because of its soothing mineral waters.

At one time, Bath County had 22 commercial springs operating within its boundaries. These mineral waters were used for healing purposes and attracted patrons to the inns and hotels located at Hot Springs, Warm Springs, Bolar Springs, Millboro Springs, Healing Springs, and Bath-Alum Springs. Today, the baths in Hot Springs is still open to the public. The construction of the resort hotel, The Homestead, in the late 1920s, turned the community of Hot Springs into a nationally recognized resort center. Tourism continues to be the main industry in Bath County.

Geography

Bath County encompasses 540 square miles and lies within the Allegheny Mountains and is part of the Valley and Ridge Physiographic Province. The County is characterized by high, narrow, mountain ridges that run northeast to southwest and that form relatively narrow river valleys. Most of the level areas are found on the terraces adjacent to streams and rivers.

The Jackson, Bullpasture, and Cowpasture rivers and other streams lie within Bath County and are subject to moderate to severe flooding during periods of heavy rains or rapid thawing. Soils in the County are primarily mountain soils derived from the weathering of acidic sandstone, shale, quartz, and granite parent material. These soils are often shallow, rocky, and excessively drained. Soils in the valleys range from carbonate soils to alluvial soils along rivers and streams. Colluvial soils resulting from the weathering of the sandstone and shale mountains are also found in the valleys. The predominant geological structure underlying the area is a complex formation of sandstone, limestone, shale, and dolomite.

Demographics

According to the figures from the Census Bureau updated in 2017, the County has 4,297 residents. The poverty level was 11.7%. The median housing value was $146,400. The educational attainment was 87.3% with a high school degree or higher and 15.4% with a Bachelor’s degree or higher.

The Virginia Economic Development Partnership reported that as of 2016, per capita income was $51,519 and median household income was $57,795.

The unemployment rate as of June 2018 was 2.67%.

Healthcare

Bath Community Hospital, located in Hot Springs, is a full-service medical facility offering 24-hour emergency care. The Lewis Gale Hospital Alleghany, located in nearby Alleghany County, offers full-service, acute and emergency medical care. The Springs Nursing Center is a 90-bed facility providing skilled nursing care in private and shared accommodations.

Culture and Recreation

The cultural blend of the community is comprised of families who have lived in the County for generations and residents from around the country and world who have chosen to live in Bath County.

The County operates three playing fields, two tennis courts, a skatepark, two swimming pools and offers a variety of public recreational programs.

The Bath area offers a wide range of recreation and leisure activities that appeal to both the outdoorsman and those who wish to experience the ultimate in relaxation. Abundant opportunities exist to enjoy camping, hunting, fly and trout fishing, biking and hiking trails, and resorts and spas.

The nationally known Omni Homestead is located on 3,000 acres in Hot Springs. The Omni Homestead includes two championship golf courses, horseback riding, hiking, fishing, tennis, swimming, skeet and trap shooting, falconry, skiing, snowboarding and ice skating.

The Dominion Back Creek recreational area is located adjacent to the world's most powerful pumped storage generating station, a Dominion Resources owned property that is a major taxpayer in the County and provides electricity for millions of homes across six different states. This 325-acre public recreational area contains two lakes that are open on a seasonal basis located just downstream from the lower dam. This area is a popular destination for fishing, non-power boating, picnicking, swimming, hiking and camping.

As a traditional family park for more than 70 years, Douthat is listed on the National Register of Historic Places because its design influenced the development of parks nationwide. Located amid some of Virginia's most breathtaking mountain scenery, visitors enjoy miles of stream fishing, a 50-acre recreation lake stocked with trout, a sandy swimming beach, boat and bicycle rentals, a camp store, miles of hiking, biking, horseback riding trails, cabins, campgrounds and picnic areas.

Lake Moomaw and the Bolar Mountain recreational areas are among the most popular developed recreational areas in the George Washington National Forest and provide an endless array of activities including boating, fishing, hiking, biking and camping. The Grouse Point Overlook and the Island Overlook are also two popular vista locations in the Bolar Mountain region which offer a scenic panoramic view of Lake Moomaw. Approved by Congress in 1947 the Gathright Dam and most of the recreation facilities were constructed by the Army Corps of Engineers between 1965 and 1979. Gathright Dam and Lake Moomaw provide flood and water quality control along the Jackson and the James Rivers. Adjacent to the dam is 13,428 acres known as the T.M. Gathright Wildlife Management Area which is managed by the Virginia Department of Game and Inland Fisheries. The area is devoted to the enhancement and management of wildlife, especially wild turkey.

Economic Development

The Bath County Economic Development Authority is prepared to assist qualified businesses and industries to expand or locate in the County. The Authority is comprised of a seven-member Board comprised of one member from each Magisterial District and two at-large members appointed by the Board of Supervisors. The County is committed to free enterprise and maintaining a business-friendly environment.

The County is accessible to Interstate 81 and Interstate 64 via U.S. Route 220 which provides the main routes of transportation to and from Bath County. General aviation service is available through the Ingalls Field Airport located in Hot Springs. Domestic flights are accessible within 66 miles of the County via the Shenandoah Valley Regional Airport and within 73 miles via the Greenbrier Valley Airport in Lewisburg, West Virginia.

The Bath County Board of Supervisors and the Economic Development Authority Board of Directors has adopted an Economic Development Strategic Plan. The primary objective of the Bath County Economic Development Strategic Plan is to present a range of implementable action steps that capitalize on the County's existing strengths and opportunities to increase the level of economic activity within the County. The Strategic Plan is available for public review and is on the County's website www.bathcountyva.org.

Taxes

The property tax rate is $0.50 per $100 in assessed valuation. The personal property tax rate is $0.35 per $100 in assessed valuation.

The sales tax rate is 1%.

The meals tax rate is 4%.

The lodging tax rate is 4%. The General Fund receives 2% of the taxes and the Lodging Tax – Marketing/Capital Fund receives 2%.

Relevant Financial Policies

The Bath County Fund Balance Policy includes the goal to maintain a fund balance for cash liquidity purposes. At the close of each fiscal year, the County's unassigned General Fund balance should be equal to at least 20% of the County's total General Fund expenditures. If the County does not meet its target, it will develop a plan during the annual budget adoption process to replenish the assigned fund balance to the 20% target level over a period of not more than three to five fiscal years. The County's unassigned General Fund balance is 50% for the fiscal year ending June 30, 2018.

Major Initiatives

The County has instituted an additional lodging tax of 5% on specific historic lodging establishments for the purpose of providing economic incentive grants to said historic lodging establishments. The County has entered into a 30-year agreement with The Homestead, L.C. and the EDA to incentivize significant capital improvements to the Omni Homestead resort, Bath County's largest employer and a major taxpayer.

The County has completed a master plan for a future Visitors Center and Event Grounds for property it owns in Mitchelltown, Virginia. Working with the Board of Supervisors and public, the next step will be to prioritize projects, determine additional phasing, and create a financial plan to begin constructing the facility.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officer's Association of the United States and Canada (GFOA) awards Certificate of Achievement for Excellence in Financial Reporting to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative bodies.

To earn a Certificate of Achievement, the County has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current CAFR meets the Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

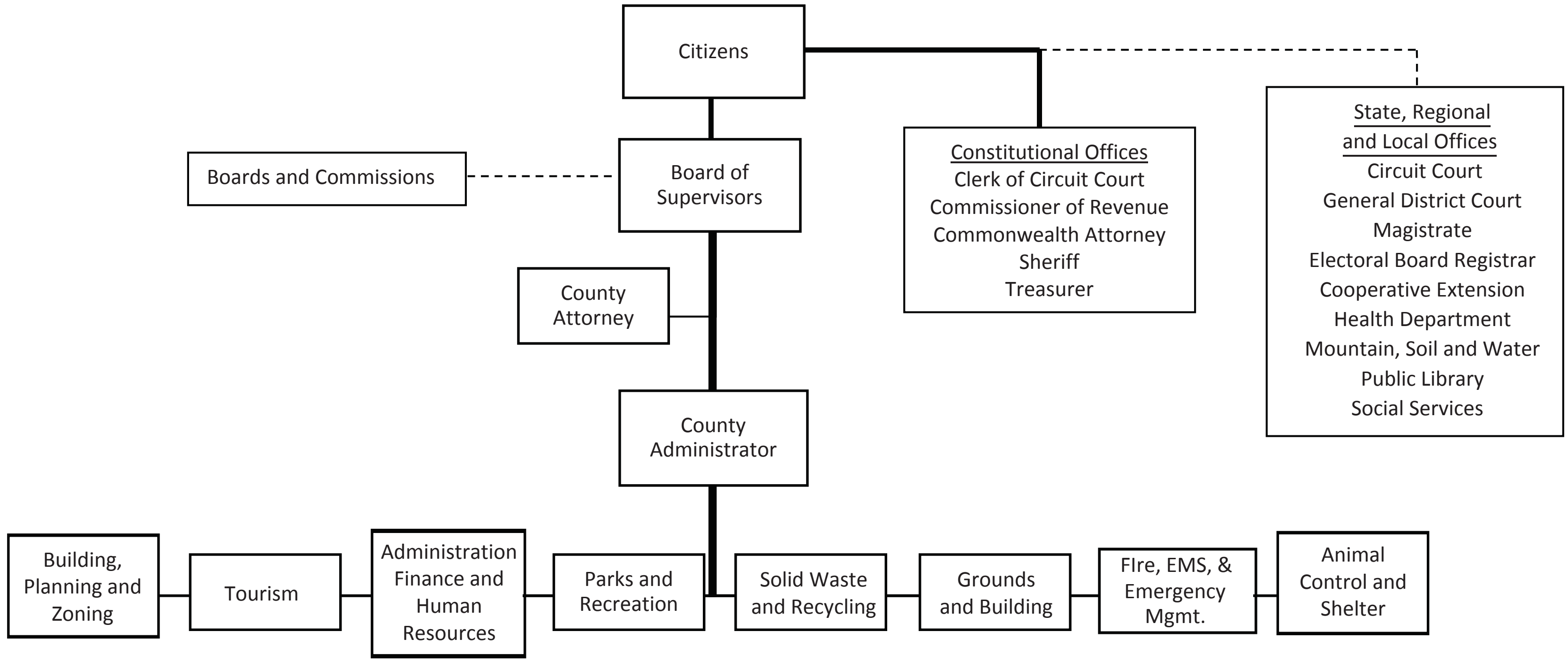
Conclusion

I want to thank the dedicated staff of the County Administrator's Office and the Office of the County Treasurer for their hard work in helping prepare this report. Additionally, all Constitutional officers and departments heads should be commended for making the most efficient use of their budgets. Finally, credit is due to the Board of Supervisors for their strong commitment to maintaining sound fiscal policy. My office looks forward to continuing to work with the Board of Supervisors and all County departments in ensuring the health, safety, and welfare of our citizens.

Respectfully Submitted,

Ashton N. Harrison
County Administrator
County of Bath, Virginia

County of Bath
Organizational Chart



COUNTY OF BATH, VIRGINIA

BOARD OF SUPERVISORS

Richard B. Byrd, Chairman

Bart Perdue, Vice-Chairman	Stuart L. Hall
Ron Shifflett	Edward T. Hicklin

COUNTY SCHOOL BOARD

Bryan Secoy, Chairman

Roy Burns	Rhonda Grimm, Vice-Chairman
Cathy Lowry	Eddie Ryder

DEPARTMENT OF SOCIAL SERVICES BOARD

Beatrice Clark, Chairman

Richard B. Byrd	Charlotte Haynes, Vice-Chairman

PUBLIC SERVICE AUTHORITY

Bart Perdue, Chairman

Chad Carpenter, Vice-Chairman	David Lindsay, Secretary/Treasurer
Bartlett Ailstock	Greg Tunning

OTHER OFFICIALS

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of County of Bath, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of County of Bath, Virginia, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 2 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and* 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. 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, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-11, 105-106, and 107-128 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Bath, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of County of Bath, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Bath, Virginia's 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 7, 2018

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, 2018.

Financial Highlights

Government-Wide Financial Statements

The assets and deferred outflows of the primary government of County of Bath, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $7,938,683. Of this amount, $6,625,165 was unrestricted (an increase of $551,215 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 $1,313,518 invested in capital assets, net of related debt (a decrease of $196,693 from the previous fiscal year). The School Board's net position was ($270,435) of which there was an unrestricted deficit in the amount of ($9,673,503). (See Exhibit 1) The Service Authority's net position was $7,677,254, of which there was an unrestricted net position of ($288,354). (See Exhibit 1)

The Primary Government's overall net position increased by $354,522. The School Board's net position increased by $1,172,025, and the Service Authority's net position decreased by $348,523. (See Exhibit 2.) The net position of the primary government and the component units as of June 30, 2017 were restated due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Details of this restatement can be found in Note 2 of these financial statements.

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was $7,918,047. (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 2017-18 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $9,269,195 of which $7,918,047 is available for spending at the government's discretion (unassigned fund balance). (See Exhibit 3.)

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to the financial statements

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

Government-Wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County of Bath, assets and deferred outflows exceeded liabilities and deferred inflows by $7,938,683 at the end of the fiscal year.

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

Statement of Net Position

June 30, 2018 and 2017

	Governmental Activities	
	2018	**2017**
Current and other assets	$ 10,358,437	$ 9,500,650
Capital assets	5,433,518	6,605,211
Total assets	$ 15,791,955	$ 16,105,861
Deferred Outflows of Resources	$ 393,114	$ 664,889
Long-term liabilities	$ 7,087,744	$ 8,599,459
Other liabilities	599,586	326,974
Total liabilities	$ 7,687,330	$ 8,926,433
Deferred Inflows of Resources	$ 559,056	$ 260,156
Net investment in capital assets	$ 1,313,518	$ 1,510,211
Unrestricted	6,625,165	6,073,950
Total net position	$ 7,938,683	$ 7,584,161

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 16.55 percent of total net position. The County uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position, which is $6,625,165 or 83.45 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 $354,522 during the current fiscal year, compared to a decrease of $189,514 in FY 2017 (exclusive of the adjustment for restatement of beginning position due to implementation of GASB 75 as noted above, which decreased fund balance by $489,260).

Governmental Activities

Governmental activities increased the County's net position by $354,522. Key elements of this increase are as follows:

Statement of Activities
June 30, 2018 and 2017

	Governmental Activities	
	2018	**2017**
Revenues:		
Program revenues:		
Charges for services	$ 131,774	$ 95,852
Operating grants and contributions	1,667,338	1,919,398
Capital grants and contributions	57,361	251,865
General revenues:		
General property taxes	11,596,114	11,608,685
Other local taxes	3,458,784	3,054,720
Use of money and property	56,350	27,767
Miscellaneous	49,353	43,306
Grants and contributions not restricted to specific programs	395,213	402,731
Total revenues	$ 17,412,287	$ 17,404,324
Expenses:		
General government	$ 1,134,535	$ 1,114,156
Judicial administration	428,181	439,940
Public safety	2,787,707	2,925,952
Public works	1,179,161	1,097,385
Health and welfare	984,438	1,016,210
Education	9,296,708	9,395,332
Parks, recreation, and cultural	553,239	555,200
Community development	496,504	785,851
Nondepartmental	78,239	129,098
Interest on long-term debt	119,053	134,714
Total expenses	$ 17,057,765	$ 17,593,838
Increase (decrease) in net position	$ 354,522	$ (189,514)
Beginning net position	7,584,161	8,262,935
Effect of change in accounting principle	-	(489,260)
Ending net position	$ 7,938,683	$ 7,584,161

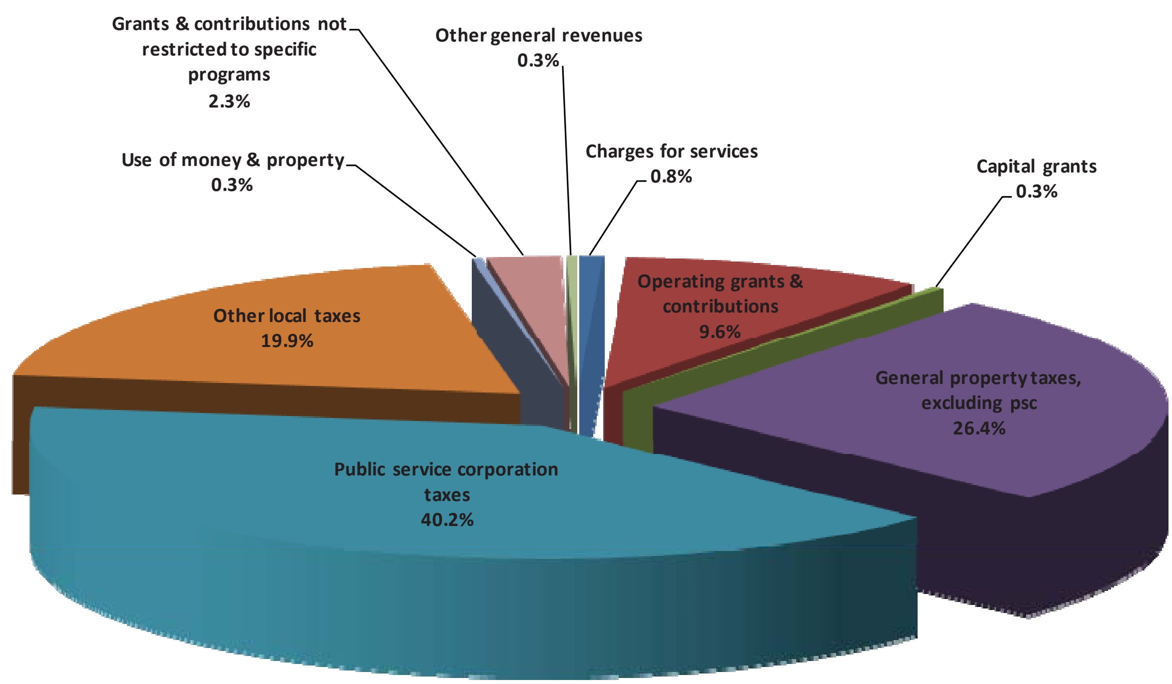
Total revenues increased by $7,963 from fiscal year 2017 to 2018. This change is primarily attributable to an increase in other local taxes of $404,064 which was offset by decreases in state and federal grants of $446,564.

The increase in other local tax revenue is due to a one-time receipt of a significant recordation/wills tax that comprised the majority of the increase in that revenue category of $433,195. There was also an increase in meals tax of $71,591 and a reduction in local sales tax received from the Commonwealth of $87,448. The decrease in state and federal grants was primarily associated with the completion of the Thomastown CIG project very early in FY18 and the completion of the E911 upgrades project in FY17.

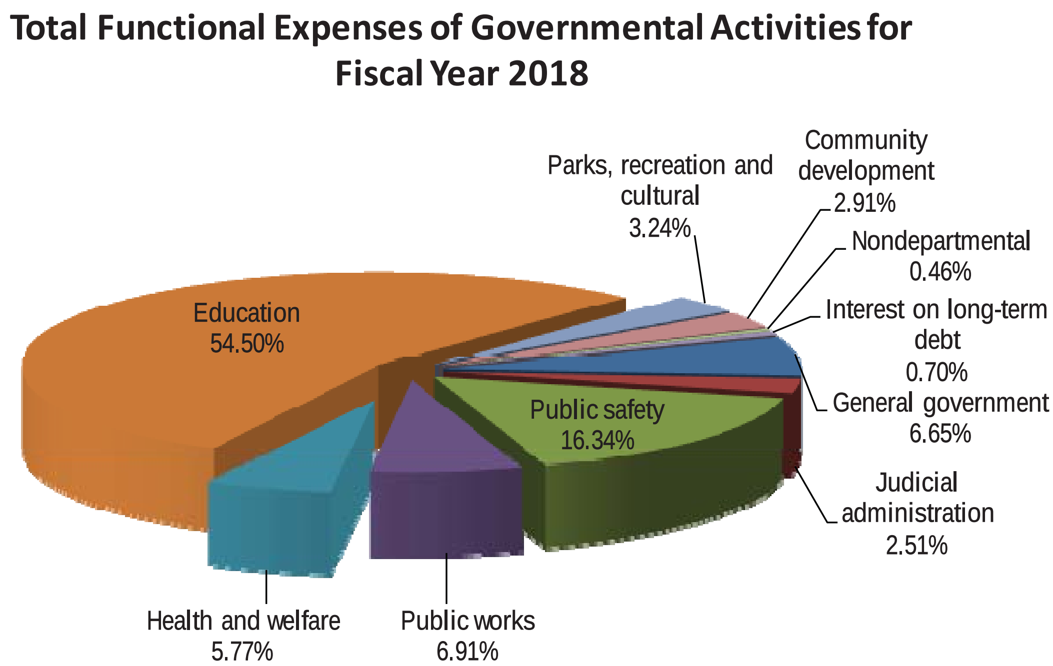
Total expenses decreased by $536,073 from fiscal year 2017 to 2018. This is partially due to the County incurring expenses for its biennial real estate property reassessment in FY17 of $27,422 versus none in FY18 due to the completion of that project. The Clerk of Circuit Court office sustained a decrease in capital outlay expense of $40,229, and there were increases in costs of the circuit court of $9,940. There was an overall reduction in the public safety function costs of $138,245 from FY17 to FY18. The County had decreased expenses of $27,574 for its emergency management department that began in FY16 and is included in the Public Safety function. There was an increase in the law enforcement department expense of $38,528. There was an increase in public works function expenses of $81,776, which was largely comprised of significant maintenance projects at the County Courthouse, as well as an increase in solid waste disposal costs. The County also decreased the funding of its schools by $110,824 as compared to the prior year. The County completed a significant community development project (Thomastown) using special needs grant funding very early in the year, resulting in a reduction in community development expenses of $289,347, as compared to the prior year.

The chart below provides a visual analysis of the sources of revenue by percentage for the County for the year ended June 30, 2018.

Sources of Revenue of Governmental Activities for Fiscal Year 2018



Similarly, the following chart provides an analysis of the expenses of the Governmental Activities by major functional category for the year ended June 30, 2018:



Financial Analysis of the Government's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The financial statements of the governmental funds serve to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of $9,269,195, an increase of $572,304 from the prior year. Approximately, 85.4 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, 2018, total fund balance of the general fund was $8,226,824 of which $7,918,047 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 49.65 percent of total general fund expenditures, which includes transfers to the School Board component unit of $8,302,859. Total general fund balance represents 51.58 percent of total general fund expenditures.

The fund balance of the County's general fund increased by $257,658 during the current fiscal year as compared to a decrease of $413,419 in fiscal 2017.

Fiscal 2018 expenditures unrelated to debt service decreased $629,509 from fiscal 2017. This is partly attributable to a decrease in funding of the local School Board of $110,824, and a decrease in community development expenditures due to the completion of a significant community development block grant associated with a special needs program. There was also a reduction in capital projects spending of $179,128 due to the completion in the prior year of the E911 upgrades project. Other changes in governmental fund expenditures mirrored the changes in functional categories of expenses noted above under the Governmental Activities section.

Total general fund revenues in fiscal year 2018 were up by $25,916 as compared to fiscal year 2017, or a .16% increase. There was a net increase in general property tax revenue of $16,603, partially comprised of a $128,160 decrease in real estate tax revenue and a $154,000 increase in public service corporation tax revenue. The increase in other local tax revenue is due to a one-time receipt of a significant recordation/wills tax that comprised the majority of the increase in that revenue category of $433,195. There was also an increase in meals tax of $71,591 and a reduction in local sales tax received from the Commonwealth of $87,448. The decrease in state and federal grants was primarily associated with the completion of the Thomastown CIG project very early in FY18 and the completion of the E911 upgrades project in FY17. All other categories of revenues sustained slight increases or decreases as compared to the previous fiscal year.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail. Total net position of the component unit, Bath County Public Service Authority, at the end of the fiscal year was $7,677,254. Additional financial information for the Bath County Public Service Authority for the year ended June 30, 2018 can be found in Exhibits 36-38 of the accompanying financial statements.

General Fund Budgetary Highlights

The general fund's original budgeted appropriations amounted to $16,482,332, the final amended general fund budget was $16,697,673 representing an increase of $215,341, or 1.3 percent of the original general fund budget. The most notable amendment to the budget is an increase in anticipated buildings and grounds department spending of $104,571. This budget increase was due to planned capital outlay for significant maintenance projects at the Courthouse. Overall, total General Fund actual expenses amounted to $15,948,494, which were below both the adopted and amended budgets in total.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2018 is $5,433,518 (net of accumulated depreciation) and is a decrease of $1,171,693 from the previous fiscal year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. The most significant asset additions for fiscal year 2018 were the completion of the stairs and ramp renovation at the courthouse.

Summary of Capital Assets for Governmental Activities
(net of depreciation)
As of June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Land	$ 634,478	$ 634,478
Buildings and improvements	4,133,685	5,156,403
Machinery and equipment	623,385	772,360
Construction in progress	41,970	41,970
Total	$ 5,433,518	$ 6,605,211

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, 2018 and 2017

	Governmental Activities	
	2018	2017
Revenue bonds	$ 4,120,000	$ 5,095,000
Net OPEB liabilities (Notes 10-14)*	730,676	736,673
Compensated absences	126,605	123,917
Net pension liability	2,110,463	2,643,869
Total	$ 7,087,744	$ 8,599,459

*refer to Note 2 regarding restatement of beginning OPEB balances

All debt reported by the Discretely Presented Component Unit - School Board, has been assumed by the Primary Government as required by Section 15.2-1800.1, Code of Virginia, 1950, as amended. There have been no significant changes in debt activity for the current fiscal year. This is the first year the County has reported net Other Post Employment Benefit liability as an indebtedness pursuant to GASB Statements No.75 as discussed in detail in Notes 2, 10, 11, 12, 13, and 14. At June 30, 2018, the County's net pension liability and OPEB obligation represent 29.78% and 10.31% of the County's total outstanding debt, respectively. Much more detail on the Pension Plan of the County can be found in Note 9 of these financial statements.

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County as of June 30, 2018 was 2.6 percent, which was a slight decrease (.3%) from the prior year. This compares favorably to the state's average unemployment rate of 3.2 percent and the national average rate of 4.0 percent for the same fiscal period (data from U.S. Bureau of Labor Statistics).

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

Overall, the financial position of the County is considered stable. The real estate tax rate for fiscal 2019 remains unchanged at $.50 per $100 of assessed value.

Sales tax collections decreased by $87,448 in fiscal year 2018 and are expected to remain flat through fiscal year 2019.

Effective September 1, 2018, the County will begin assessing an additional 5% lodging tax on specific historic lodging establishments. The proceeds from this tax will be dedicated to providing economic incentive grants to those establishments.

During fiscal year 2018, the unassigned fund balance in the general fund increased by $123,208 (from $7,794,839 to $7,918,047). Nonspendable, committed, and assigned fund balances increased by $134,450 (from $174,327 to $308,777).

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2018

	Primary Government	Component Units		
	Governmental Activities	School Board	Economic Development Authority	Service Authority
ASSETS				
Cash and cash equivalents	$ 9,005,615	$ 688,084	$ 253,550	$ 3,117,851
Receivables (net of allowance for uncollectibles):				
Taxes receivable	512,358	-	-	-
Accounts receivable	261,315	-	-	111,283
Notes receivable	63,412	-	-	-
Due from component unit	46,575	-	-	-
Due from other governmental units	431,336	115,610	-	-
Inventories	-	22,158	-	-
Prepaid items	37,826	90,327	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	44,421
Net pension asset	-	31,193	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	634,478	238,282	50,799	69,165
Buildings and improvements	4,133,685	9,706,867	154,480	-
Machinery and equipment	623,385	1,136,677	-	12,877
Utility plant in service	-	-	-	8,271,726
Construction in progress	41,970	67,281	-	-
Total assets	$ 15,791,955	$ 12,096,479	$ 458,829	$ 11,627,323
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 380,133	$ 1,085,724	$ -	$ 48,637
OPEB related items	12,981	88,463	-	1,830
Total deferred outflows of resources	$ 393,114	$ 1,174,187	$ -	$ 50,467
LIABILITIES				
Accounts payable	$ 258,386	$ -	$ 1,838	$ 33,125
Accrued payroll	-	684,542	-	-
Customers' deposits	-	-	-	33,358
Accrued interest payable	3,863	-	-	-
Due to primary government	-	46,575	-	-
Unearned revenue	337,337	134,500	-	3,144,617
Long-term liabilities:				
Due within one year	1,026,651	123,524	-	23,443
Due in more than one year	6,061,093	11,187,462	-	711,593
Total liabilities	$ 7,687,330	$ 12,176,603	$ 1,838	$ 3,946,136
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	$ 289,870	$ -	$ -	$ -
Pension related items	235,882	1,290,498	-	49,704
OPEB related items	33,304	74,000	-	4,696
Total deferred inflows of resources	$ 559,056	$ 1,364,498	$ -	$ 54,400
NET POSITION				
Net investment in capital assets	$ 1,313,518	$ 9,403,068	$ 205,279	$ 7,954,545
Restricted -				
Debt service reserve fund	-	-	-	11,063
Unrestricted (deficit)	6,625,165	(9,673,503)	251,712	(288,354)
Total net position	$ 7,938,683	$ (270,435)	$ 456,991	$ 7,677,254

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

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County of Bath, Virginia

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 1,134,535	$ 23,346	$ 178,756	$ -
Judicial administration	428,181	25,698	231,989	-
Public safety	2,787,707	69,457	572,985	57,361
Public works	1,179,161	10,126	-	-
Health and welfare	984,438	-	553,845	-
Education	9,296,708	-	-	-
Parks, recreation, and cultural	553,239	3,147	-	-
Community development	496,504	-	129,763	-
Nondepartmental	78,239	-	-	-
Interest on long-term debt	119,053	-	-	-
Total governmental activities	$ 17,057,765	$ 131,774	$ 1,667,338	$ 57,361
COMPONENT UNITS:				
School Board	$ 10,795,740	$ 106,335	$ 2,504,485	$ 46,083
Economic Development Authority	287,161	-	250,000	-
Service Authority	1,542,139	1,189,240	-	-
Total component units	$ 12,625,040	$ 1,295,575	$ 2,754,485	$ 46,083

General revenues:
General property taxes
Other local taxes
Local sales and use taxes
Restaurant food tax
Motor vehicle licenses taxes
Taxes on recordation and wills
Bank stock taxes
Hotel and motel room taxes
Other local taxes
Unrestricted revenues from use of money and property
Gain on sale of capital assets
Miscellaneous
Grants and contributions not restricted to specific programs
Total general revenues
Change in net position
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government	Component Units		
Governmental Activities	School Board	Economic Development Authority	Service Authority
$ (932,433)	$ -	$ -	$ -
(170,494)	-	-	-
(2,087,904)	-	-	-
(1,169,035)	-	-	-
(430,593)	-	-	-
(9,296,708)	-	-	-
(550,092)	-	-	-
(366,741)	-	-	-
(78,239)	-	-	-
(119,053)	-	-	-
$ (15,201,292)	$ -	$ -	$ -
$ -	$ (8,138,837)	-	$ -
-	-	(37,161)	-
-	-	-	(352,899)
$ -	$ (8,138,837)	$ (37,161)	$ (352,899)
$ 11,596,114	$ -	$ -	$ -
849,993	-	-	-
905,907	-	-	-
74,859	-	-	-
475,062	-	-	-
39,893	-	-	-
1,091,064	-	-	-
22,006	-	-	-
56,350	-	36,148	4,376
-	-	100,299	-
49,353	17,903	-	-
395,213	9,292,959	-	-
$ 15,555,814	$ 9,310,862	$ 136,447	$ 4,376
$ 354,522	$ 1,172,025	$ 99,286	$ (348,523)
7,584,161	(1,442,460)	357,705	8,025,777
$ 7,938,683	$ (270,435)	$ 456,991	$ 7,677,254

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2018

	General	Lodging Tax Marketing/ Capital Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 8,009,773	$ 995,842	$ -	$ 9,005,615
Receivables (net of allowance for uncollectibles):				
Taxes receivable	512,358	-	-	512,358
Accounts receivable	199,859	61,456	-	261,315
Notes receivable	63,412	-	-	63,412
Due from other funds	48,444	-	-	48,444
Due from component unit	46,575	-	-	46,575
Due from other governmental units	378,598	-	52,738	431,336
Prepaid items	37,826	-	-	37,826
Total assets	$ 9,296,845	$ 1,057,298	$ 52,738	$ 10,406,881
LIABILITIES				
Accounts payable	$ 239,165	$ 14,927	$ 4,294	$ 258,386
Due to other funds	-	-	48,444	48,444
Unearned revenue	337,337	-	-	337,337
Total liabilities	$ 576,502	$ 14,927	$ 52,738	$ 644,167
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	$ 493,519	$ -	$ -	$ 493,519
Total deferred inflows of resources	$ 493,519	$	$ -	$ 493,519
Fund balances:				
Nonspendable:				
Prepaid items	$ 37,826	$ -	$ -	$ 37,826
Committed:				
Special revenue funds	-	1,042,371	-	1,042,371
Assigned:				
K-9 program	300	-	-	300
Forfeited assets	2,665	-	-	2,665
Crime prevention	5,549	-	-	5,549
Sheriff vehicle equipment	343	-	-	343
Parks and recreation programs	2,136	-	-	2,136
Capital projects	259,958	-	-	259,958
Unassigned	7,918,047	-	-	7,918,047
Total fund balances	$ 8,226,824	$ 1,042,371	$ -	$ 9,269,195
Total liabilities, deferred inflows of resources, and fund balances	$ 9,296,845	$ 1,057,298	$ 52,738	$ 10,406,881

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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			$	9,269,195
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land and land improvements	$	634,478		
Buildings and improvements		4,133,685		
Machinery and equipment		623,385		
Construction in progress		41,970		
				5,433,518
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.				
Unavailable revenue - property taxes	$	203,649		
				203,649
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.				
Pension related items	$	380,133		
OPEB related items		12,981		
				393,114
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Revenue bond	$	(4,120,000)		
Net OPEB liabilities		(730,676)		
Net pension liability		(2,110,463)		
Compensated absences		(126,605)		
Accrued interest payable		(3,863)		
				(7,091,607)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.				
Pension related items	$	(235,882)		
OPEB related items		(33,304)		
				(269,186)
Net position of governmental activities			$	7,938,683

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Lodging Tax Marketing/ Capital Fund	Other Governmental Funds	Total
REVENUES				
General property taxes	$ 11,613,869	$ -	$ -	$ 11,613,869
Other local taxes	2,912,900	545,884	-	3,458,784
Permits, privilege fees, and regulatory licenses	60,352	-	-	60,352
Fines and forfeitures	3,496	-	-	3,496
Revenue from the use of money and property	56,350	-	-	56,350
Charges for services	67,926	-	-	67,926
Miscellaneous	45,233	2,462	1,658	49,353
Recovered costs	23,622	-	-	23,622
Intergovernmental:				
Commonwealth	1,408,538	-	198,967	1,607,505
Federal	157,529	-	354,878	512,407
Total revenues	$ 16,349,815	$ 548,346	$ 555,503	$ 17,453,664
EXPENDITURES				
Current:				
General government administration	$ 1,034,464	$ -	$ -	$ 1,034,464
Judicial administration	419,515	-	-	419,515
Public safety	2,681,454	-	-	2,681,454
Public works	1,268,853	-	-	1,268,853
Health and welfare	276,486	-	699,166	975,652
Education	8,306,608	-	-	8,306,608
Parks, recreation, and cultural	525,185	-	-	525,185
Community development	262,725	233,700	-	496,425
Nondepartmental	78,239	-	-	78,239
Debt service:				
Principal retirement	975,000	-	-	975,000
Interest and other fiscal charges	119,965	-	-	119,965
Total expenditures	$ 15,948,494	$ 233,700	$ 699,166	$ 16,881,360
Excess (deficiency) of revenues over (under) expenditures	$ 401,321	$ 314,646	$ (143,663)	$ 572,304
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ 143,663	$ 143,663
Transfers out	(143,663)	-	-	(143,663)
Total other financing sources (uses)	$ (143,663)	$ -	$ 143,663	$ -
Net change in fund balances	$ 257,658	$ 314,646	$ -	$ 572,304
Fund balances - beginning	7,969,166	727,725	-	8,696,891
Fund balances - ending	$ 8,226,824	$ 1,042,371	$ -	$ 9,269,195

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds			$	572,304
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.				
Capital outlays	$	117,575		
Depreciation expense		(314,268)		
Net allocation of debt financed school assets based on current year repayments		(975,000)		
				(1,171,693)
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.				
Property taxes	$	(17,755)		
				(17,755)
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.				
Principal repayments	$	975,000		
Accrued interest		912		
				975,912
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.				
Change in compensated absences	$	(2,688)		
Pension expense		25,430		
OPEB expense		(26,988)		
				(4,246)
Change in net position of governmental activities			$	354,522

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial Reporting Entity

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

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

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

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

The Economic Development Authority of Bath County, Virginia has been determined to be a component unit of Bath County because the Authority’s primary use of funds is to provide for economic development of the County, thereby benefiting the County even though it does not provide services directly to the County. The Economic Development Authority of Bath County, Virginia does prepare separate financial statements. Complete financial statements for the Authority may be obtained by contacting Karen Williams at the Authority’s administrative office at PO Box 13 Warm Springs, VA 24484. The audited financial statements for the Economic Development Authority of Bath County, Virginia as of June 30, 2018 were not available at the time of report issuance. The financial data presented in the financial statements for this component unit is as of June 30, 2017, and for the fiscal year then ended, the most recently audited period available.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

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

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

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

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

The government reports the following major governmental funds:

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

The *special revenue fund* accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds consist of the Lodging Tax – Marketing/Capital Fund.

Additionally, the government reports the following fund types:

Special Revenue funds account for and report the proceeds of the specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Comprehensive Services Act and Virginia Public Assistance funds are nonmajor special revenue funds of the County.

Fiduciary funds (trust and agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. There are no fiduciary funds at June 30, 2018.

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

2. Receivables and payables

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

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

3. Inventory

Inventory is expensed as it is consumed.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $15,968 at June 30, 2018 and is comprised of uncollectible local taxes of the primary government in the amount of $5,280 and uncollectible water and sewer accounts receivable of the component unit – Service Authority in the amount of $10,688.

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, 2018, $11,063 was set aside for the repayment of the component unit – Service Authority's enterprise fund revenue bonds and their use is limited by applicable bond covenants. In addition, the component unit – Service Authority had $33,358 in a bank account restricted for customer deposits.

8. Capital assets

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

8. Capital assets (continued)

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

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

Assets	Years
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)

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's policy is 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. If the unassigned fund balance falls below the established 20% of GAAP basis expenditures minimum, during the annual budget adoption process, a plan to replenish the unassigned fund balance to the target level over a period of not more than three to five fiscal years.

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)

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

13. Net Position Flow Assumption

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

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County has one item that qualifies for reporting in this category. This item is comprised of certain items related to the measurement of net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 Primary Government has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

15. Pensions

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

16. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

16. Other Postemployment Benefits (OPEB) (continued)

Political Subdivision and Teacher Employee Virginia Local Disability Programs (VLDP)

For purposes of measuring the net VLDP OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expenses, information about the fiduciary net position of the VRS Political Subdivision Employee VLDP and VRS Teacher Employee VLDP; and the additions to/deductions from the VRS Political Subdivision Employee and VRS Teacher Employee VLDP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the restatement of net position detailed on the following page.

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)

	Primary Government	Component Unit School Board	Component Unit Service Authority
Net position as reported at June 30, 2017	$ 8,073,421	$ 322,877	$ 8,056,619
Implementation of GASB 75:			
To increase the net OPEB liability for health insurance based on revised actuarial valuation			
Net OPEB obligation as reported at June 30, 2017	234,751	304,049	-
Net OPEB liability for health insurance based on revised valuation as of June 30, 2017	(505,300)	(879,000)	-
To record the Group Life Insurance (GLI) net OPEB liability and related deferred outflow of resources as of June 30, 2017			
GLI net OPEB liability at June 30, 2017, as restated	(231,373)	(512,000)	(32,627)
Deferred outflow of resources related to GLI net OPEB Liability at June 30, 2017, as restated	11,855	27,675	1,672
To record the Health Insurance Credit (HIC) Program net OPEB liability and related deferred outflow of resources as of June 30, 2017			
HIC net OPEB liability at June 30, 2017, as restated	-	(760,000)	-
Deferred outflow of resources related to HIC net OPEB liability at June 30, 2017, as restated	-	51,443	-
To record the VLDP net OPEB liability and related deferred outflow of resources as of June 30, 2017			
VLDP net OPEB liability at June 30, 2017, as restated	-	(1,000)	-
Deferred outflow of resources related to VLDP net OPEB liability at June30, 2017, as restated	807	3,496	113
Net position as restated at June 30, 2017	$ 7,584,161	$ (1,442,460)	$ 8,025,777

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following Funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Lodging Tax Marketing and Capital Fund, School Operating Fund, and School Cafeteria Fund.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts between general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School fund). The School Fund is integrated only at the level of legal adoption.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.

8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations

For the year ended June 30, 2018, the following fund incurred expenditures exceeding appropriations:

Fund	Function		Excess of Expenditures over Appropriations
School operating	Education	$	1,848,553
School operating	Debt service		49,170
Total School Fund		$	1,897,723

C. Deficit fund equity

At June 30, 2018, there were no funds with deficit fund equity.

NOTE 4—DEPOSITS AND INVESTMENTS:

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

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

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

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

The County's rated debt investments as of June 30, 2018 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

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	$ 1,582,138

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

Interest Rate Risk
All County investments must be in securities maturing within five years. Maturities of the County's investments are as follows:

Investment	Fair Value	Maturity
		Less than 1 year
Local Government Investment Pool	$ 1,582,138	$ 1,582,138

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	$ -	$ 70,004
Local sales taxes	153,628	-
Communications Tax	16,948	-
Rolling Stock	93	-
Public assistance and welfare administration	14,583	-
Comprehensive Services Act funds	7,226	-
E-911 wireless	6,963	-
Recordation tax	92,849	
Shared expenses	105,095	-
Other	1,868	13,388
Federal Government:		
Public assistance and welfare administration	30,930	-
US forest patrol reimbursement	1,153	
Title VIB	-	624
Perkins CTE secondary	-	6,732
School cafeteria	-	24,862
Total	$ 431,336	$ 115,610

NOTE 6—INTERFUND COMPONENT-UNIT OBLIGATIONS:

The following balances represent amounts due between funds at June 30, 2018:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	$ 48,444	$ -	$ -	$ 46,575
CSA Fund	-	45,513	-	-
VPA Fund	-	2,931	-	-
Total	$ 48,444	$ 48,444	$ -	$ 46,575
Component Unit-School Board:				
School Fund	$ -	$ -	$ 46,575	$ -
Total	$ -	$ -	$ 46,575	$ -

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, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ -	$ 143,663
Virginia Public Assistance Fund	105,086	-
CSA Fund	38,577	-
Total	$ 143,663	$ 143,663

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

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government-Governmental Activities Liabilities:

The following is a summary of long-term liability transactions for the year ended June 30, 2018:

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Revenue bond	$ 5,095,000	$ -	$ 975,000	$ 4,120,000
Net OPEB liabilities	736,673	44,200	50,197	730,676
Compensated absences	123,917	95,626	92,938	126,605
Net pension liability	2,643,869	1,134,662	1,668,068	2,110,463
Total Long-Term Obligations	$ 8,599,459	$ 1,274,488	$ 2,786,203	$ 7,087,744

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

	Governmental Activities	
	Revenue Bond	
Year Ending June 30,	Principal	Interest
2019	$ 995,000	$ 92,700
2020	1,020,000	70,312
2021	1,040,000	47,362
2022	1,065,000	23,962
Total	$ 4,120,000	$ 234,336

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Indebtedness: (continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
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%.	$ 4,120,000	$ 995,000
Other Obligations:		
Net OPEB liabilities	730,676	-
Compensated absences (payable from General Fund)	126,605	31,651
Net pension liability	2,110,463	-
Total long-term obligations	$ 7,087,744	$ 1,026,651

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, 2018:

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Revenue bonds	$ 500,050	$ -	$ 100,827	$ 399,223
Compensated absences	21,279	6,560	15,959	11,880
Net OPEB liabilities	32,627	-	6,303	26,324
Net pension liability	400,968	156,527	259,886	297,609
Total Long-Term Obligations	$ 954,924	$ 163,087	$ 382,975	$ 735,036

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

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest
2019	$ 20,473	$ -
2020	20,473	-
2021	20,473	-
2022	20,473	-
2023	20,473	-
2024-2028	102,365	-
2029-2033	102,365	-
2034-2038	92,128	-
Total	$ 399,223	$ -

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Discretely Presented Component Unit-Service Authority: (continued)

Details of Long-term obligations:

	Total Amount	Amount Due Within One Year
Revenue Bonds:		
$529,670 Virginia Resources Authority Bonds issued August 5, 1998, maturing October 1, 2037 with annual payments of $36,075 including interest at 3%.	$ 399,223	$ 20,473
Total Revenue Bonds	$ 399,223	$ 20,473
Compensated absences (payable from Component Unit Service Authority)	$ 11,880	$ 2,970
Net OPEB liabilities	$ 26,324	$ -
Net pension liability	$ 297,609	$ -
Total Long-Term Obligations	$ 735,036	$ 23,443

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, 2018:

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Note Payable	$ -	$ 1,773,180	$ 27,141	$ 1,746,039
Compensated absences	188,846	180,736	141,635	227,947
Net OPEB liabilities	2,152,000	140,000	180,000	2,112,000
Net pension liability	8,398,000	1,283,000	2,456,000	7,225,000
Total Long-Term Obligations	$ 10,738,846	$ 3,376,916	$ 2,804,776	$ 11,310,986

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

Fiscal Year	Note Payable Principal	Note Payable Interest
2019	$ 66,537	$ 51,471
2020	68,561	49,447
2021	70,646	47,362
2022	72,795	45,213
2023	75,009	42,999
2024-2028	410,686	179,354
2029-2033	477,060	112,980
2034-2038	504,745	36,125
Total	$ 1,746,039	$ 564,951

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Discretely Presented Component Unit-School Board: (continued)

Details of Long-term obligations:

	Total Amount	Amount Due Within One Year
Note Payable:		
$1,773,180 note payable issued February 28, 2018, maturing January 28, 2038 with monthly payments of $9,834 including interest at 3%.	$ 1,746,039	$ 66,537
Compensated absences (payable from Component Unit School Board)	$ 227,947	$ 56,987
Net OPEB liabilities	$ 2,112,000	$ -
Net pension liability	$ 7,225,000	$ -
Total Long-Term Obligations	$ 11,310,986	$ 123,524

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NOTE 9—PENSION PLAN:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• School division employees
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Vesting (Cont.)</td><td>Vesting (Cont.)</td><td>Vesting (Cont.)
<u>Defined Contribution Component:</u> (Cont.)
Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.
• After two years, a member is 50% vested and may withdraw 50% of employer contributions.
• After three years, a member is 75% vested and may withdraw 75% of employer contributions.
• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.</td></tr>
<tr><td>Calculating the Benefit
The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</td><td>Calculating the Benefit
See definition under Plan 1.</td><td>Calculating the Benefit
<u>Defined Benefit Component:</u>
See definition under Plan 1.</td></tr>
</table>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	53	27
Inactive members:		
Vested inactive members	6	4
Non-vested inactive members	7	7
Inactive members active elsewhere in VRS	17	6
Total inactive members	30	17
Active members	66	28
Total covered employees	149	72

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County contractually required employer contribution rate for the year ended June 30, 2018 was 12.37% of covered employee compensation for the County and Component Unit Public Service Authority. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $285,396 and $280,582 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the pension plan from the Component Unit Public Service Authority were $37,180 and $39,665 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 9—PENSION PLAN: (CONTINUED)

Contributions (Continued)

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 7.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $43,353 and $47,270 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The County's, Component Unit Public Service Authority's, and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020, males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates: (continued)

Largest 10 – Hazardous Duty: (continued)

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NOTE 9—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 12,041,314	$ 9,397,445	$ 2,643,869
Changes for the year:			
Service cost	$ 273,697	$ -	$ 273,697
Interest	828,584	-	828,584
Differences between expected and actual experience	(45,544)	-	(45,544)
Assumption changes	(76,727)	-	(76,727)
Impact of change in proportion	112,327	87,664	24,663
Contributions - employer	-	279,957	(279,957)
Contributions - employee	-	120,958	(120,958)
Net investment income	-	1,144,882	(1,144,882)
Benefit payments, including refunds	(633,465)	(633,465)	-
Administrative expenses	-	(6,702)	6,702
Other changes	-	(1,016)	1,016
Net changes	$ 458,872	$ 992,278	$ (533,406)
Balances at June 30, 2017	$ 12,500,186	$ 10,389,723	$ 2,110,463

	Component Unit Public Service Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 1,826,182	$ 1,425,214	$ 400,968
Changes for the year:			
Service cost	$ 38,596	$ -	$ 38,596
Interest	116,843	-	116,843
Differences between expected and actual experience	(6,422)	-	(6,422)
Assumption changes	(10,820)	-	(10,820)
Impact of change in proportion	(112,327)	(87,664)	(24,663)
Contributions - employer	-	39,478	(39,478)
Contributions - employee	-	17,057	(17,057)
Net investment income	-	161,446	(161,446)
Benefit payments, including refunds	(89,329)	(89,329)	-
Administrative expenses	-	(945)	945
Other changes	-	(143)	143
Net changes	$ (63,459)	$ 39,900	$ (103,359)
Balances at June 30, 2017	$ 1,762,723	$ 1,465,114	$ 297,609

NOTE 9—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (continued)

	Component School Board (nonprofessional) Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 4,325,203	$ 3,848,762	$ 476,441
Changes for the year:			
Service cost	$ 55,777	$ -	$ 55,777
Interest	292,977	-	292,977
Differences between expected and actual experience	(260,563)	-	(260,563)
Assumption changes	(66,278)	-	(66,278)
Contributions - employer	-	46,903	(46,903)
Contributions - employee	-	32,479	(32,479)
Net investment income	-	453,312	(453,312)
Benefit payments, including refunds	(279,629)	(279,629)	-
Administrative expenses	-	(2,746)	2,746
Other changes	-	(401)	401
Net changes	$ (257,716)	$ 249,918	$ (507,634)
Balances at June 30, 2017	$ 4,067,487	$ 4,098,680	$ (31,193)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability	$ 3,705,194	$ 2,110,463	$ 788,596
Component Unit Public Service Authority			
Net Pension Liability (Asset)	$ 522,492	$ 297,609	$ 111,205
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	$ 432,508	$ (31,193)	$ (424,047)

NOTE 9—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) recognized pension expense of $259,208, $31,886, and ($167,942), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Public Service Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 75,546	$ 33,985	$ 11,457	$ 4,792
Change in assumptions	-	57,253	-	8,074
Net difference between projected and actual earnings on pension plan investments	-	144,644	-	17,647
Impact of change in proportional allocation	19,191	-	-	19,191
Employer contributions subsequent to the measurement date	285,396	-	37,180	-
Total	$ 380,133	$ 235,882	$ 48,637	$ 49,704

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 180,822
Change in assumptions	-	39,003
Net difference between projected and actual earnings on pension plan investments	-	53,673
Employer contributions subsequent to the measurement date	43,353	-
Total	$ 43,353	$ 273,498

NOTE 9—PENSION PLAN: (CONTINUED)

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

$285,396, $37,180, and $43,353 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Service Authority's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	Primary Government	Component Unit Public Service Authority	Component Unit School Board (nonprofessional)
2019	$ (74,284)	$ (15,141)	$ (199,609)
2020	43,104	2,539	(37,809)
2021	(17,030)	(6,911)	2,122
2022	(92,935)	(18,734)	(38,202)

Component Unit School Board (Professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $735,371 and $679,423 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (Professional) (continued)

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

At June 30, 2018, the school division reported a liability of $7,225,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .05875% as compared to .05993% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of $559,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 512,000
Change in assumptions	105,000	-
Net difference between projected and actual earnings on pension plan investments	-	262,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	202,000	243,000
Employer contributions subsequent to the measurement date	735,371	-
Total	$ 1,042,371	$ 1,017,000

$735,371 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	
2019	$ (258,000)
2020	(3,000)
2021	(121,000)
2022	(285,000)
2023	(43,000)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

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

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

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

Mortality rates:

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (Professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employers' Net Pension Liability (Asset)	$	12,297,975
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (Professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 10,789,000	$ 7,225,000	$ 4,276,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Plan Description (continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Primary Government contributions to the Group Life Insurance Program were $12,010 and $11,855 for the years ended June 30, 2018 and June 30, 2017, respectively. Component Unit Public Service Authority contributions to the Group Life Insurance Program were $1,693 and $1,672 for the years indeed June 30, 2018 and June 30, 2017, respectively. School Board contributions to the Group Life Insurance Program for nonprofessional employees were $3,385 and $3,575, for the years ended June 30, 2018 and June 30, 2017 respectively. School Board contributions to the Group Life Insurance Program for professional employees were $23,937 and $24,100, for the years ended June 30, 2018 and June 30, 2017 respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the Primary Government and Public Service Authority reported a liabilities of $185,799 and $26,201 for their respective proportionate shares of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion for the Primary Government was .01240% as compared to 0.01323% at June 30, 2016. At June 30, 2017, the participating employer's proportion for the Public Service Authority was .00174% as compared to .00186% at June 30, 2016.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the School Board reported liability of $56,000 for nonprofessional employees and $378,000 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2017 the participating employer's proportion for nonprofessional employees was 0.00373% as compared to 0.00382% at June 30, 2016. At June 30, 2017, the participating employer's proportion for School Board professional employees was 0.02513% as compared to 0.02543% at June 30, 2016.

For the year ended June 30, 2018, the Primary Government recognized GLI OPEB expense of ($876), while the Public Service Authority recognized GLI OPEB expense of ($124). The School Board recognized GLI OPEB expense of ($1,000), and $3,000 for nonprofessional and professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit Public Serice Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,382	$ -	$ 618
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,011	-	989
Change in assumptions	-	9,641	-	1,359
Changes in proportion	-	12,270	-	1,730
Employer contributions subsequent to the measurement date	12,010	-	1,693	-
Total	$ 12,010	$ 33,304	$ 1,693	$ 4,696

$12,010 and $1,693 for the Primary Government and Public Service Authority, respectively were reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Primary Government Year Ended June 30,		Component Unit Public Service Authority Year Ended June 30,	
2019	$ (7,011)	2019	$ (989)
2020	(7,011)	2020	(989)
2021	(7,011)	2021	(989)
2022	(7,011)	2022	(989)
2023	(4,382)	2023	(618)
Thereafter	(878)	Thereafter	(122)

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

	Component Unit School Board			
	Nonprofessional Employees		Professional Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,000	$ -	$ 9,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,000	-	14,000
Change in assumptions	-	3,000	-	19,000
Changes in proportion	-	-	-	4,000
Employer contributions subsequent to the measurement date	3,385	-	23,937	-
Total	$ 3,385	$ 6,000	$ 23,937	$ 46,000

$3,385 and $23,937 for the School Board nonprofessional and professional employees, respectively were reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Component Unit School Board			
Nonprofessional Employees		Professional Employees	
Year Ended June 30,		Year Ended June 30,	
2019	$ (1,000)	2019	$ (10,000)
2020	(1,000)	2020	(10,000)
2021	(1,000)	2021	(10,000)
2022	(1,000)	2022	(10,000)
2023	(1,000)	2023	(5,000)
Thereafter	(1,000)	Thereafter	(1,000)

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees (Continued)

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

Proportionate Share of the GLI Program Net OPEB Liability	Rate 1% Decrease (6.00%)	Rate Current Discount (7.00%)	Rate 1% Increase (8.00%)
Primary Government	$ 240,137	$ 185,799	$ 141,102
Public Service Authority	$ 33,863	$ 26,201	$ 19,898
School Board Nonprofessional employees	$ 72,000	$ 56,000	$ 42,000
School Board Professional employees	$ 489,000	$ 378,000	$ 288,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTE 11—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP):

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
Benefit Amounts The Political Subdivision Employee Virginia Local Disability Program (VLDP) provides the following benefits for eligible employees: **<u>Short-Term Disability</u>** – • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

NOTE 11—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Plan Description (continued)

Benefit Amounts: (Continued)

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VRS Political Subdivision Employee VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the VRS Political Subdivision Employee VDLP were $971 and $807 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the Public Service Authority to the VRS Political Subdivision Employee VLDP were $137 and $114 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the Component Unit School Board for nonprofessional employees to the VRS Political Subdivision Employee VLDP were $1,354 and $961 for the years ended June 30, 2018 and June 30, 2017 respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2018, the Primary Government reported a liability $876 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Primary Government's proportion of the Net VLDP OPEB Liability was based on the County's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Primary Government's proportion of the VLDP was .07324% as compared to .07899% at June 30, 2016.

NOTE 11—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (continued)

At June 30, 2018, the Public Service Authority reported a liability $124 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Public Service Authority's proportion of the Net VLDP OPEB Liability was based on the County's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Public Service Authority's proportion of the VLDP was .01033% as compared to .01114% at June 30, 2016.

At June 30, 2018, the School Board reported a liability $1,000 for its proportionate share of the VLDP Net OPEB Liability for nonprofessional employees. The Net VLDP OPEB Liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net VLDP OPEB Liability for nonprofessional employees was based on the School Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion of the VLDP was .08725% as compared to .05074% at June 30, 2016.

For the year ended June 30, 2018, the Primary Government, Public Service Authority, and School Board (for nonprofessional employees) recognized VLDP OPEB expense of $876, $124, and $1,000, respectively. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Primary Government		Component Unit Service Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 971	$ -	$ 137	$ -
Total	$ 971	$ -	$ 137	$ -

	Component Unit School Board Nonprofessional Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 1,354	$ -
Total	$ 1,354	$ -

$971, $137, and $1,354 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Primary Government, Public Service Authority, and School Board's respective contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2019.

NOTE 11—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Political Subdivision Employees	3.5%-5.35%
Investment rate of return	7.0%, net of plan investment expenses, including inflation*

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

Mortality Rates – Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 11—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Actuarial Assumptions (continued)

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 914
Plan Fiduciary Net Position	351
Political Subdivision net VLDP OPEB Liability (Asset)	$ 563
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	38.40%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTE 11—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the County for the VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

NOTE 11—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Sensitivity of the County's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
Proportionate Share of Net VLDP OPEB Liability	**1% Decrease (6.00%)**	**Current Discount (7.00%)**	**1% Increase (8.00%)**
Primary Government	$ 876	$ 876	$ 876
Public Service Authority	$ 124	$ 124	$ 124
School Board - Nonprofessional	$ 1,000	$ 1,000	$ 1,000

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/ Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTE 12—TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP):

Plan Description:

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM PLAN PROVISIONS

Eligible Employees

The Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits.

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Virginia Local Disability Program (VLDP) provides the following benefits for eligible employees:

<u>**Short-Term Disability**</u> –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

NOTE 12—TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Plan Description: (Continued)

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM PLAN PROVISIONS: (CONTINUED)
Benefit Amounts: (Continued) **Long-Term Disability** – • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
Virginia Local Disability Program Notes: • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 0.31% of covered employee compensation for employees in the VRS Teacher Employee VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee VLDP were $3,167 and $2,535 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 12—TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Teacher VLDP OPEB Liabilities, Teacher VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher VLDP OPEB

At June 30, 2018, the school division reported a liability of $2,000 for its proportionate share of the Teacher VLDP Net OPEB Liability. The Net Teacher VLDP OPEB Liability was measured as of June 30, 2017 and the total Teacher VLDP OPEB liability used to calculate the Net Teacher VLDP OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Teacher VLDP OPEB Liability was based on the school division's actuarially determined employer contributions to the Teacher VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the Teacher VLDP was .28974% as compared to .26242%.

For the year ended June 30, 2018, the school division recognized Teacher VLDP OPEB expense of $2,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the Teacher VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the Teacher VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 3,167	$
Total	$ 3,167	$ -

$3,167 reported as deferred outflows of resources related to the Teacher VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher VLDP OPEB Liability in the fiscal year ending June 30, 2019.

Actuarial Assumptions

The total Teacher VLDP OPEB liability for the Teacher VLDP was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher Employees	3.5%-5.95%
Investment rate of return	7.0%, net of plan investment expenses, including inflation*

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

NOTE 12—TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee VLDP is as follows (amounts expressed in thousands):

		Teacher Employee VLDP OPEB Plan
Total Teacher Employee VLDP OPEB Liability	$	873
Plan Fiduciary Net Position		279
Teacher Employee net VLDP OPEB Liability (Asset)	$	594
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability		31.96%

The total Teacher Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTE 12—TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the Teacher VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher VLDP OPEB liability.

NOTE 12—TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Sensitivity of the School Division's Proportionate Share of the Teacher VLDP Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the Teacher Net VLDP OPEB Liability	$ 2,000	$ 2,000	$ 1,000

Teacher Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/ Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTE 13—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts
 	
The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:
• **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
• **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
    o $4.00 per month, multiplied by twice the amount of service credit, or
    o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

NOTE 13—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were $56,620 and $51,443 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of $745,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .05872% as compared to 0.05993% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $59,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	$ -	$ 1,000
Change in assumptions	-	8,000
Change in proportion	-	13,000
Employer contributions subsequent to the measurement date	56,620	-
Total	$ 56,620	$ 22,000

NOTE 13—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

$56,620 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,		
2019	$	(3,000)
2020		(3,000)
2021		(3,000)
2022		(3,000)
2023		(3,000)
Thereafter		(7,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

NOTE 13—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

NOTE 13—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	$	1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 13—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 832,000	$ 745,000	$ 672,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/ Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 14—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension and other postemployment benefits described in Notes 10-13, the County administers a single-employer defined benefit healthcare plan, the County of Bath OPEB Plan. The plan provides post-employment health care benefits to all eligible permanent employees of the County and School Board who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Post-employment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County and School Board who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits if they have at least 5 years of service with the County or School Board.

Plan Membership

At July 1, 2017 (the measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	68	110
Total retirees with coverage	1	2
Total	69	112

Contributions

The County and School Board do not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or the School board for the respective plans. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was $5,500. The amount paid by the School Board during the year ended June 30, 2018 under the County plan was $25,000.

Total OPEB Liability

The County's and School Board's total OPEB liabilities were measured as of July 1, 2017. The total OPEB liabilities were determined by actuarial valuations as of that date.

NOTE 14—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuations for the County and for the School Board were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	2.5% per year for general salary inflations
Discount Rate	The discount rate has been set to equal 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017
Investment Rate of Return	N/A

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the County and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	$ 505,300	$ 879,000
Changes for the year:		
Service cost	25,400	43,600
Interest	18,800	32,400
Benefit payments	(5,500)	(25,000)
Net changes	38,700	51,000
Balances at June 30, 2018	$ 544,000	$ 930,000

NOTE 14—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liabilities of the County and School Board, as well as what the total OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	Rate		
	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Primary Government			
	$ 589,727	$ 544,000	$ 501,927
Component Unit School Board			
	$ 1,008,173	$ 930,000	$ 858,073

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liabilities of the County and School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (6.5% decreasing to 4.00%)	Healthcare Cost Trend (7.50% decreasing to 5.00%)	1% Increase (8.5% decreasing to 6.00%)
Primary Government			
	$ 484,691	$ 544,000	$ 612,830
Component Unit School Board			
	$ 828,609	$ 930,000	$ 1,047,670

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Primary Government recognized OPEB expense in the amount of $44,200. The School Board recognized OPEB expense in the amount of $76,000. At June 30, 2018, the Primary Government and School Board did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

Additional disclosures on changes in net OPEB liability and related ratios can be found on the required supplementary information following the notes to the financial statements.

NOTE 15—DEFERRED/ UNAVAILABLE/ UEARNED REVENUE:

Deferred/ unavailable/ unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The following is a summary of deferred and unavailable revenue for the year ended June 30, 2018:

	Government-wide Financial Statements	Fund Financial Statements
Primary Government deferred/unavailable property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	$ -	$ 203,649
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2018. The uncollected tax billings are not available for the funding of current expenditures.	254,607	254,607
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	35,263	35,263
Total primary government deferred/unavailable revenue	$ 289,870	$ 493,519

Unearned revenue of the Primary Government, Component Unit School Board, and the Component Unit Services Authority totaling $337,337, $134,500 and $3,144,617, is comprised of the following:

Payments in Lieu of Taxes – Unearned revenue representing payments in lieu of taxes not available for funding of current expenditures totaled $337,337 and $134,500 for the Primary Government and Component Unit School Board, respectively.

Prepaid Capital Expenditures – The Bath County Public Service Authority entered into a contract with Warm Springs Investment, LLC (WSIC) to provide Wastewater Treatment and Water Supply upgrades to the customers located within Homestead Preserve when such upgrades are deemed necessary based on the number of customers being served. WSIC is making yearly payments to the PSA to offset these future expenses. To date the PSA has received $2,829,301 from WSIC.

Prepaid Development Fees – Development fees prepaid to the Bath County Public Service Authority by the WSIC totaled $280,760 at June 30, 2018.

Prepaid Water and Sewer Fees – Prepaid fees for water and sewer usage received from customers amounted to $34,556 at June 30, 2018.

NOTE 16—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government:

Governmental activities:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 634,478	$ -	$ -	$ 634,478
Construction in progress	41,970	-	-	41,970
Total capital assets not being depreciated	$ 676,448	$ -	$ -	$ 676,448
Capital assets being depreciated:				
Buildings and improvements	$ 9,040,530	$ 78,934	$ (975,000)	$ 8,144,464
Machinery and equipment	2,012,245	38,641	(23,287)	2,027,599
Total capital assets being depreciated	$ 11,052,775	$ 117,575	$ (998,287)	$ 10,172,063
Accumulated depreciation:				
Buildings and improvements	$ (3,884,127)	$ (126,652)	$ -	$ (4,010,779)
Machinery and equipment	(1,239,885)	(187,616)	23,287	(1,404,214)
Total accumulated depreciation	$ (5,124,012)	$ (314,268)	$ 23,287	$ (5,414,993)
Capital assets being depreciated, net	$ 5,928,763	$ (196,693)	$ (975,000)	$ 4,757,070
Net capital assets	$ 6,605,211	$ (196,693)	$ (975,000)	$ 5,433,518

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

Governmental activities:	
General government administration	$ 124,033
Judicial administration	8,506
Public safety	136,262
Public works	585
Education	15,100
Parks, recreation, cultural	29,782
Total depreciation expense - governmental activities	$ 314,268

NOTE 16—CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Units:

Component Unit School Board:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	$ 238,282	$ -	$ -	$ 238,282
Construction in progress	13,500	67,281	(13,500)	67,281
Total capital assets not being depreciated	$ 251,782	$ 67,281	$ (13,500)	$ 305,563
Capital assets being depreciated:				
Buildings and improvements	$ 16,822,743	$ 2,940,974	$ -	$ 19,763,717
Machinery and equipment	2,707,928	228,774	-	2,936,702
Total capital assets being depreciated	$ 19,530,671	$ 3,169,748	$ -	$ 22,700,419
Accumulated depreciation:				
Buildings and improvements	$ (9,662,528)	$ (394,322)	$ -	$ (10,056,850)
Machinery and equipment	(1,575,854)	(224,171)	-	(1,800,025)
Total accumulated depreciation	$ (11,238,382)	$ (618,493)	$ -	$ (11,856,875)
Capital assets being depreciated, net	$ 8,292,289	$ 2,551,255	$ -	$ 10,843,544
Net capital assets	$ 8,544,071	$ 2,618,536	$ (13,500)	$ 11,149,107
Depreciation expense allocated to education		$ 618,493		

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NOTE 16—CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Units: (continued)

Component Unit School Board: (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, 2018, is that school financed assets in the amount of $4,120,000 are reported in the Primary Government for financial reporting purposes. The adjustment to capital assets was as follows:

	Balance June 30, 2017	Increases/ (Decreases)	Adjustment	Balance June 30, 2018
Primary Government:				
Buildings and improvements	$ 9,040,530	$ 78,934	$ (975,000)	$ 8,144,464
Accumulated depreciation	(3,884,127)	(126,652)	-	(4,010,779)
Buildings and improvements, net of accumulated depreciation	$ 5,156,403	$ (47,718)	$ (975,000)	$ 4,133,685
Discretely Presented Component Unit-School Board				
Buildings and improvements	$ 16,822,743	$ 1,965,974	$ 975,000	$ 19,763,717
Accumulated depreciation	(9,662,528)	(394,322)	-	(10,056,850)
Buildings and improvements, net of accumulated depreciation	$ 7,160,215	$ 1,571,652	$ 975,000	$ 9,706,867

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NOTE 16—CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Units: (continued)

Service Authority:

Capital asset activity for the Service Authority for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Transfers/ Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 69,165	$ -	$ -	$ 69,165
Construction in progress	59,406	-	(59,406)	-
Total capital assets not being depreciated	$ 128,571	$ -	$ (59,406)	$ 69,165
Capital assets being depreciated:				
Water System	$ 10,765,849	$ 22,579	$ 59,406	$ 10,847,834
Sewer System	10,960,239	3,340	-	10,963,579
Machinery and equipment	436,058	623	-	436,681
Total capital assets being depreciated	$ 22,162,146	$ 26,542	$ 59,406	$ 22,248,094
Accumulated depreciation:				
Water System	$ (5,333,182)	$ (264,889)	$ -	$ (5,598,071)
Sewer System	(7,773,753)	(167,863)	-	(7,941,616)
Machinery and equipment	(406,815)	(16,989)	-	(423,804)
Total accumulated depreciation	$ (13,513,750)	$ (449,741)	$ -	$ (13,963,491)
Capital assets being depreciated, net	$ 8,648,396	$ (423,199)	$ 59,406	$ 8,284,603
Net capital assets	$ 8,776,967	$ (423,199)	$ -	$ 8,353,768

Depreciation expense for the Service Authority amounted to $449,741.

NOTE 17—CONTINGENT LIABILITIES:

Federal programs in which the County participates were audited in accordance with the provisions of the Uniform Guidance. Pursuant to the provisions of this guidance 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.

NOTE 18—LANDFILL CLOSURE AND POST CLOSURE MONITORING COSTS:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for ten years after closure. The County closed its landfill in 1993. The County has recognized as expenses in prior years all anticipated closure/post-closure costs. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. Postclosure care financial assurance requirements are being met through the use of the financial test mechanism. As of June 30, 2018, 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 19—SURETY BONDS:

Hartford Accident and Indemnity Company:		
Annette T. Loan, Clerk of Circuit Court	$	5,000
Pam Webb, Treasurer		500,000
Angel M. Grimm, Commissioner of the Revenue		3,000
Robert Plecker, Sheriff		5,000
Claire A. Collins, Supervisor		1,000
Richard B. Byrd, Supervisor		1,000
Stuart L. Hall, Supervisor		1,000
Edward T. Hicklin, Supervisor		1,000
Bart Perdue, Supervisor		1,000
All County employees; blanket bond		175,000
Virginia School Board Association Property and Casualty Pool:		
Sue Hirsh, Superintendent of Schools		10,000
Justin S. Rider, Finance Director		10,000
All School Board employees; blanket bond		1,000,000
Nationwide Insurance:		
Department of Social Services - Director and Employees		250,000
Western Surety Company:		
County Administrator		2,000

NOTE 20—RISK MANAGEMENT:

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

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

NOTE 21—LITIGATION:

At June 30, 2018, 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 22—CONSTRUCTION CONTRACTS OUTSTANDING:

The Component Unit School Board had the following material contract outstanding at June 30, 2018:

Project	Contractor	Original Contract Amount	Amount Spent to Date	Amount of Contract Remaining at Year End
Component unit:				
School Board:				
Parking lot improvements	F. Clayton Plecker & Sons, Inc.	$ 570,596	$ 52,042	$ 518,554
Total School Board		$ 570,596	$ 52,042	$ 518,554

NOTE 23—UPCOMING PRONOUNCEMENTS:

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

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

NOTE 23—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	**Final**	**Actual Amounts**	
REVENUES				
General property taxes	$ 11,383,459	$ 11,383,459	$ 11,613,869	$ 230,410
Other local taxes	2,303,163	2,303,163	2,912,900	609,737
Permits, privilege fees, and regulatory licenses	29,122	29,122	60,352	31,230
Fines and forfeitures	5,647	5,647	3,496	(2,151)
Revenue from the use of money and property	18,009	18,009	56,350	38,341
Charges for services	53,011	56,097	67,926	11,829
Miscellaneous	30,172	35,717	45,233	9,516
Recovered costs	5,000	32,705	23,622	(9,083)
Intergovernmental:				
Commonwealth	1,291,399	1,291,399	1,408,538	117,139
Federal	175,779	175,779	157,529	(18,250)
Total revenues	$ 15,294,761	$ 15,331,097	$ 16,349,815	$ 1,018,718
EXPENDITURES				
Current:				
General government administration	$ 1,125,233	$ 1,125,353	$ 1,034,464	$ 90,889
Judicial administration	432,963	447,211	419,515	27,696
Public safety	2,721,165	2,744,021	2,681,454	62,567
Public works	1,330,241	1,434,812	1,268,853	165,959
Health and welfare	285,580	285,580	276,486	9,094
Education	8,437,680	8,437,680	8,306,608	131,072
Parks, recreation, and cultural	548,402	575,663	525,185	50,478
Community development	299,795	361,795	262,725	99,070
Nondepartmental	211,635	195,920	78,239	117,681
Debt service:				
Principal retirement	969,673	969,673	975,000	(5,327)
Interest and other fiscal charges	119,965	119,965	119,965	-
Total expenditures	$ 16,482,332	$ 16,697,673	$ 15,948,494	$ 749,179
Excess (deficiency) of revenues over (under) expenditures	$ (1,187,571)	$ (1,366,576)	$ 401,321	$ 1,767,897
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (235,890)	$ (235,890)	$ (143,663)	$ 92,227
Total other financing sources (uses)	$ (235,890)	$ (235,890)	$ (143,663)	$ 92,227
Net change in fund balances	$ (1,423,461)	$ (1,602,466)	$ 257,658	$ 1,860,124
Fund balances - beginning	1,423,461	1,602,466	7,969,166	6,366,700
Fund balances - ending	$ -	$ -	$ 8,226,824	$ 8,226,824

Special Revenue Fund - Lodging Tax -Marketing/Capital Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	$ 539,278	$ 539,278	$ 545,884	$ 6,606
Miscellaneous	-	-	2,462	2,462
Total revenues	$ 539,278	$ 539,278	$ 548,346	$ 9,068
EXPENDITURES				
Current:				
Community development	$ 489,744	$ 489,744	$ 233,700	$ 256,044
Total expenditures	$ 489,744	$ 489,744	$ 233,700	$ 256,044
Excess (deficiency) of revenues over (under) expenditures	$ 49,534	$ 49,534	$ 314,646	$ 265,112
Net change in fund balances	$ 49,534	$ 49,534	$ 314,646	$ 265,112
Fund balances - beginning	(49,534)	(49,534)	727,725	777,259
Fund balances - ending	$ -	$ -	$ 1,042,371	$ 1,042,371

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 273,697	$ 259,627	$ 248,054	$ 208,104
Interest	828,584	789,786	758,108	735,387
Differences between expected and actual experience	(45,544)	80,983	120,191	-
Impact of change in proportion	112,327	-	(8,319)	-
Changes in assumptions	(76,727)	-	-	-
Benefit payments, including refunds of employee contributions	(633,465)	(743,484)	(604,144)	(617,023)
Net change in total pension liability	$ 458,872	$ 386,912	$ 513,890	$ 326,468
Total pension liability - beginning	12,041,314	11,654,402	11,140,512	10,814,044
Total pension liability - ending (a)	$ 12,500,186	$ 12,041,314	$ 11,654,402	$ 11,140,512
Plan fiduciary net position				
Impact of change in proportion	$ 87,664	$ -	$ (6,970)	$ -
Contributions - employer	279,957	298,180	286,900	242,398
Contributions - employee	120,958	116,621	146,741	108,309
Net investment income	1,144,882	156,983	424,375	1,288,118
Benefit payments, including refunds of employee contributions	(633,465)	(743,484)	(604,144)	(617,023)
Administrative expense	(6,702)	(6,057)	(5,891)	(7,107)
Other	(1,016)	(70)	(88)	68
Net change in plan fiduciary net position	$ 992,278	$ (177,827)	$ 240,923	$ 1,014,763
Plan fiduciary net position - beginning	9,397,445	9,575,272	9,334,349	8,319,586
Plan fiduciary net position - ending (b)	$ 10,389,723	$ 9,397,445	$ 9,575,272	$ 9,334,349
County's net pension liability - ending (a) - (b)	$ 2,110,463	$ 2,643,869	$ 2,079,130	$ 1,806,163
Plan fiduciary net position as a percentage of the total pension liability	83.12%	78.04%	82.16%	83.79%
Covered payroll	$ 2,280,650	$ 2,352,914	$ 2,255,503	$ 2,166,188
County's net pension liability as a percentage of covered payroll	92.54%	112.37%	92.18%	83.38%

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

Schedule of Changes in Net Pension Liability and Related Ratios
Public Service Authority
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 38,596	$ 39,375	$ 37,620	$ 31,382
Interest	116,843	119,779	114,975	110,896
Differences between expected and actual experience	(6,422)	12,282	18,228	-
Impact of change in proportion	(112,327)	-	8,319	-
Changes in assumptions	(10,820)	-	-	-
Benefit payments, including refunds of employee contributions	(89,329)	(112,757)	(91,624)	(93,047)
Net change in total pension liability	$ (63,459)	$ 58,679	$ 87,518	$ 49,231
Total pension liability - beginning	1,826,182	1,767,503	1,679,985	1,630,754
Total pension liability - ending (a)	$ 1,762,723	$ 1,826,182	$ 1,767,503	$ 1,679,985
Plan fiduciary net position				
Impact of change in proportion	$ (87,664)	$ -	$ 6,970	$ -
Contributions - employer	39,478	45,222	43,511	36,553
Contributions - employee	17,057	17,687	22,255	16,333
Net investment income	161,446	23,808	64,361	194,248
Benefit payments, including refunds of employee contributions	(89,329)	(112,757)	(91,624)	(93,047)
Administrative expense	(945)	(919)	(894)	(1,072)
Other	(143)	(9)	(13)	10
Net change in plan fiduciary net position	$ 39,900	$ (26,968)	$ 44,566	$ 153,025
Plan fiduciary net position - beginning	1,425,214	1,452,182	1,407,616	1,254,591
Plan fiduciary net position - ending (b)	$ 1,465,114	$ 1,425,214	$ 1,452,182	$ 1,407,616
Public Service Authority's net pension liability - ending (a) - (b)	$ 297,609	$ 400,968	$ 315,321	$ 272,369
Plan fiduciary net position as a percentage of the total pension liability	83.12%	78.04%	82.16%	83.79%
Covered payroll	$ 320,655	$ 355,519	$ 342,068	$ 326,658
Public Service Authority's net pension liability as a percentage of covered payroll	92.81%	112.78%	92.18%	83.38%

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

Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 55,777	$ 64,626	$ 74,534	$ 75,905
Interest	292,977	292,531	281,906	270,076
Differences between expected and actual experience	(260,563)	(119,113)	(25,192)	-
Changes in assumptions	(66,278)	-	-	-
Benefit payments, including refunds of employee contributions	(279,629)	(183,722)	(175,196)	(178,761)
Net change in total pension liability	$ (257,716)	$ 54,322	$ 156,052	$ 167,220
Total pension liability - beginning	4,325,203	4,270,881	4,114,829	3,947,609
Total pension liability - ending (a)	$ 4,067,487	$ 4,325,203	$ 4,270,881	$ 4,114,829
Plan fiduciary net position				
Contributions - employer	$ 46,903	$ 69,463	$ 71,030	$ 81,863
Contributions - employee	32,479	33,631	40,750	38,615
Net investment income	453,312	66,059	171,408	517,356
Benefit payments, including refunds of employee contributions	(279,629)	(183,722)	(175,196)	(178,761)
Administrative expense	(2,746)	(2,422)	(2,375)	(2,812)
Other	(401)	(28)	(34)	27
Net change in plan fiduciary net position	$ 249,918	$ (17,019)	$ 105,583	$ 456,288
Plan fiduciary net position - beginning	3,848,762	3,865,781	3,760,198	3,303,910
Plan fiduciary net position - ending (b)	$ 4,098,680	$ 3,848,762	$ 3,865,781	$ 3,760,198
School Division's net pension liability - ending (a) - (b)	$ (31,193)	$ 476,441	$ 405,100	$ 354,631
Plan fiduciary net position as a percentage of the total pension liability	100.77%	88.98%	90.51%	91.38%
Covered payroll	$ 681,625	$ 685,146	$ 694,956	$ 772,300
School Division's net pension liability as a percentage of covered payroll	-4.58%	69.54%	58.29%	45.92%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.05875%	0.05993%	0.06123%	0.05850%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 7,225,000	$ 8,398,000	$ 7,706,000	$ 7,069,000
Employer's Covered Payroll	$ 4,634,534	$ 4,569,661	$ 4,552,058	$ 4,277,950
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	155.89%	183.78%	169.29%	165.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

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

Schedule of Employer Contributions - Pension Plans
Years Ended June 30, 2008 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 285,396	$ 285,396	$ -	$ 2,334,682	12.22%
2017	280,582	280,582	-	2,280,650	12.30%
2016	298,180	298,180	-	2,352,914	12.67%
2015	286,900	286,900	-	2,255,503	12.72%
2014	242,398	242,398	-	2,166,188	11.19%
2013	220,927	220,927	-	1,974,323	11.19%
2012	158,870	158,870	-	1,949,323	8.15%
2011	160,510	160,510	-	1,969,444	8.15%
2010	126,493	126,493	-	1,982,647	6.38%
2009	129,691	129,691	-	2,032,775	6.38%
Component Unit Public Service Authority					
2018	$ 37,180	$ 37,180	$ -	$ 300,566	12.37%
2017	39,665	39,665	-	320,655	12.37%
2016	45,222	45,222	-	355,519	12.72%
2015	43,511	43,511	-	342,068	12.72%
2014	36,553	36,553	-	326,658	11.19%
2013	39,444	39,444	-	352,493	11.19%
2012	24,446	24,446	-	299,951	8.15%
2011	25,497	25,497	-	312,847	8.15%
2010	19,161	19,161	-	300,329	6.38%
2009	18,487	18,487	-	289,765	6.38%
Component Unit School Board (nonprofessional)					
2018	$ 43,353	$ 43,353	$ -	$ 651,019	6.66%
2017	47,270	47,270	-	681,625	6.93%
2016	70,090	70,090	-	685,146	10.23%
2015	71,030	71,030	-	694,956	10.22%
2014	81,863	81,863	-	772,300	10.60%
2013	79,641	79,641	-	751,331	10.60%
2012	42,525	42,525	-	709,930	5.99%
2011	41,221	41,221	-	688,165	5.99%
2010	37,741	37,741	-	700,199	5.39%
2009	41,852	41,852	-	776,481	5.39%
Component Unit School Board (professional)					
2018	$ 735,371	$ 735,371	$ -	$ 4,603,280	15.97%
2017	679,423	679,423	-	4,634,534	14.66%
2016	642,494	642,494	-	4,569,661	14.06%
2015	660,048	660,048	-	4,552,058	14.50%
2014	498,809	498,809	-	4,277,950	11.66%
2013	483,198	483,198	-	4,144,068	11.66%
2012	242,458	242,458	-	3,830,295	6.33%
2011	149,961	149,961	-	3,815,801	3.93%
2010	251,891	251,891	-	3,996,385	6.30%
2009	365,758	365,758	-	4,151,627	8.81%

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

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Bath, Virginia **Exhibit 15**

Schedule of County's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.0124%	$ 185,799	$ 2,280,640	8.15%	48.86%
Component Unit Public Service Authority					
2017	0.00174%	$ 26,201	$ 320,665	8.17%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.00373%	$ 56,000	$ 687,506	8.15%	48.86%
Component Unit School Board (professional)					
2017	0.02513%	$ 378,000	$ 4,634,534	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

Date		Contractually Required Contribution (1)		Contributions in Relation to Contractually Required Contribution (2)		Contribution Deficiency (Excess) (3)		Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government									
2018	$	12,010	$	12,010	$	-	$	2,334,682	0.51%
2017		11,855		11,855		-		2,280,640	0.52%
2016		11,306		11,306		-		2,355,213	0.48%
2015		10,837		10,837		-		2,257,715	0.48%
2014		10,398		10,398		-		2,166,188	0.48%
2013		9,477		9,477		-		1,974,324	0.48%
2012		5,483		5,483		-		1,958,384	0.28%
2011		5,514		5,514		-		1,969,443	0.28%
2010		4,057		4,057		-		1,982,647	0.20%
2009		5,489		5,489		-		2,032,775	0.27%
Component Unit Public Service Authority									
2018	$	1,693	$	1,693	$	-	$	300,566	0.56%
2017		1,672		1,672		-		320,665	0.52%
2016		1,706		1,706		-		355,519	0.48%
2015		1,642		1,642		-		342,068	0.48%
2014		1,568		1,568		-		326,658	0.48%
2013		1,692		1,692		-		352,493	0.48%
2012		840		840		-		299,951	0.28%
2011		876		876		-		312,847	0.28%
2010		572		572		-		300,329	0.19%
2009		782		782		-		289,765	0.27%
Component Unit School Board (nonprofessional)									
2018	$	3,385	$	3,385	$	-	$	651,019	0.52%
2017		3,575		3,575		-		687,506	0.52%
2016		3,298		3,298		-		687,052	0.48%
2015		3,336		3,336		-		694,956	0.48%
2014		3,707		3,707		-		772,300	0.48%
2013		3,632		3,632		-		756,591	0.48%
2012		1,988		1,988		-		709,930	0.28%
2011		1,927		1,927		-		688,165	0.28%
2010		1,375		1,375		-		509,378	0.27%
2009		2,097		2,097		-		776,481	0.27%
Component Unit School Board (professional)									
2018	$	23,937	$	23,937	$	-	$	4,603,280	0.52%
2017		24,100		24,100		-		4,634,534	0.52%
2016		21,934		21,934		-		4,569,661	0.48%
2015		21,850		21,850		-		4,552,058	0.48%
2014		20,534		20,534		-		4,277,953	0.48%
2013		19,892		19,892		-		4,144,067	0.48%
2012		10,725		10,725		-		3,830,295	0.28%
2011		10,684		10,684		-		3,815,801	0.28%
2010		7,720		7,720		-		2,859,153	0.27%
2009		11,209		11,209		-		4,151,626	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of County's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
Primary Government					
2017	0.07324%	$ 876	$ 134,501	0.65%	38.40%
Component Unit Public Service Authority					
2017	0.01033%	$ 124	$ 18,967	0.65%	38.40%
Component Unit School Board (nonprofessional)					
2017	0.08725%	$ 1,000	$ 160,222	0.62%	38.40%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 971	$ 971	$ -	$ 161,807	0.60%
2017	807	807	-	134,501	0.60%
2016	585	585	-	97,562	0.60%
2015	151	151	-	25,065	0.60%
Component Unit Public Service Authority					
2018	$ 137	$ 137	$ -	$ 22,818	0.60%
2017	114	114	-	18,967	0.60%
2016	83	83	-	13,758	0.60%
2015	21	21	-	3,535	0.59%
Component Unit School Board (nonprofessional)					
2018	$ 1,354	$ 1,354	$ -	$ 225,725	0.60%
2017	961	961	-	160,222	0.60%
2016	376	376	-	62,667	0.60%
2015	38	38	-	6,387	0.59%

Schedule is intended to show information for 10 years. The program began in fiscal year 2015, additional years will be added as they become available.

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Schedule of School Division's Share of Net OPEB Liability
Teacher Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2017	0.28974%	$ 2,000	$ 817,660	0.24%	31.96%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 3,167	$ 3,167	$ -	$ 1,021,504	0.31%
2017	2,535	2,535	-	817,660	0.31%
2016	1,406	1,406	-	484,760	0.29%
2015	859	859	-	296,114	0.29%
2014	39	39	-	13,458	0.29%

Schedule is intended to show information for 10 years. The VLDP program began in fiscal year 2014. Additional years will be presented as they become available.

Notes to Required Supplementary Information
Teacher Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Bath, Virginia **Exhibit 24**

Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.20363%	$ 745,000	$ 4,634,534	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 56,620	$ 56,620	$ -	$ 4,603,280	1.23%
2017	51,443	51,443	-	4,634,534	1.11%
2016	48,438	48,438	-	4,569,661	1.06%
2015	48,252	48,252	-	4,552,058	1.06%
2014	47,485	47,485	-	4,277,953	1.11%
2013	45,999	45,999	-	4,144,067	1.11%
2012	22,982	22,982	-	3,830,295	0.60%
2011	22,895	22,895	-	3,815,801	0.60%
2010	29,735	29,735	-	3,996,385	0.74%
2009	44,838	44,838	-	4,151,626	1.08%

Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	25,400
Interest		18,800
Benefit payments		(5,500)
Net change in total OPEB liability	$	38,700
Total OPEB liability - beginning		505,300
Total OPEB liability - ending	$	544,000
Covered payroll	$	N/A
Primary Government's total OPEB liability (asset) as a percentage of covered payroll		N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	43,600
Interest		32,400
Benefit payments		(25,000)
Net change in total OPEB liability	$	51,000
Total OPEB liability - beginning		879,000
Total OPEB liability - ending	$	930,000
Covered payroll	$	N/A
School Division's total OPEB liability (asset) as a percentage of covered payroll		N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - OPEB
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.5% in 2018, gradually decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.5% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table, fully generational with base year 2006, projected using two-dimentional mortality improvement scale MP-2017.

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	CSA Fund	Virginia Public Assistance	Total
ASSETS			
Due from other governmental units	$ 7,225	$ 45,513	$ 52,738
Total assets	$ 7,225	$ 45,513	$ 52,738
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 4,294	$ -	$ 4,294
Due to other funds	2,931	45,513	48,444
Total liabilities	$ 7,225	$ 45,513	$ 52,738
Fund balances:			
Committed	$ -	$ -	$ -
Total fund balances	$ -	$ -	$ -
Total liabilities and fund balances	$ 7,225	$ 45,513	$ 52,738

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	CSA Fund	Virginia Public Assistance	Total
REVENUES			
Miscellaneous	$ 1,658	$ -	$ 1,658
Intergovernmental:			
Commonwealth	51,010	147,957	198,967
Federal	-	354,878	354,878
Total revenues	$ 52,668	$ 502,835	$ 555,503
EXPENDITURES			
Current:			
Health and welfare	$ 91,245	$ 607,921	$ 699,166
Community development	-	-	-
Total expenditures	$ 91,245	$ 607,921	$ 699,166
Excess (deficiency) of revenues over (under) expenditures	$ (38,577)	$ (105,086)	$ (143,663)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ 38,577	$ 105,086	$ 143,663
Total other financing sources (uses)	$ 38,577	$ 105,086	$ 143,663
Net change in fund balances	$ -	$ -	$ -
Fund balances - beginning	-	-	-
Fund balances - ending	$ -	$ -	$ -

County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	CSA Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Miscellaneous	$ -	$ -	$ 1,658	$ 1,658
Intergovernmental:				
Commonwealth	95,642	95,642	51,010	(44,632)
Federal	-	-	-	-
Total revenues	$ 95,642	$ 95,642	$ 52,668	$ (42,974)
EXPENDITURES				
Current:				
Health and welfare	$ 167,147	$ 167,147	$ 91,245	$ 75,902
Total expenditures	$ 167,147	$ 167,147	$ 91,245	$ 75,902
Excess (deficiency) of revenues over (under) expenditures	$ (71,505)	$ (71,505)	$ (38,577)	$ 32,928
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 71,505	$ 71,505	$ 38,577	$ (32,928)
Total other financing sources (uses)	$ 71,505	$ 71,505	$ 38,577	$ (32,928)
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	Virginia Public Assistance Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Miscellaneous	$ 37,180	$ 37,180	$ -	$ (37,180)
Intergovernmental:				
Commonwealth	359,895	359,895	147,957	(211,938)
Federal	211,840	211,840	354,878	143,038
Total revenues	$ 608,915	$ 608,915	$ 502,835	$ (106,080)
EXPENDITURES				
Current:				
Health and welfare	$ 773,300	$ 773,663	$ 607,921	$ 165,742
Total expenditures	$ 773,300	$ 773,663	$ 607,921	$ 165,742
Excess (deficiency) of revenues over (under) expenditures	$ (164,385)	$ (164,748)	$ (105,086)	$ 59,662
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 164,385	$ 164,748	$ 105,086	$ (59,662)
Total other financing sources (uses)	$ 164,385	$ 164,748	$ 105,086	$ (59,662)
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 652,310	$ 35,774	$ 688,084
Due from other governmental units	90,748	24,862	115,610
Inventories	-	22,158	22,158
Prepaid items	90,327	-	90,327
Total assets	$ 833,385	$ 82,794	$ 916,179
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued payroll	$ 652,310	$ 32,232	$ 684,542
Due to primary government	46,575	-	46,575
Unearned revenue	134,500	-	134,500
Total liabilities	$ 833,385	$ 32,232	$ 865,617
Fund balances:			
Nonspendable:			
Inventories	$ -	$ 22,158	$ 22,158
Prepaid items	90,327	-	90,327
Committed:			
School cafeteria	-	28,404	28,404
Unassigned (deficit)	(90,327)	-	(90,327)
Total fund balances	$ -	$ 50,562	$ 50,562
Total liabilities and fund balances	$ 833,385	$ 82,794	$ 916,179

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

Total fund balances per above		$ 50,562
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and land improvements	$ 238,282	
Buildings and improvements	9,706,867	
Machinery and equipment	1,136,677	
Construction in progress	67,281	
		11,149,107
Net pension asset is not an available resource and, therefore, is not reported in the funds.		
Net pension asset	$ 31,193	
		31,193
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds		
Pension related items	$ 1,085,724	
OPEB related items	88,463	
		1,174,187
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Note payable	$ (1,746,039)	
Compensated absences	(227,947)	
Net OPEB liabilities	(2,112,000)	
Net pension liability	(7,225,000)	
		(11,310,986)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (1,290,498)	
OPEB related items	(74,000)	
		(1,364,498)
Net position of governmental activities		$ (270,435)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Charges for services	$ -	$ 106,335	$ 106,335
Miscellaneous	17,903	-	17,903
Intergovernmental:			
Local government	8,012,859	290,000	8,302,859
Commonwealth	1,810,117	6,237	1,816,354
Federal	529,529	204,685	734,214
Total revenues	$ 10,370,408	$ 607,257	$ 10,977,665
EXPENDITURES			
Current:			
Education	$ 12,094,418	$ 603,853	$ 12,698,271
Debt service:			
Principal retirement	27,141	-	27,141
Interest and other fiscal charges	22,029	-	22,029
Total expenditures	$ 12,143,588	$ 603,853	$ 12,747,441
Excess (deficiency) of revenues over (under) expenditures	$ (1,773,180)	$ 3,404	$ (1,769,776)
OTHER FINANCING SOURCES (USES)			
Issuance of note payable	$ 1,773,180	$ -	$ 1,773,180
Total other financing sources and uses	$ 1,773,180	$ -	$ 1,773,180
Net change in fund balances	$ -	$ 3,404	$ 3,404
Fund balances - beginning	-	47,158	47,158
Fund balances - ending	$ -	$ 50,562	$ 50,562

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above		$ 3,404
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.		
Capital outlays	$ 2,248,529	
Depreciation expense	(618,493)	
Net allocation of debt financed school assets based on current year repayments	975,000	
		2,605,036
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.		
Issuance of note payable	$ (1,773,180)	
Principal repayments	27,141	
		(1,746,039)
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.		
Change in compensated absences	$ (39,101)	
Pension expense	376,876	
OPEB expense	(28,151)	
		309,624
Change in net position of governmental activities		$ 1,172,025

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County of Bath, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	$ -	$ -	$ -	$ -
Miscellaneous	9,000	9,000	17,903	8,903
Intergovernmental:				
Local government	8,072,621	8,072,621	8,012,859	(59,762)
Commonwealth	1,757,238	1,757,238	1,810,117	52,879
Federal	407,006	407,006	529,529	122,523
Total revenues	$ 10,245,865	$ 10,245,865	$ 10,370,408	$ 124,543
EXPENDITURES				
Current:				
Education	$ 10,245,865	$ 10,245,865	$ 12,094,418	$ (1,897,723)
Debt service:				
Principal retirement	-	-	27,141	-
Interest and other fiscal charges	-	-	22,029	-
Total expenditures	$ 10,245,865	$ 10,245,865	$ 12,143,588	$ (1,897,723)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ (1,773,180)	$ (1,773,180)
OTHER FINANCING SOURCES (USES)				
Issuance of note payable	$ -	$ -	$ 1,773,180	$ 1,773,180
Total other financing sources and uses	-	-	1,773,180	1,773,180
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

School Cafeteria Fund							
Budgeted Amounts							Variance with Final Budget Positive
	Original		Final		Actual		(Negative)
$	126,515	$	126,515	$	106,335	$	(20,180)
	-		-		-		-
	361,310		361,310		290,000		(71,310)
	5,313		5,313		6,237		924
	145,000		145,000		204,685		59,685
$	638,138	$	638,138	$	607,257	$	(30,881)
$	638,138	$	638,138	$	603,853	$	34,285
	-		-		-		-
	-		-		-		-
$	638,138	$	638,138	$	603,853	$	34,285
$	-	$	-	$	3,404	$	3,404
$	-	$	-	$	-	$	-
	-		-		-		-
$	-	$	-	$	3,404	$	3,404
	-		-		47,158		47,158
$	-	$	-	$	50,562	$	50,562

DISCRETELY PRESENTED COMPONENT UNIT – SERVICE AUTHORITY

Statement of Net Position
Discretely Presented Component Unit - Service Authority
June 30, 2018

		Component Unit Service Authority
ASSETS		
Current assets:		
Cash and cash equivalents	$	3,117,851
Accounts receivable, net of allowances for uncollectibles		111,283
Total current assets	$	3,229,134
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (restricted for debt service)	$	11,063
Cash and cash equivalents (restricted for security deposits)		33,358
Total restricted assets	$	44,421
Capital assets:		
Land and land rights	$	69,165
Machinery and equipment		436,681
Utility plant in service		21,811,413
Accumulated depreciation		(13,963,491)
Total capital assets	$	8,353,768
Total noncurrent assets	$	8,398,189
Total assets	$	11,627,323
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$	48,637
OPEB related items		1,830
Total deferred outflows of resources	$	50,467
LIABILITIES		
Current liabilities:		
Accounts payable	$	33,125
Customer deposits		33,358
Unearned revenue		3,144,617
Compensated absences - current portion		2,970
Bonds payable - current portion		20,473
Total current liabilities	$	3,234,543
Noncurrent liabilities:		
Compensated absences - net of current portion	$	8,910
Bonds payable - net of current portion		378,750
Net OPEB liabilities		26,324
Net pension liability		297,609
Total noncurrent liabilities	$	711,593
Total liabilities	$	3,946,136
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	49,704
OPEB related items		4,696
Total deferred inflows of resources	$	54,400
NET POSITION		
Net investment in capital assets	$	7,954,545
Restricted - reserve fund		11,063
Unrestricted (deficit)		(288,354)
Total net position	$	7,677,254

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Service Authority
Year Ended June 30, 2018

		Component Unit
		Service Authority
OPERATING REVENUES		
Charges for services:		
Water revenues	$	343,134
Sewer revenues		750,627
Late and reconnect fees		25,247
Total operating revenues	$	1,119,008
OPERATING EXPENSES		
Payroll and related benefits	$	572,646
Water		58,223
Sewer		131,711
Administration		32,446
Laboratory and engineering		30,515
Maintenance		24,307
Utilities and transportation		215,631
Insurance claims and premiums		25,936
Depreciation		449,741
Total operating expenses	$	1,541,156
Operating income (loss)	$	(422,148)
NONOPERATING REVENUES (EXPENSES)		
Interest income	$	4,376
Development fees		70,232
Interest expense		(983)
Total nonoperating revenues (expenses)	$	73,625
Change in net position	$	(348,523)
Total net position - beginning, as restated		8,025,777
Total net position - ending	$	7,677,254

Statement of Cash Flows
Discretely Presented Component Unit - Service Authority
Year Ended June 30, 2018

	Component Unit Service Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,125,378
Payments to suppliers	(529,606)
Payments to employees	(588,937)
Net cash provided by (used for) operating activities	$ 6,835
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	$ (26,542)
Principal payments on bonds	(100,827)
Development fees	108,615
Interest expense	(983)
Net cash provided by (used for) capital and related financing activities	$ (19,737)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	$ 4,388
Net cash provided by (used for) investing activities	$ 4,388
Net increase (decrease) in cash and cash equivalents	$ (8,514)
Cash and cash equivalents - beginning - including restricted	3,170,786
Cash and cash equivalents - ending - including restricted	$ 3,162,272
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	$ (422,148)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	$ 449,741
(Increase) decrease in accounts receivable	2,895
(Increase) decrease in deferred outflows of resources	48,370
Increase (decrease) in customer deposits	3,475
Increase (decrease) in accounts payable	(10,837)
Increase (decrease) in compensated absences	(9,399)
Increase (decrease) in deferred inflows of resources	54,400
Increase (decrease) in net OPEB liabilities	(6,303)
Increase (decrease) in net pension liability	(103,359)
Total adjustments	$ 428,983
Net cash provided by (used for) operating activities	$ 6,835

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 4,237,756	$ 4,237,756	$ 4,259,295	$ 21,539
Real and personal public service corporation taxes	6,928,391	6,928,391	7,158,431	230,040
Personal property taxes	182,410	182,410	159,162	(23,248)
Penalties	20,674	20,674	23,568	2,894
Interest	14,228	14,228	13,413	(815)
Total general property taxes	$ 11,383,459	$ 11,383,459	$ 11,613,869	$ 230,410
Other local taxes:				
Local sales and use taxes	$ 789,831	$ 789,831	$ 849,993	$ 60,162
Consumption tax	18,949	18,949	19,650	701
Mixed beverage license taxes	1,804	1,804	2,356	552
Motor vehicle license taxes	77,000	77,000	74,859	(2,141)
Bank stock taxes	46,567	46,567	39,893	(6,674)
Taxes on recordation and wills	39,904	39,904	475,062	435,158
Hotel and motel room taxes	539,277	539,277	545,180	5,903
Restaurant food taxes	789,831	789,831	905,907	116,076
Total other local taxes	$ 2,303,163	$ 2,303,163	$ 2,912,900	$ 609,737
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 1,396	$ 1,396	$ 1,266	$ (130)
Permits and other licenses	27,726	27,726	59,086	31,360
Total permits, privilege fees, and regulatory licenses	$ 29,122	$ 29,122	$ 60,352	$ 31,230
Fines and forfeitures:				
Court fines and forfeitures	$ 5,647	$ 5,647	$ 3,496	$ (2,151)
Revenue from use of money and property:				
Revenue from use of money	$ 8,009	$ 8,009	$ 46,455	$ 38,446
Revenue from use of property	10,000	10,000	9,895	(105)
Total revenue from use of money and property	$ 18,009	$ 18,009	$ 56,350	$ 38,341
Charges for services:				
Charges for law enforcement and traffic control	$ 5,084	$ 5,084	$ 5,410	$ 326
Charges for courthouse maintenance	3,209	3,209	3,324	115
Courthouse security fee	17,397	17,397	17,616	219
Concealed weapons permits	2,475	2,475	2,910	435
Charges for Commonwealth's Attorney	495	495	533	38
Sheriff's fees	321	321	321	-
Law library fees	459	459	729	270
Soil and erosion fees	570	570	330	(240)
Charges for sanitation and waste removal	-	-	9,796	9,796
Charges for parks and recreation	2,126	5,212	3,147	(2,065)
Charges for other protection	43	43	464	421
Charges for other services	20,832	20,832	23,346	2,514
Total charges for services	$ 53,011	$ 56,097	$ 67,926	$ 11,829
Miscellaneous:				
Miscellaneous	$ 30,172	$ 35,717	$ 45,233	$ 9,516
Refunds and recoveries	5,000	32,705	23,622	(9,083)
Total miscellaneous	$ 35,172	$ 68,422	$ 68,855	$ 433
Total revenue from local sources	$ 13,827,583	$ 13,863,919	$ 14,783,748	$ 919,829

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock taxes	$ 9,151	$ 9,151	$ 93	$ (9,058)
Mobile home titling tax	495	495	270	(225)
Communications taxes	111,689	111,689	105,538	(6,151)
Tax on deeds	10,152	10,152	103,190	93,038
Personal property tax relief funds	40,275	40,275	40,276	1
Total noncategorical aid	$ 171,762	$ 171,762	$ 249,367	$ 77,605
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 71,457	$ 71,457	$ 70,952	$ (505)
Sheriff	516,463	516,463	517,216	753
Commissioner of revenue	74,383	74,383	73,446	(937)
Treasurer	64,582	64,582	69,654	5,072
Registrar/electoral board	25,995	25,995	35,656	9,661
Clerk of the Circuit Court	146,483	146,483	161,037	14,554
Total shared expenses	$ 899,363	$ 899,363	$ 927,961	$ 28,598
Other categorical aid:				
Shared expenses - Mountain Soil and Water Conservation District	$ 133,108	$ 133,108	$ 118,080	$ (15,028)
Emergency medical services division fees	5,882	5,882	-	(5,882)
Fire programs fund	20,000	20,000	40,000	20,000
E-911 Addressing/Mapping/Implementation Project	54,088	54,088	57,361	3,273
Virginia Juvenile Community Crime Control Act	6,585	6,585	-	(6,585)
Seized funds	-	-	224	224
Other state funds	611	611	15,545	14,934
Total other categorical aid	$ 220,274	$ 220,274	$ 231,210	$ 10,936
Total categorical aid	$ 1,119,637	$ 1,119,637	$ 1,159,171	$ 39,534
Total revenue from the Commonwealth	$ 1,291,399	$ 1,291,399	$ 1,408,538	$ 117,139
Revenue from the federal government:				
Noncategorical aid:				
Payment in Lieu of Taxes	$ 168,279	$ 168,279	$ 145,846	$ (22,433)
Total noncategorical aid	$ 168,279	$ 168,279	$ 145,846	$ (22,433)
Categorical aid:				
Community development block grant	$ -	$ -	$ 11,683	$ 11,683
Local emergency planning grant	7,500	7,500	-	(7,500)
Total categorical aid	$ 7,500	$ 7,500	$ 11,683	$ 4,183
Total revenue from the federal government	$ 175,779	$ 175,779	$ 157,529	$ (18,250)
Total General Fund	$ 15,294,761	$ 15,331,097	$ 16,349,815	$ 1,018,718

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	$ 37,180	$ 37,180	$ -	$ (37,180)
Total miscellaneous	$ 37,180	37,180	$ -	(37,180)
Total revenue from local sources	$ 37,180	$ 37,180	$ -	$ (37,180)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	$ 359,895	$ 359,895	$ 147,957	$ (211,938)
Total revenue from the Commonwealth	$ 359,895	$ 359,895	$ 147,957	$ (211,938)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 211,840	$ 211,840	$ 354,878	$ 143,038
Total categorical aid	$ 211,840	$ 211,840	$ 354,878	$ 143,038
Total revenue from the federal government	$ 211,840	$ 211,840	$ 354,878	$ 143,038
Total Virginia Public Assistance Fund	$ 608,915	$ 608,915	$ 502,835	$ (106,080)
CSA Fund:				
Revenue from local sources:				
Miscellaneous:				
Refund to foster care	$ -	$ -	$ 1,658	$ 1,658
Total miscellaneous	$ -	$ -	$ 1,658	$ 1,658
Total revenue from local sources	$ -	$ -	$ 1,658	$ 1,658
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	$ 95,642	$ 95,642	$ 51,010	$ (44,632)
Total categorical aid	$ 95,642	$ 95,642	$ 51,010	$ (44,632)
Total revenue from the Commonwealth	$ 95,642	$ 95,642	$ 51,010	$ (44,632)
Total CSA Fund	$ 95,642	$ 95,642	$ 52,668	$ (42,974)
Lodging Tax- Marketing /Capital Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes-designated for marketing	$ 269,639	$ 269,639	$ 272,942	$ 3,303
Hotel and motel room taxes-designated for capital improvements	269,639	269,639	272,942	3,303
Total other local taxes	$ 539,278	$ 539,278	$ 545,884	$ 6,606
Miscellaneous:				
Other miscellaneous	$ -	$ -	$ 2,462	$ 2,462
Total miscellaneous	$ -	$ -	$ 2,462	$ 2,462
Total revenue from local sources	$ 539,278	$ 539,278	$ 548,346	$ 9,068
Total Lodging Tax -Marketing/Capital Fund	$ 539,278	$ 539,278	$ 548,346	$ 9,068
Total Primary Government	$ 16,538,596	$ 16,574,932	$ 17,453,664	$ 878,732

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Refunds and recoveries	$ 9,000	$ 9,000	$ 17,903	$ 8,903
Total miscellaneous	9,000	9,000	17,903	8,903
Total revenue from local sources	$ 9,000	$ 9,000	$ 17,903	$ 8,903
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	$ 8,072,621	$ 8,072,621	$ 8,012,859	$ (59,762)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 594,108	$ 594,108	$ 559,874	$ (34,234)
Basic school aid	627,825	627,825	614,523	(13,302)
Gifted and talented	5,047	5,047	5,064	17
Remedial education	14,935	14,935	14,984	49
Special Education	70,349	70,349	70,581	232
Textbook payment	11,307	11,307	11,345	38
Vocational standards of quality payments	82,768	82,768	78,730	(4,038)
Fringe benefits	120,201	120,201	120,598	397
At risk	12,361	12,361	12,691	330
English as a second language	1,311	1,311	1,256	(55)
Early reading intervention	3,265	3,265	4,571	1,306
Remedial summer school	4,509	4,509	3,106	(1,403)
K-3 initiative	13,991	13,991	14,310	319
Lottery proceeds	28,234	28,234	28,353	119
Individual student alternative education program	7,859	7,859	8,294	435
Special education - foster children	-	-	105,099	105,099
Preschool Pilot Grant	5,881	5,881	5,900	19
Technology	128,000	128,000	-	(128,000)
Medicaid	20,000	20,000	97,810	77,810
Standards of Learning algebra readiness	1,321	1,321	1,321	-
School security equipment grant	-	-	46,083	46,083
Other state funds	3,966	3,966	5,624	1,658
Total categorical aid	$ 1,757,238	$ 1,757,238	$ 1,810,117	$ 52,879
Revenue from the federal government:				
Noncategorical aid:				
Payment in lieu of taxes	$ 134,500	$ 134,500	$ 134,500	$ -
Categorical aid:				
Title VI-B, special education handicapped	$ 105,000	$ 105,000	$ 146,550	$ 41,550
Title I	82,100	82,100	42,407	(39,693)
Vocational education	9,000	9,000	6,732	(2,268)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Advanced placement test	$ 906	$ 906	$ -	$ (906)
Improving Teacher Quality	30,000	30,000	22,233	(7,767)
Rural education achievement program	44,000	44,000	37,902	(6,098)
Title III	1,500	1,500	891	(609)
Immigrant and youth grant	-	-	10,000	10,000
Forest reserve	-	-	128,314	128,314
Total categorical aid	$ 272,506	$ 272,506	$ 395,029	$ 122,523
Total revenue from the federal government	$ 407,006	$ 407,006	$ 529,529	$ 122,523
Total School Operating Fund	$ 10,245,865	$ 10,245,865	$ 10,370,408	$ 124,543
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	$ 126,515	$ 126,515	$ 106,335	$ (20,180)
Total revenue from local sources	$ 126,515	$ 126,515	$ 106,335	$ (20,180)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Bath, Virginia	$ 361,310	$ 361,310	$ 290,000	$ (71,310)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 5,313	$ 5,313	$ 6,237	$ 924
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 145,000	$ 145,000	$ 183,653	$ 38,653
USDA donated food	-	-	21,032	21,032
Total revenue from the federal government	$ 145,000	$ 145,000	$ 204,685	$ 59,685
Total School Cafeteria Fund	$ 638,138	$ 638,138	$ 607,257	$ (30,881)
Total Discretely Presented Component Unit - School Board	$ 10,884,003	$ 10,884,003	$ 10,977,665	$ 93,662

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2018

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 193,388	$ 193,388	$ 173,994	$ 19,394
General and financial administration:				
County administrator	$ 296,157	$ 296,277	$ 277,923	$ 18,354
Commissioner of revenue	194,984	194,984	193,941	1,043
Treasurer	230,639	230,639	226,475	4,164
Data Processing	59,200	59,200	37,830	21,370
Total general and financial administration	$ 780,980	$ 781,100	$ 736,169	$ 44,931
Board of elections:				
Registrar	$ 87,977	$ 87,977	$ 83,741	$ 4,236
Electoral board and officials	62,888	62,888	40,560	22,328
Total board of elections	$ 150,865	$ 150,865	$ 124,301	$ 26,564
Total general government administration	$ 1,125,233	$ 1,125,353	$ 1,034,464	$ 90,889
Judicial administration:				
Courts:				
Circuit court	$ 26,480	$ 26,480	$ 21,122	$ 5,358
General district court	24,060	24,060	18,320	5,740
Special magistrates	1,267	1,267	914	353
Clerk of the circuit court	256,357	270,605	254,361	16,244
Total courts	$ 308,164	$ 322,412	$ 294,717	$ 27,695
Commonwealth's attorney:				
Commonwealth's attorney	$ 124,799	$ 124,799	$ 124,798	$ 1
Total commonwealth's attorney	$ 124,799	$ 124,799	$ 124,798	$ 1
Total judicial administration	$ 432,963	$ 447,211	$ 419,515	$ 27,696
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 911,920	$ 937,948	$ 931,448	$ 6,500
Total law enforcement and traffic control	$ 911,920	$ 937,948	$ 931,448	$ 6,500
Fire and rescue services:				
Fire department	$ 227,260	$ 227,260	$ 228,361	$ (1,101)
Contribution to fire and rescue	566,277	591,277	569,777	21,500
Total fire and rescue services	$ 793,537	$ 818,537	$ 798,138	$ 20,399
Correction and detention:				
County/City operated institutions	$ 125,000	$ 92,889	$ 92,888	$ 1
Total correction and detention	$ 125,000	$ 92,889	$ 92,888	$ 1
Inspections:				
Building	$ 215,167	$ 215,167	$ 200,445	$ 14,722
Total inspections	$ 215,167	$ 215,167	$ 200,445	$ 14,722
Other protection:				
Animal control	$ 156,041	$ 156,041	$ 144,937	$ 11,104
Emergency communications	414,331	414,331	392,624	21,707
Emergency management	98,384	102,323	114,369	(12,046)
Medical examiner (coroner)	200	200	20	180
VJCCCA	6,585	6,585	6,585	-
Total other protection	$ 675,541	$ 679,480	$ 658,535	$ 20,945
Total public safety	$ 2,721,165	$ 2,744,021	$ 2,681,454	$ 62,567

Schedule of Expenditures - Budget and Actual
Governmental Funds
June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public works:				
Sanitation and waste removal:				
General engineering/administration	$ 1,064,300	$ 1,064,300	$ 896,211	$ 168,089
Total sanitation and waste removal	$ 1,064,300	$ 1,064,300	$ 896,211	$ 168,089
Maintenance of general buildings and grounds:				
General engineering/administration	$ 234,168	$ 338,739	$ 334,801	$ 3,938
Airport Authority	31,773	31,773	37,841	(6,068)
Total maintenance of general buildings and grounds	$ 265,941	$ 370,512	$ 372,642	$ (2,130)
Total public works	$ 1,330,241	$ 1,434,812	$ 1,268,853	$ 165,959
Health and welfare:				
Health:				
Local health department	$ 89,610	$ 89,610	$ 84,568	$ 5,042
Total health	$ 89,610	$ 89,610	$ 84,568	$ 5,042
Mental health and mental retardation:				
Administration	$ 33,015	$ 33,015	$ 33,015	$ -
Total mental health and mental retardation	$ 33,015	$ 33,015	$ 33,015	$ -
Welfare:				
Welfare administration				
Public welfare	$ 74,155	$ 74,155	$ 74,155	$ -
Tax relief for the elderly	88,800	88,800	84,748	4,052
Total welfare	$ 162,955	$ 162,955	$ 158,903	$ 4,052
Total health and welfare	$ 285,580	$ 285,580	$ 276,486	$ 9,094
Education:				
Other instructional costs:				
Contributions to community colleges	$ 3,749	$ 3,749	$ 3,749	$ -
Contributions to County School Board	8,433,931	8,433,931	8,302,859	131,072
Total education	$ 8,437,680	$ 8,437,680	$ 8,306,608	$ 131,072
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	$ 394,605	$ 421,866	$ 371,388	$ 50,478
Total parks and recreation	$ 394,605	$ 421,866	$ 371,388	$ 50,478
Library:				
Regional library	$ 153,797	$ 153,797	$ 153,797	$ -
Total library	$ 153,797	$ 153,797	$ 153,797	$ -
Total parks, recreation, and cultural	$ 548,402	$ 575,663	$ 525,185	$ 50,478
Community development:				
Planning and community development:				
Planning	$ 98,477	$ 160,477	$ 99,597	$ 60,880
Total planning and community development	$ 98,477	$ 160,477	$ 99,597	$ 60,880
Environmental management:				
Administration	$ 150,646	$ 150,646	$ 137,495	$ 13,151
Total environmental management	$ 150,646	$ 150,646	$ 137,495	$ 13,151
Cooperative extension program:				
Administration	$ 50,672	$ 50,672	$ 25,633	$ 25,039
Total cooperative extension program	$ 50,672	$ 50,672	$ 25,633	$ 25,039
Total community development	$ 299,795	$ 361,795	$ 262,725	$ 99,070

Schedule of Expenditures - Budget and Actual
Governmental Funds
June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Nondepartmental:				
Miscellaneous	$ 211,635	$ 195,920	$ 78,239	$ 117,681
Total nondepartmental	$ 211,635	$ 195,920	$ 78,239	$ 117,681
Debt service:				
Principal retirement	$ 969,673	$ 969,673	$ 975,000	$ (5,327)
Interest and other fiscal charges	119,965	119,965	119,965	-
Total debt service	$ 1,089,638	$ 1,089,638	$ 1,094,965	$ (5,327)
Total General Fund	$ 16,482,332	$ 16,697,673	$ 15,948,494	$ 749,179
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	$ 516,000	$ 516,363	$ 500,505	$ 15,858
Purchased services	157,300	157,300	107,416	49,884
Child care	100,000	100,000	-	100,000
Total health and welfare	$ 773,300	$ 773,663	$ 607,921	$ 165,742
Total Virginia Public Assistance Fund	$ 773,300	$ 773,663	$ 607,921	$ 165,742
CSA Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services	$ 167,147	$ 167,147	$ 91,245	$ 75,902
Total CSA Fund	$ 167,147	$ 167,147	$ 91,245	$ 75,902
Lodging Tax Marketing & Capital Fund:				
Economic development	$ 489,744	$ 489,744	$ 233,700	$ 256,044
Total Marketing/Capital Fund	$ 489,744	$ 489,744	$ 233,700	$ 256,044
Total Primary Government	$ 17,912,523	$ 18,128,227	$ 16,881,360	$ 1,246,867
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction	$ 7,395,866	$ 7,395,866	$ 7,326,851	$ 69,015
Operating costs:				
Administration, attendance and health services	$ 464,584	$ 464,584	$ 464,610	$ (26)
Pupil transportation	916,289	916,289	964,990	(48,701)
Operation and maintenance of school plant	1,469,126	1,469,126	3,337,967	(1,868,841)
Total operating costs	$ 2,849,999	$ 2,849,999	$ 4,767,567	$ (1,917,568)
Debt service:				
Principal retirement	$ -	$ -	$ 27,141	$ (27,141)
Interest and other fiscal charges	-	-	22,029	(22,029)
Total debt service	$ -	$ -	$ 49,170	$ (49,170)
Total education	$ 10,245,865	$ 10,245,865	$ 12,143,588	$ (1,897,723)
Total School Operating Fund	$ 10,245,865	$ 10,245,865	$ 12,143,588	$ (1,897,723)

Schedule of Expenditures - Budget and Actual
Governmental Funds
June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special revenue fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	$ 638,138	$ 638,138	$ 603,853	$ 34,285
Total School Cafeteria Fund	$ 638,138	$ 638,138	$ 603,853	$ 34,285
Total Discretely Presented Component Unit - School Board	$ 10,884,003	$ 10,884,003	$ 12,747,441	$ (1,863,438)

STATISTICAL SECTION

STATISTICAL SECTION

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1 - 5
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	6-10
Debt Capacity This table presents information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	11-12
Demographic and Economic Information This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	13-14
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	15-17

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

County of Bath, Virginia

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	$ 2,489,345	$ 1,751,839	$ 1,865,865	$ 1,108,675	$ 1,805,410
Restricted	-	-	100,065	100,065	-
Unrestricted	4,504,735	5,504,308	7,374,898	10,001,253	9,882,222
Total governmental activities net position	$ 6,994,080	$ 7,256,147	$ 9,340,828	$ 11,209,993	$ 11,687,632
Primary government					
Net investment in capital assets	$ 2,489,345	$ 1,751,839	$ 1,865,865	$ 1,108,675	$ 1,805,410
Restricted	-	-	100,065	100,065	-
Unrestricted	4,504,735	5,504,308	7,374,898	10,001,253	9,882,222
Total primary government net position	$ 6,994,080	$ 7,256,147	$ 9,340,828	$ 11,209,993	$ 11,687,632

(1) During fiscal year 2018, the County adopted GASB 75 which required restatement of the beginning net position for the year ended June 30, 2017. The net position for fiscal year 2017 is preseted as restated.

Table 1

	Fiscal Year				
	2014	**2015**	**2016**	**2017 (1)**	**2018**
	$ 1,322,610	$ 1,057,884	$ 1,474,375	$ 1,510,211	$ 1,313,518
	-	-	-	-	-
	10,072,864	7,835,053	6,712,935	6,073,950	6,625,165
	$ 11,395,474	$ 8,892,937	$ 8,187,310	$ 7,584,161	$ 7,938,683
	$ 1,322,610	$ 1,057,884	$ 1,474,375	$ 1,510,211	$ 1,313,518
	-	-	-	-	-
	10,072,864	7,835,053	6,712,935	6,073,950	6,625,165
	$ 11,395,474	$ 8,892,937	$ 8,187,310	$ 7,584,161	$ 7,938,683

County of Bath, Virginia

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

	Fiscal Year 2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government administration	$ 1,302,485	$ 1,721,629	$ 1,229,730	$ 1,211,724	$ 1,268,772
Judicial administration	331,725	329,702	336,921	344,405	439,010
Public safety	2,233,245	1,850,466	1,829,651	2,040,286	2,112,434
Public works	1,080,364	1,120,874	1,100,064	1,064,089	1,155,574
Health and welfare	768,099	797,407	827,199	826,654	935,708
Education	6,528,980	6,062,084	6,460,206	6,904,010	7,459,886
Parks, recreation and cultural	602,237	477,243	465,168	467,408	539,930
Community development	284,996	271,641	241,827	1,145,116	969,681
Nondepartmental	60,783	180,027	281,777	47,199	65,610
Interest on long-term debt	270,256	412,588	399,090	383,614	1,234,856
Total governmental activities expenses	$ 13,463,170	$ 13,223,661	$ 13,171,633	$ 14,434,505	$ 16,181,461
Total primary government expenses	$ 13,463,170	$ 13,223,661	$ 13,171,633	$ 14,434,505	$ 16,181,461
Program Revenues					
Governmental activities:					
Charges for services:					
General government administration	$ 14,214	$ 14,629	$ 18,315	$ 16,135	$ 17,263
Judicial administration	17,265	21,222	24,213	17,805	16,900
Public safety	69,465	77,630	51,081	70,979	110,031
Public works	73,972	62,381	55,290	60,820	73,434
Parks, recreation and cultural	8,510	8,208	9,328	9,245	7,470
Operating grants and contributions	1,734,588	1,624,870	1,453,368	1,784,659	1,721,339
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	$ 1,918,014	$ 1,808,940	$ 1,611,595	$ 1,959,643	$ 1,946,437
Total primary government program revenues	$ 1,918,014	$ 1,808,940	$ 1,611,595	$ 1,959,643	$ 1,946,437
Net (expense) / revenue					
Governmental activities	$ (11,545,156)	$ (11,414,721)	$ (11,560,038)	$ (12,474,862)	$ (14,235,024)
Total primary government net expense	$ (11,545,156)	$ (11,414,721)	$ (11,560,038)	$ (12,474,862)	$ (14,235,024)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	$ 9,893,321	$ 9,701,561	$ 11,384,262	$ 11,409,502	$ 11,685,185
Local sales and use taxes	797,508	729,748	687,422	807,325	873,109
Restaurant food tax	-	-	195,557	804,380	879,825
Motor vehicle licenses taxes	70,691	77,576	72,513	72,341	72,794
Taxes on recordation and wills	69,523	62,594	68,993	91,714	98,445
Bank stock taxes	25,896	27,963	30,036	32,266	33,918
Hotel and motel room taxes	360,138	326,434	707,584	721,982	823,534
Other local taxes	2,763	306,680	19,695	21,958	20,760
Unrestricted grants and contributions	333,018	330,014	233,860	231,527	337,617
Unrestricted revenues from use of money and property	94,642	55,329	57,130	51,966	43,463
Miscellaneous	229,282	55,889	187,667	99,066	78,866
Loss on disposition of capital assets	(4,015)	-	-	-	-
Effect of change in accounting principle (1)	-	-	-	-	-
Total governmental activities	$ 11,872,767	$ 11,676,788	$ 13,644,719	$ 14,344,027	$ 14,947,516
Total primary government	$ 11,872,767	$ 11,676,788	$ 13,644,719	$ 14,344,027	$ 14,947,516
Change in Net Position					
Governmental activities	$ 327,611	$ 262,067	$ 2,084,681	$ 1,869,165	$ 712,492
Total primary government	$ 327,611	$ 262,067	$ 2,084,681	$ 1,869,165	$ 712,492

(1) During fiscal year 2018, the County adopted GASB 75 which required restatement of the beginning net position for the year ended June 30, 2017. The resulting restatement is presented as an other change in Net Position for fiscal year 2017.

Table 2

	Fiscal Year				
	2014	2015	2016	2017	2018
	$ 1,049,191	$ 1,020,326	$ 1,174,034	$ 1,114,156	$ 1,134,535
	369,801	356,973	388,586	439,940	428,181
	2,478,869	2,487,830	2,646,136	2,925,952	2,787,707
	1,429,114	1,421,247	1,736,640	1,097,385	1,179,161
	941,207	1,035,457	1,051,764	1,016,210	984,438
	8,899,869	9,084,728	8,815,193	9,395,332	9,296,708
	542,796	511,218	541,942	555,200	553,239
	1,087,763	1,307,591	1,216,657	785,851	496,504
	68,899	76,482	96,606	129,098	78,239
	196,898	172,996	156,066	134,714	119,053
	$ 17,064,407	$ 17,474,848	$ 17,823,624	$ 17,593,838	$ 17,057,765
	$ 17,064,407	$ 17,474,848	$ 17,823,624	$ 17,593,838	$ 17,057,765
	$ 18,107	$ 15,279	$ 15,612	$ 20,584	$ 23,346
	25,980	29,729	27,207	32,006	25,698
	119,570	61,237	36,172	35,985	69,457
	24,600	37,625	15,619	1,184	10,126
	8,267	8,308	5,189	6,093	3,147
	1,817,277	2,133,388	1,967,670	1,919,398	1,667,338
	25,000	15,000	190,572	251,865	57,361
	$ 2,038,801	$ 2,300,566	$ 2,258,041	$ 2,267,115	$ 1,856,473
	$ 2,038,801	$ 2,300,566	$ 2,258,041	$ 2,267,115	$ 1,856,473
	$ (15,025,606)	$ (15,174,282)	$ (15,565,583)	$ (15,326,723)	$ (15,201,292)
	$ (15,025,606)	$ (15,174,282)	$ (15,565,583)	$ (15,326,723)	$ (15,201,292)
	$ 11,720,316	$ 11,682,189	$ 11,540,509	$ 11,608,685	$ 11,596,114
	920,676	925,382	789,831	937,441	849,993
	859,248	691,592	789,831	834,316	905,907
	73,882	75,778	75,514	76,835	74,859
	50,256	63,019	45,124	41,867	475,062
	37,797	55,675	46,567	40,394	39,893
	969,850	1,008,345	1,078,690	1,103,163	1,091,064
	21,377	21,244	20,753	20,704	22,006
	321,975	346,539	370,041	402,731	395,213
	35,934	12,915	18,009	27,767	56,350
	67,737	41,127	85,087	43,306	49,353
	-	-	-	-	-
	-	-	-	(489,260)	-
	$ 15,079,048	$ 14,923,805	$ 14,859,956	$ 14,647,949	$ 15,555,814
	$ 15,079,048	$ 14,923,805	$ 14,859,956	$ 14,647,949	$ 15,555,814
	$ 53,442	$ (250,477)	$ (705,627)	$ (678,774)	$ 354,522
	$ 53,442	$ (250,477)	$ (705,627)	$ (678,774)	$ 354,522

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

Fiscal Year		Property Tax		Local sales and use Tax		Restaurant Food Tax		Motor Vehicle License Tax		Record-ation and Wills Tax		Hotel and Motel Taxes		Other Local Taxes		Total
2018	$	11,596,114	$	849,993	$	905,907	$	74,859	$	475,062	$	1,091,064	$	61,899	$	15,054,898
2017		11,608,685		937,441		834,316		76,835		41,867		1,103,163		61,098		14,663,405
2016		11,540,509		789,831		789,831		75,514		45,124		1,078,690		67,320		14,386,819
2015		11,682,189		925,382		691,592		75,778		63,019		1,008,345		76,919		14,523,224
2014		11,720,316		920,676		859,248		73,882		50,256		969,850		59,174		14,653,402
2013		11,685,185		873,109		879,825		72,794		98,445		823,534		54,678		14,487,570
2012		11,409,502		807,325		804,380		72,341		91,714		721,982		54,224		13,961,468
2011		11,384,262		687,422		195,557		72,513		68,993		707,584		49,731		13,166,062
2010		9,701,561		729,748		-		77,576		62,594		611,092		295,680		11,478,251
2009		9,893,321		797,508		-		70,691		69,523		360,138		47,229		11,238,410

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County of Bath, Virginia

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

	Fiscal Year				
	2009	**2010**	**2011**	**2012**	**2013**
General fund					
Unreserved	$ 4,975,240	$ 5,121,473	$ -	$ -	$ -
Nonspendable	-	-	51,150	8,767	8,474
Restricted	-	-	100,065	100,065	-
Committed	-	-	-	718,561	70,490
Assigned	-	-	390,000	533,935	6,134,500
Unassigned	-	-	6,450,006	7,542,031	3,169,892
Total general fund	$ 4,975,240	$ 5,121,473	$ 6,991,221	$ 8,903,359	$ 9,383,356
All other governmental funds					
Nonspendable	$ -	$ -	$ -	$ -	$ -
Committed for:					
Special revenue funds	7,649	179,146	371,089	419,929	484,479
Total all other governmental funds	$ 7,649	$ 179,146	$ 371,089	$ 419,929	$ 484,479

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

Table 4

Fiscal Year				
2014	**2015**	**2016**	**2017**	**2018**
$ -	$ -	$ -	$ -	$ -
15,164	39,978	29,669	10,827	37,826
-	-	-	-	-
8,252	-	-	-	-
6,241,060	299,643	72,674	163,500	270,951
3,201,601	9,015,028	8,204,617	7,794,839	7,918,047
$ 9,466,077	$ 9,354,649	$ 8,306,960	$ 7,969,166	$ 8,226,824
$ -	$ 2,540	$ 200	$ -	$ -
586,124	674,451	465,304	727,725	1,042,371
$ 586,124	$ 676,991	$ 465,504	$ 727,725	$ 1,042,371

County of Bath, Virginia

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
General property taxes	$ 9,820,700	$ 9,507,978	$ 11,579,115	$ 11,342,321	$ 11,719,341
Other local taxes	1,345,089	1,530,995	1,781,800	2,551,966	2,802,385
Permits, privilege fees and regulatory licenses	62,368	68,806	44,109	63,894	103,695
Fines and forfeitures	55	1,108	245	312	968
Revenue from use of money and property	94,642	55,329	57,130	51,966	43,463
Charges for services	121,003	114,156	113,873	110,778	86,435
Miscellaneous	181,280	155,431	64,507	47,310	78,866
Recovered costs	17,455	41,263	123,160	51,756	51,539
Intergovernmental:					
Commonwealth	1,689,706	1,396,191	1,348,968	1,356,016	1,420,094
Federal	408,447	420,888	338,260	660,170	672,862
Total revenues	$ 13,740,745	$ 13,292,145	$ 15,451,167	$ 16,236,489	$ 16,979,648
Expenditures					
General government administration	$ 879,294	$ 908,384	$ 890,821	$ 892,324	$ 975,861
Judicial administration	322,987	326,046	333,562	342,536	431,886
Public safety	2,121,207	1,776,576	1,772,124	1,835,699	1,889,823
Public works	1,078,993	1,119,666	1,109,988	1,062,139	1,172,565
Health and welfare	764,271	798,550	830,523	832,665	928,633
Education	6,528,980	6,017,182	6,160,206	6,595,610	7,564,786
Parks, recreation and cultural	580,440	460,647	447,482	446,139	505,283
Community development	284,996	268,388	240,380	1,080,677	966,366
Nondepartmental	59,452	64,038	123,594	67,108	64,947
Capital projects	964,911	766,235	372,194	429,675	973,322
Debt service:					
Principal	8,995,833	63,094	717,189	315,000	9,280,000
Interest and other fiscal charges	109,125	405,610	391,413	375,939	1,226,629
Total expenditures	$ 22,690,489	$ 12,974,416	$ 13,389,476	$ 14,275,511	$ 25,980,101
Excess of revenues over (under) expenditures	$ (8,949,744)	$ 317,729	$ 2,061,691	$ 1,960,978	$ (9,000,453)
Other financing sources (uses)					
Transfers in	$ 137,257	$ 159,353	$ 207,303	$ 223,460	$ 239,450
Transfers out	(137,257)	(159,353)	(207,303)	(223,460)	(239,450)
Issuance of indebtedness	9,749,230	-	-	-	9,545,000
Total other financing sources (uses)	$ 9,749,230	$ -	$ -	$ -	$ 9,545,000
Net change in fund balances	$ 799,486	$ 317,729	$ 2,061,691	$ 1,960,978	$ 544,547
Debt service as a percentage of noncapital expenditures	3.0793%	3.6125%	8.2797%	4.8400%	7.7186%

Table 5

Fiscal Year				
2014	**2015**	**2016**	**2017**	**2018**
$ 11,675,049	$ 11,778,520	$ 11,520,566	$ 11,597,266	$ 11,613,869
2,933,086	2,841,035	2,846,310	3,054,720	3,458,784
112,675	55,267	29,122	30,973	60,352
5,841	8,130	5,647	8,676	3,496
35,934	12,915	18,009	27,767	56,350
78,008	88,781	65,030	56,203	67,926
67,737	41,127	85,087	43,306	49,353
24,453	26,717	25,518	47,344	23,622
1,489,796	1,564,092	1,583,905	1,656,392	1,607,505
674,456	930,835	944,378	917,602	512,407
$ 17,097,035	$ 17,347,419	$ 17,123,572	$ 17,440,249	$ 17,453,664
$ 947,808	$ 982,285	$ 1,125,533	$ 1,105,739	$ 1,034,464
366,567	371,390	401,423	438,287	419,515
2,131,542	2,129,588	2,600,932	2,752,004	2,681,454
1,427,212	1,005,518	1,743,951	1,103,133	1,268,853
934,589	1,055,014	1,051,884	1,005,510	975,652
7,586,708	8,071,628	7,955,783	8,419,432	8,306,608
469,312	495,977	506,166	522,250	525,185
1,085,578	1,311,770	1,551,947	851,260	496,425
68,899	76,482	96,606	129,098	78,239
806,721	784,479	261,585	179,128	-
915,000	910,000	930,000	950,000	975,000
197,733	173,849	156,938	135,606	119,965
$ 16,937,669	$ 17,367,980	$ 18,382,748	$ 17,591,447	$ 16,881,360
$ 159,366	$ (20,561)	$ (1,259,176)	$ (151,198)	$ 572,304
$ 154,689	$ 209,891	$ 190,527	$ 168,674	$ 143,663
(154,689)	(209,891)	(190,527)	(168,674)	(143,663)
25,000	-	-	-	-
$ 25,000	$ -	$ -	$ -	$ -
$ 184,366	$ (20,561)	$ (1,259,176)	$ (151,198)	$ 572,304
6.5696%	6.3961%	6.0673%	6.2947%	6.5317%

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 (1)	Other Local Taxes	Total
2018	$ 11,613,869	$ 849,993	$ 905,907	$ 74,859	$ 475,062	$ 1,091,064	$ 61,899	$ 15,072,653
2017	11,597,266	937,441	834,316	76,835	41,867	1,103,163	61,098	14,651,986
2016	11,520,566	789,831	789,831	75,514	45,124	1,078,690	67,320	14,366,876
2015	11,778,520	925,382	691,592	75,778	63,019	1,008,345	76,919	14,619,555
2014	11,675,049	920,676	859,248	73,882	50,256	969,850	59,174	14,608,135
2013	11,719,341	873,109	879,825	72,794	98,445	823,534	54,678	14,521,726
2012	11,342,321	807,325	804,380	72,341	91,714	721,982	54,224	13,894,287
2011	11,579,115	687,422	195,557	72,513	68,993	707,584	49,731	13,360,915
2010	9,507,978	729,748	-	77,576	62,594	611,091	49,985	11,038,972
2009	9,820,700	797,508	-	70,691	69,523	360,138	47,229	11,165,789

(1) Includes lodging tax reported in the Lodging Tax/Marketing Capital Fund.

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County of Bath, Virginia

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

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Public Service (2)	Total Taxable Assessed Value
2018	$ 875,003,700	$ 56,958,300	$ 601,100	$ 1,432,056,425	$ 2,364,619,525
2017	981,958,400	58,050,800	368,100	1,459,194,817	2,499,572,117
2016	978,673,900	60,240,600	408,900	1,448,811,871	2,488,135,271
2015	977,065,400	57,716,100	459,700	1,482,067,106	2,517,308,306
2014	968,454,300	55,169,760	749,700	1,495,398,310	2,519,772,070
2013	964,065,600	57,923,200	81,300	1,494,282,594	2,516,352,694
2012	959,247,900	57,112,800	85,900	1,431,099,852	2,447,546,452
2011	804,584,300	58,144,700	268,200	1,270,143,889	2,133,141,089
2010	796,900,200	58,748,900	59,900	974,004,286	1,829,713,286
2009	790,724,600	62,405,200	66,500	1,016,138,462	1,869,334,762

Source: Commissioner of Revenue

(1) Real estate is assessed at 100% of market value.
(2) Assessed values are established by the State Corporation Commission
(3) Provided for real estate values only. Actual taxable value is net of land use and tax relief for the elderly.
(4) Source: Virginia Department of Taxation

Table 7

Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value (1)	State Sales Assessment Ratio (4)	Total Direct Rate
$ 824,266,700	106.16%	107.70%	1.70
887,437,400	110.65%	107.70%	1.66
887,643,600	110.26%	99.82%	1.66
889,111,900	109.89%	104.98%	1.66
880,351,500	110.01%	99.19%	1.66
876,106,500	110.04%	106.65%	1.66
881,592,556	108.81%	108.36%	1.66
745,469,827	107.93%	73.43%	1.80
739,333,542	107.79%	80.76%	1.80
734,000,300	107.73%	67.28%	1.80

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

	Direct Rates			
Fiscal Year	**Real Estate**	**Personal Property**	**Mobile Homes**	**Machinery and Tools**
2018	$ 0.50	$ 0.35	$ 0.50	$ 0.35
2017	0.48	0.35	0.48	0.35
2016	0.48	0.35	0.48	0.35
2015	0.48	0.35	0.48	0.35
2014	0.48	0.35	0.48	0.35
2013	0.48	0.35	0.48	0.35
2012	0.48	0.35	0.48	0.35
2011	0.55	0.35	0.55	0.35
2010	0.55	0.35	0.55	0.35
2009	0.55	0.35	0.55	0.35

(1) Per $100 of assessed value

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

		Fiscal Year 2018		Fiscal Year 2009	
Taxpayer	Type Business	2018 Assessed Valuation	% of Total Assessed Valuation	2009 Assessed Valuation	% of Total Assessed Valuation
Public Service	Utilities (Power, etc.)	$ 1,459,194,817	61.709%	$ 974,004,286	47.806%
The Homestead LC	Hotel	104,091,200	4.402%	103,481,500	5.079%
NA Homestead Preserve	Hotel	42,325,900	1.790%	-	0.000%
The Owners Club	Timeshares	23,627,300	0.999%	23,323,100	1.145%
DG Land Holdings	R.E. Prop. & invst.	7,570,700	0.320%	-	0.000%
Fort Lewis Lodge	Lodging	4,575,400	0.193%	-	0.000%
Bill Chambers	Real Estate Dev.	2,595,300	0.110%	-	0.000%
Plecker & Son	Construction	2,625,800	0.111%	2,686,400	0.132%
CA Partners	Real Estate Dev.	2,172,700	0.092%	2,779,700	0.136%
Lockridge Enterprises	Farming	1,290,700	0.055%	-	0.000%
VA Hot Springs Land Co.	Real Estate Dev.	234,600	0.010%	733,700	0.036%
Warm Spring Investment	R.E. Prop. & invst.	-	0.000%	41,585,500	2.041%
Cambata Industries	Farming; aviation	-	0.000%	9,401,400	0.461%
Enterprise Leasing	Vehicle Leasing	-	0.000%	825,400	0.041%
SSPW	Vehicle Leasing	-	0.000%	156,200	0.008%
		$ 1,650,629,017	69.81%	$ 1,159,211,886	62.01%

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: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2018	$ 11,551,252	$ 11,376,569	98.49%	$ -	$ 11,376,569	98.49%
2017	11,555,323	11,262,008	97.46%	250,931	11,512,939	99.63%
2016	11,499,348	11,327,388	98.50%	152,545	11,327,388	98.50%
2015	11,644,754	11,494,387	98.71%	140,538	11,634,925	99.92%
2014	11,670,710	11,469,643	98.28%	193,238	11,662,881	99.93%
2013	11,654,162	11,475,356	98.47%	174,046	11,649,402	99.96%
2012	11,335,319	11,071,943	97.68%	260,475	11,332,418	99.97%
2011	11,327,270	11,123,491	98.20%	203,013	11,326,504	99.99%
2010	9,671,942	9,282,256	95.97%	389,268	9,671,524	100.00%
2009	9,917,942	9,726,824	98.07%	191,072	9,917,896	100.00%

Source: Commissioner of Revenue, County Treasurer's office

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities						
Fiscal Year	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2018	$ -	$ -	$ 4,120,000	$ -	$ 4,120,000	1.63%	$ 904
2017	-	-	5,095,000	-	5,095,000	2.13%	1,095
2016	-	-	6,045,000	-	6,045,000	2.52%	1,279
2015	-	-	6,975,000	-	6,975,000	3.08%	1,462
2014	-	-	7,885,000	-	7,885,000	3.84%	1,708
2013	-	-	8,775,000	-	8,775,000	3.95%	1,923
2012	-	-	8,510,000	-	8,510,000	4.21%	1,820
2011	-	-	8,825,000	-	8,825,000	4.98%	1,895
2010	-	-	9,485,000	57,187	9,542,187	5.59%	2,017
2009	-	-	9,515,000	90,978	9,605,978	5.21%	1,975

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

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2018	$ 4,120,000	$ -	$ 4,120,000	0.17%	$ 904
2017	5,095,000	-	5,095,000	0.20%	1,095
2016	6,045,000	-	6,045,000	0.24%	1,279
2015	6,975,000	-	6,975,000	0.28%	1,462
2014	7,885,000	-	7,885,000	0.31%	1,708
2013	8,775,000	-	8,775,000	0.35%	1,923
2012	8,510,000	100,065	8,409,935	0.34%	1,799
2011	8,825,000	100,065	8,724,935	0.41%	1,874
2010	9,485,000	-	9,485,000	0.52%	2,005
2009	9,515,000	-	9,515,000	0.51%	1,957

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13.
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7.
(3) Includes all long-term general obligation bonded debt, revenue bonds, and Literary Fund Loans; excludes capital leases, and compensated absences.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy-ment Rate
2018	4,556	$ 252,991,000	$ 58,876	49	552	2.60%
2017	4,652	239,666,388	51,519	49	554	2.90%
2016	4,727	239,989,790	50,770	49	541	3.30%
2015	4,771	226,116,774	47,394	46	584	4.00%
2014	4,616	205,338,144	44,484	48	622	4.10%
2013	4,563	222,377,805	48,735	48	597	4.90%
2012	4,676	202,078,016	43,216	48	625	4.80%
2011	4,657	177,222,135	38,055	47	658	5.00%
2010	4,731	170,817,486	36,106	47	670	6.30%
2009	4,863	184,293,111	37,897	42	693	6.40%

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 2018 (1) Employees	Fiscal Year 2018 Rank	Fiscal Year 2018 % of Total County Employment	Fiscal Year 2009 (1) Employees	Fiscal Year 2009 Rank	Fiscal Year 2009 % of Total County Employment
The Homestead	850	1	34.41%	750	1	27.27%
Bath County Public Schools	146	2	5.91%	175	2	6.36%
Bath County Community Hospital	125	3	5.06%	175	3	6.36%
County of Bath	75	4	3.04%	75	6	2.73%
AFS of Hot Springs, Inc. (Springs Nursing Center)	65	5	2.63%	75	4	2.73%
Dominion Virginia Power (2)	50	6	2.02%	-	-	0.00%
Barc Electrical Co-op	45	7	1.82%	35	7	1.27%
Phantom Eagle LLC (2)	35	8	1.42%	-	-	0.00%
VA Department of Conservation	35	9	1.42%	35	10	1.27%
F. Clayton Plecker & Sons	30	10	1.21%	35	9	1.27%
Virginia Electric and Power Company	-	-	0.00%	75	5	2.73%
Management Company of Homestead	-	-	0.00%	35	8	1.27%
Totals	1,456		58.95%	1,465		53.27%
Total estimated jobs in County	2,470			2,750		

(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 2009.

Sources:

VA Employment Commission, www.vec.virginia.gov (50 Largest Employers in Bath County for fourth quarter 2017 - latest available -and 2009).

VA Workforce Connection, 12/7/2018, www.vawc.virginia.gov (Virginia Workforce Connection - Labor Market Services - Area Profile for Bath

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County of Bath, Virginia

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

Function	2009	2010	2011	2012
	Fiscal Year			
General government	10	10	11	10
Judicial administration	5	5	5	5
Public safety				
Sheriff's department	18	17	17	17
911 Administrator	1	1	1	0
Building inspections	2	1	1	1
Animal control	2	2	2	2
Public works				
General maintenance	2	2	2	2
Landfill	0	0	0	0
Health and welfare				
Department of social services	7	7	7	7
Culture and recreation				
Parks and recreation	3	3	3	3
Library	2	1	1	1
Community development				
Tourism	0	0	0	1
Planning	2	2	2	2
Totals	54	51	52	51

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

Table 15

Fiscal Year					
2013	2014	2015	2016	2017	2018
9	9	9	9	9	9
5	5	5	5	5	5
19	19	19	19	19	19
0	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
0	0	0	0	0	0
7	7	7	7	7	7
3	3	3	3	3	3
1	1	1	1	0	0
2	2	2	1	1	1
2	2	2	2	2	2
53	53	53	52	51	51

County of Bath, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year 2009	2010	2011	2012
Public safety				
Sheriff's department:				
Physical arrests	93	103	62	125
Traffic violations	53	31	10	12
Civil papers	1,098	1,105	1,101	1,114
Building inspections:				
Inspections made	641	74	77	118
Permits issued	114	99	90	93
Animal control:				
Number of calls answered	611	540	547	579
Public works				
Landfill:				
Refuse collected (tons/day) (1)	20	20	20	20
Recycling (tons/day) (1)	3	5	5	5
Health and welfare				
Department of Social Services:				
Caseload	693	726	775	814
Culture and recreation				
Parks and recreation:				
After-school program participants	n/a	n/a	n/a	n/a
Youth sports participants	811	553	523	477
Component Unit - School Board				
Education:				
School age population (2)	692	672	630	635
Number of teachers (2)	71	70	69	61
Local expenditures per pupil (2)	$14,341	$13,443	$9,888	$10,153

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					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
167	146	134	93	207	111
52	137	157	159	182	47
1,215	1,056	1,149	1,020	993	955
239	345	336	337	395	370
112	103	116	109	133	119
620	643	520	499	413	387
20	20	14	15	17	14
5	5	7	7	7	6
884	900	900	1,176	4,295	6,183
n/a	n/a	n/a	n/a	n/a	n/a
450	311	355	466	492	420
604	590	570	584	562	522
67	67	68	66	66	64
$16,129	$12,807	$14,450	$14,522	$16,424	$20,790

County of Bath, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year 2009	2010	2011	2012	2013
General government					
Administration buildings	5	5	5	5	5
Vehicles	1	1	1	1	1
Public safety					
Sheriff's department:					
Patrol units	12	10	12	12	13
Animal control:					
Vehicles	1	1	1	1	1
Public works					
Vehicles	1	1	1	1	1
Sites	1	1	1	1	1
Culture and recreation					
Parks and recreation:					
Vehicles	2	2	3	3	3
Swimming pools	2	2	2	2	2
Health and welfare					
Buildings	1	1	1	1	1
Community development					
Planning:					
Vehicles	1	1	1	1	1
Component Unit - School Board					
Education:					
Schools	4	5	5	4	4
School buses	21	19	18	19	19

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

Table 17

Fiscal Year				
2014	2015	2016	2017	2018
5	5	5	5	5
1	1	2	2	2
13	13	13	13	13
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
3	2	2	2	2
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
4	4	4	4	4
19	18	16	18	19

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of County of Bath, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Bath, Virginia's basic financial statements, and have issued our report thereon dated December 7, 2018.

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 7, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Bath, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Bath, Virginia's major federal programs for the year ended June 30, 2018. County of Bath, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Bath, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Bath, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Bath, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 7, 2018

County of Bath, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	Not Available	$ 4,883
Temporary Assistance for Needy Families	93.558	Not Available	53,429
Refugee and Entrant Assistance - State Administered Programs	93.566	Not Available	83
Low-Income Home Energy Assistance	93.568	Not Available	7,533
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Available	9,022
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	168
Foster Care - Title IV-E	93.658	Not Available	29,574
Adoption Assistance	93.659	Not Available	51,847
Social Services Block Grant	93.667	Not Available	34,270
Chafee Foster Care Independence Program	93.674	Not Available	337
Children's Health Insurance Program	93.767	Not Available	3,000
Medical Assistance Program	93.778	Not Available	81,041
Total Department of Health and Human Services			$ 275,187
Department of Agriculture:			
Pass Through Payments:			
Virginia Department of Agriculture and Consumer Services:			
Commodities (Child Nutrition Cluster)	10.555	Not Available	$ 21,032
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	APE40254	133,219
Subtotal CFDA 10.555			$ 154,251
School Breakfast Program (Child Nutrition Cluster)	10.553	APE40253	$ 50,434
Child Nutrition Cluster Total			$ 204,685
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	79,691
Total Department of Agriculture			$ 284,376
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD507790	$ 11,683
Department of Defense			
Pass Through Payments:			
Department of Education:			
Payments to States in Lieu of Real Estate Taxes	12.112	APE42855	$ 128,314

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number		Federal Expenditures
Department of Education:				
Pass Through Payments:				
Department of Education:				
Special Education - Grants to States	84.027	APE43071	$	146,550
Title I Grants to Local Educational Agencies	84.010	APE42901		42,407
Higher Education Institutional Aid	84.031	Not available		891
Career and Technical Education - Basic Grants to States	84.048	APE61095		6,732
Supporting Effective Instruction State Grant	84.367	Not available		22,233
Rural Education	84.358	Not available		37,902
Student Support and Academic Enrichment Program	84.424	Not available		10,000
Total Department of Education			$	266,715
Total Expenditures of Federal Awards			$	966,275

Notes to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Bath, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Bath, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Bath, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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

NOTE C - FOOD DISTRIBUTION

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

NOTE D - SUBRECIPIENTS

No awards were passed through to subrecipients.

NOTE E - RELATIONSHIP TO FINANCIAL STATEMENTS

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

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
Governmental funds	$	512,407
Less payments in lieu of tax under CFDA 15.226 not included above		(145,846)
Total primary government	$	366,561
Discretely presented component unit - School Board:		
School operating fund	$	529,529
School cafeteria fund		204,685
Less payments in lieu of tax under CFDA 15.226 not included above		(134,500)
Total discretely presented component unit - School Board	$	599,714
Total federal expenditures per basic financial statements	$	966,275
Total federal expenditures per the Schedule of Expenditures of Federal awards	$	966,275

County of Bath, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes _x_ no
- Significant deficiency(ies) identified? ____ yes _x_ none reported

Noncompliance material to financial statements noted? ____ yes _x_ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes _x_ no
- Significant deficiency(ies) identified? ____ yes _x_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? ____ yes _x_ no

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution

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

Auditee qualified as low-risk auditee? _x_ yes ____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary of Prior Year Findings

There were no prior year findings.