



**COUNTY OF NELSON, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2020**



**COUNTY OF NELSON, VIRGINIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**COUNTY OF NELSON, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**FISCAL YEAR ENDED JUNE 30, 2020**

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**BOARD OF SUPERVISORS**

Larry D. Saunders - Chairman  
Thomas D. Harvey - Vice Chairman  
Thomas H. Bruguire, Jr. - West District  
Ernie Q. Reed - Central District  
Jesse N. Rutherford - East District

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**COUNTY SCHOOL BOARD**

David Francis - Chairperson  
Janet Turner-Giles - Vice Chairperson

George Cheape  
David Parr

Cesar Perkins

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**COUNTY SOCIAL SERVICES BOARD**

Tanya Stewart, Chairperson  
Brad Johnson, Vice-Chairperson

Edith Napier

Ernie Reed

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**OTHER OFFICIALS**

Michael T. Garrett  
Lisa Bryant  
Daniel Rutherford  
Pamela C. Campbell  
Angela F. Johnson  
David W. Hill  
Martha J. Eagle  
Angela A. Rose  
Stephen A. Carter

Judge of the Circuit Court  
Clerk of the Circuit Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Sheriff  
Superintendent of Schools  
Director of Social Services  
County Administrator





**Independent Auditors' Report**

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**To the Honorable Members of the Board of Supervisors  
County of Nelson, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Nelson, Virginia, as of and for the year ended Financial June 30, 2020, 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nelson, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-15, 97, and 98-111 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 the County of Nelson, 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the County of Nelson, 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 Nelson, 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 Nelson, Virginia's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

December 15, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the County of Nelson, Virginia for the fiscal year ended June 30, 2020.

### **Financial Highlights**

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

The assets and deferred outflows of resources of the County of Nelson, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$43,024,643. Of this amount, \$26,737,876 is unrestricted, and may be used to meet the government's ongoing obligations to creditors and citizens. Of the total net position, there is \$16,286,767 invested in capital assets net of related debt (an increase of \$2,205,647 from the previous year). The School Board's net position is a deficit of \$5,107,068, of which the unrestricted net position was a deficit of \$21,276,634.

The total net position of the Primary Government decreased by \$804,491, and the School Board's net position increased by \$92,614. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$25,247,975. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2019-20 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26,423,138 of which \$25,247,975 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 Nelson 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.

#### **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, deferred inflows, and net position 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, liabilities, deferred outflows, deferred inflows and the resulting net position. The difference between assets (including deferred outflows of resources) and liabilities (including deferred inflows of resources) 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.

## Overview of the Financial Statements: (Continued)

### Government-wide Financial Statements: (Continued)

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 source of funding for government activities is taxes and intergovernmental revenues. Government activities include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently classifies the Piney River public water and sewer system and the Nelson County Broadband Authority as business-type activities.

The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Nelson County School Board and 2) the Nelson County Economic Development 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, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant operational funding of the component unit.

### Fund Financial Statements

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 after the governmental fund balance sheet on Exhibit 4 and after the governmental fund statement of revenues, expenditures and changes in fund balances on Exhibit 6.



## Overview of the Financial Statements: (Continued)

### Governmental funds: (Continued)

The County maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data for other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

### Proprietary funds

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

The financial statements for the Piney River public water and sewer system and the Nelson County Broadband Authority are reported as enterprise funds in the County's fund financial statements. The Piney River public water and sewer system's operation provides for the delivery of public water and sewer service to County residents in designated areas of Nelson County. The Nelson County Broadband Authority operates a middle mile broadband network. The County does not have any internal service funds.

### 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. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position (Exhibit 10). Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County's own activities. These funds consist of the Special Welfare and EMS Loan Funds.

### 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.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements mentioned earlier in connection with non-major governmental funds are presented as other supplementary information.

## 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 Nelson, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,024,643 at the end of the fiscal year.

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

### County of Nelson's Net Position As of June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 41,408,531	\$ 43,905,749	\$ 1,796,113	\$ 1,224,158	\$ 43,204,644	\$ 45,129,907
Capital assets	31,632,536	29,597,382	4,268,381	7,287,626	35,900,917	36,885,008
Total assets	<u>\$ 73,041,067</u>	<u>\$ 73,503,131</u>	<u>\$ 6,064,494</u>	<u>\$ 8,511,784</u>	<u>\$ 79,105,561</u>	<u>\$ 82,014,915</u>
Deferred Outflows of Resources	\$ 1,395,795	\$ 691,672	\$ -	\$ -	\$ 1,395,795	\$ 691,672
Long-term liabilities	\$ 23,623,653	\$ 24,924,795	\$ 0	\$ 662,393	\$ 23,623,653	\$ 25,587,188
Other liabilities	2,446,908	1,750,369	10,858	23,857	2,457,766	1,774,226
Total liabilities	<u>\$ 26,070,561</u>	<u>\$ 26,675,164</u>	<u>\$ 10,858</u>	<u>\$ 686,250</u>	<u>\$ 26,081,419</u>	<u>\$ 27,361,414</u>
Deferred Inflows of Resources	\$ 11,395,294	\$ 11,516,039	\$ -	\$ -	\$ 11,395,294	\$ 11,516,039
Net Position:						
Invested in capital assets, net of related debt	\$ 12,018,386	\$ 7,455,887	\$ 4,268,381	\$ 6,625,233	\$ 16,286,767	\$ 14,081,120
Restricted for:						
Debt service and bond covenants	-	-	-	63,072	-	63,072
Unrestricted	24,952,621	28,547,713	1,785,255	1,137,229	26,737,876	29,684,942
Total net position	<u>\$ 36,971,007</u>	<u>\$ 36,003,600</u>	<u>\$ 6,053,636</u>	<u>\$ 7,825,534</u>	<u>\$ 43,024,643</u>	<u>\$ 43,829,134</u>

For the County, investment in capital assets (i.e., land, buildings, machinery and equipment), net of related debt used to acquire those assets that is still outstanding, represents 32.5 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 assets restricted for that purpose or other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County has restricted net position for debt service and bond covenants of \$0 at June 30, 2020. The remaining balance of unrestricted net position, which is \$26,737,876 or 62.15 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

**Government-wide Financial Analysis: (Continued)**

At the end of the fiscal year, the County's Primary Government reports a positive balance in total net position. The governmental activities reported positive balances of \$12,018,386 in net position invested in capital assets, net of related debt and \$24,952,621 in unrestricted net position. The business-type activities reported positive balances of \$4,268,381 in net position invested in capital assets net of related debt and \$1,785,255 in unrestricted net position.

The government's total net position decreased by \$804,491 during the current fiscal year compared to an increase of \$5,034,068 in FY 2019.

**Governmental and Business-type Activities**

Governmental activities increased the County's net position by \$967,407. Business-type activities decreased the County's net position by \$1,771,898. Key elements of these changes are as follows:

**County of Nelson's Changes in Net Position  
For the Years Ended June 30, 2020 and June 30, 2019**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 580,106	\$ 584,651	\$ 661,483	\$ 521,326	\$ 1,241,589	\$ 1,105,977
Operating grants & contributions	4,316,931	4,270,101	-	-	4,316,931	4,270,101
Capital grants & contributions	2,439,506	2,135,054	-	-	2,439,506	2,135,054
General revenues:						
General property taxes	21,452,989	23,273,910	-	-	21,452,989	23,273,910
Other local taxes	4,680,575	4,723,968	-	-	4,680,575	4,723,968
Use of money and property	528,397	426,877	-	-	528,397	426,877
Miscellaneous	314,843	132,489	-	-	314,843	132,489
Grants and contributions not restricted to specific programs	2,336,964	2,344,744	-	-	2,336,964	2,344,744
Transfers	(891,050)	(530,180)	891,050	530,180	-	-
Total revenues	<u>\$ 35,759,261</u>	<u>\$ 37,361,614</u>	<u>\$ 1,552,533</u>	<u>\$ 1,051,506</u>	<u>\$ 37,311,794</u>	<u>\$ 38,413,120</u>
Expenses:						
General government	\$ 3,117,491	\$ 2,285,005	\$ -	\$ -	\$ 3,117,491	\$ 2,285,005
Judicial administration	996,430	770,841	-	-	996,430	770,841
Public safety	6,411,572	6,050,356	-	-	6,411,572	6,050,356
Public works	2,212,255	1,326,860	514,534	864,889	2,726,789	2,191,749
Health and welfare	3,956,898	3,536,192	-	-	3,956,898	3,536,192
Education	16,108,123	16,385,204	-	-	16,108,123	16,385,204
Parks, recreation and cultural	569,528	674,601	-	-	569,528	674,601
Community development	801,084	823,167	-	-	801,084	823,167
Interest on long-term debt	618,473	661,937	-	-	618,473	661,937
Loss on disposal of capital assets	-	-	2,809,897	-	2,809,897	-
Total expenses	<u>\$ 34,791,854</u>	<u>\$ 32,514,163</u>	<u>\$ 3,324,431</u>	<u>\$ 864,889</u>	<u>\$ 38,116,285</u>	<u>\$ 33,379,052</u>
Increase (decrease) in net assets	\$ 967,407	\$ 4,847,451	\$ (1,771,898)	\$ 186,617	\$ (804,491)	\$ 5,034,068
Beginning net position	36,003,600	31,156,149	7,825,534	7,638,917	43,829,134	38,795,066
Ending net position	<u>\$ 36,971,007</u>	<u>\$ 36,003,600</u>	<u>\$ 6,053,636</u>	<u>\$ 7,825,534</u>	<u>\$ 43,024,643</u>	<u>\$ 43,829,134</u>

## **Governmental and Business-type Activities: (Continued)**

### **Revenues**

- Overall revenues decreased by \$1,101,326. Revenues from Governmental Activities decreased by \$1,602,353. Business-type activities sustained an increase in revenues when compared to the prior year of \$501,027. The net increase in revenue from Business-type activities of \$501,027 is mainly attributed to an increased transfer in from general county funds, which was \$360,870 more than the prior year, and an increase of Broadband Authority revenues, which were \$132,196 more than the prior year.
- The most significant component of the decrease in revenues of Governmental Activities was the reduction in General property tax revenue of \$1,820,921. Due to the Coronavirus Pandemic, the Board of Supervisors approved the reduction in tax so that the first half of tax year 2020 personal property and machinery and tools tax would be neither assessed nor collected. The amount of tax excluded was \$2,866,111.68 of personal property tax and \$39,445.32 of machinery and tools tax less the portion of Personal Property Tax Relief that would have applied of \$854,014.68, yields a net reduction in tax billings and revenue of \$2,051,542.32. There were increases in assessed values of real estate, personal property, mobile homes and public service corporations that lead to small increases in each of these categories of revenue to offset the reduction for not billing and collecting the first half personal property and machinery and tools taxes.
- There was an overall decrease in the Other Local Taxes category of revenue of \$43,393. Meals tax revenue was down by \$161,638 and transient occupancy tax was down by \$102,736 from FY19 to FY20, also deemed to be attributable to the Coronavirus Pandemic that forced temporary or permanent closure of numerous eateries and lodging establishments. Sales tax actually increased by \$172,544 from FY19 to FY20, which may be attributable to an increase in internet sales tax revenue due to the Coronavirus Pandemic that limited citizens' in-store shopping.
- The revenues from charges for services increased by \$135,612. As mentioned above, this is primarily attributable to the Business-type activities of the Nelson County Broadband Authority, which enjoyed an increase in revenues over the prior year of \$132,196.
- There was an increase in revenue from the Use of Money and Property of \$101,520, including an increase in interest earnings of \$56,826 due to increased yields for the first half of the year prior to the pandemic, and an increase in revenue from the use of property of \$44,694, attributable to an increase in real estate tax sale proceeds over the prior year.
- There was an increase in the Miscellaneous category of revenue from FY19 to FY20 in the amount of \$182,354. This was mainly due to an increase in timber sales of \$57,262 and the receipt of an interest rebate from the Virginia Public School Authority due to the 2019 debt refinancing in the amount of \$86,992
- There was an increase in capital grants revenue totaling \$304,452, related to the Blue Ridge Tunnel project. In FY19, these capital grants include \$2,088,931 in Federal Highway Administration/VDOT TEA-21 funds and \$46,123 in state Department of Conservation and Recreation Recreational Trails Program funds, whereas in FY20, there were grant revenues of \$2,439,506 in Federal Highway Administration/VDOT TEA-21 funds.
- There was a slight decrease in Operating Grants and Contributions revenues of \$7,780, attributed in part to an increase in Commonwealth's Attorney state shared aid of \$81,755, an increase in Sheriff's state shared aid of \$26,315, a reduction in E-911 Wireless Grant funds of \$147,431, a reduction in Four-For-Life grant funding of \$35,687 (due to the reporting of two years' worth of grant funds within FY19), an increase in Children's Services Act revenues of \$235,039, and a decrease in state funding for the Recreational Trails Program of \$242,508, as compared with the prior year.

## Governmental and Business-type Activities: (Continued)

### Expenses

- Expenses reflected an overall net increase of \$4,737,233. Of this amount, expense from governmental activities increased by \$2,277,691 and business-type activities increased by \$2,459,542.
- Several functional areas of expenses for governmental activities reflected increases: general government; judicial administration; public safety; public works; and health and welfare. The rest of the functional areas: education; parks, recreation and cultural; and community development declined by significant amounts, and there was a reduction in interest expense.
- The general government function had a net increase in expenditures of \$832,486. This is predominantly associated with a significant increase in Contingency Reserve expenses in FY20 as compared to FY19. The most notable of these expenses was the early retirement of 50% of a USDA loan held by the Nelson County Service Authority in the amount of \$604,704 and the purchase of the McGinnis Building for \$126,098, which houses the County's Building Inspections and Planning and Zoning Departments.
- The judicial administration function sustained an increase of \$225,589 mostly attributable increases in salaries and benefits in the Circuit Court, Commonwealth's Attorney, and Clerk of Circuit Court departments. These expenses are offset by revenue received from the State shown as State Categorical Aid-Shared Expenses-State in the County's financials.
- The public safety function had net increased expenses of \$361,216. There were capital expenses of \$306,622 that did not meet the threshold for capitalization in FY20 that are included in current year expenses. Additionally, EMS recovery fees are netted against public safety expenses in the Statement of Activities, and there were \$26,280 less in recovery fees reported in FY20 than the prior year.
- The public works function had an increase in expenditures of \$535,040. Of this total increase, there was an increase of \$885,395 in Governmental Activities associated with public works and a decrease of \$350,355 in Business Activities associated with public works. The decrease in Business Activities is due to the reduction in operational costs of the Broadband Authority associated with the transfer of the Broadband operations to Central Virginia Services, Inc. dba Firefly Broadband going forward. The increase in expenses for the Governmental Activities is mainly due to the write off of \$824,706 in post closure monitoring liability for the landfill that the County was relieved of in FY20.
- The health and welfare function reported an increase in expenses of \$420,706, as compared to the prior year. This is primarily due to the increase in the Children's Services Act program expenses of \$397,649, as compared to the prior year. These expenditures are partially offset by State Children's Services Act program revenues.
- The education function of the Primary Government sustained a decrease of expenditures of \$277,081 which is primarily attributable to the reduction in contribution from the county to the school board of \$199,400 for school capital projects (High School tennis courts) as compared to the prior year. Contributions from the county to the school board for regular operations and the nursing program were reduced by \$99,792 from FY19 to FY20. Local funds were reduced by \$70,065 for the school nurse program which was proportionate to the State allocation for school nursing; such that total funding for school nurses was unchanged.
- The parks, recreation and cultural function sustained a reduction of \$105,073 in expenses from FY19 to FY20. There was a reduction in depreciation expense of \$49,699, and in the prior year there were \$61,606 more in non-capitalized assets acquired through capital outlay expenses.
- The community development function sustained a small reduction of \$22,083 in expenses when compared to the prior year.

**Governmental and Business-type Activities: (Continued)**  
**Expenses (Continued)**

- The Loss on Disposal of Capital Assets reported of \$2,809,897 is all reported under Business-type Activities and is associated with the contribution to industry of the net book value of the infrastructure assets associated with the Broadband Authority.

**Financial Analysis of the Government's Funds**

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

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. 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 \$26,423,138, a decrease of \$3,200,269 from the prior year. Approximately, 95.55 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 classified to indicate that it is not available for new spending because it is constrained as follows:

- Nonspendable fund balance of \$25,975
- Committed fund balance of \$1,149,188

Details of these classifications can be found in Note 1 (O) of these financial statements.

The general fund is the chief operating fund of the County. As of June 30, 2020, total fund balance of the general fund was \$25,484,026, of which \$25,247,975 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 69.02 percent of total general fund expenditures which includes transfers to the School Board component unit of \$14,653,274. Total fund balance represents 72.24 percent of total general fund expenditures.

The fund balance of the County's general fund decreased by \$3,201,366 during the current fiscal year. Key factors in this decrease are as follows:

- Overall General Fund revenues decreased by \$911,629 as compared to the prior year.
  - As discussed above in the Revenues section of the Government-Wide Financial Analysis, the Board of Supervisors approved the non-billing and non-collection of the first half assessment of personal property and machinery and tools taxes, which would normally have been due June 5, 2020, due to the Coronavirus Pandemic. This decision led to reduced tax revenue at the fund level as well, and accounted for most of the reduction in property tax revenues of \$1,452,019 for FY20 as compared to FY19.
  - The other categories of revenues sustained fairly normal fluctuations in revenues as compared to the prior year, with items of note being:
    - an increase in revenues from the use of money and property (including interest and rental income) reporting an increase of \$101,520,
    - the miscellaneous revenue category reporting an increase of \$182,354, mainly resulting from increased timber sales and an interest rebate subsidy received in FY20,
    - revenues from the Commonwealth sustaining an increase of \$114,313, partly attributable to increased shared expenses reimbursements for the constitutional officers salaries of \$127,190, an increase in Children's Services Act program funds of \$235,039, a reduction in E911 wireless grant funding of \$147,431, and a reduction in Four-for-Life grant of \$35,687



- revenues from the federal government sustaining an increase of \$229,189, primarily due to an increase in the Blue Ridge Tunnel Grant of \$350,575 offset by a reduction in the Recreational Trails Program Grant of \$242,508.
- General Fund expenditures increased by \$2,439,281 as compared to the prior year. Most departments sustained fairly moderate changes from FY19 to FY20. Increases and decreases of note are:
  - an increase in Judicial Administration expenditures of \$151,762, which included an increase in Commonwealth’s attorney department of \$72,835, new VJCCA program expenses of \$47,725,
  - an increase in Public Safety expenditures of \$302,763, which included an increase in the Sheriff’s department of \$185,574, an increase in Regional jail services of \$59,294, Coronavirus Relief Fund expenses of \$65,336,
  - an increase in Health and Welfare expenditures of \$324,128, primarily associated with increased cost of Children’s Services Act program of \$310,823, compared to prior year,
  - a reduction in Education expenditures of \$398,840, mostly due to a reduction in capital funding to the Nelson County public school system by \$395,013 from FY19 to FY20,
  - a reduction in Community Development expenditures of \$100,877, attributable to small decreases in most all departments within this function,
  - an increase in Nondepartmental function expenditures of \$1,041,415, mostly due to the early retirement of 50% of an outstanding USDA loan held by the Nelson County Service Authority in the amount of \$604,703.95
  - an increase in capital projects expenditures of \$1,197,930 compared to the prior year, attributable primarily to the current year capital project costs of the Blue Ridge Tunnel of \$1,692,142, acquisition of emergency services vehicles of \$294,523, E911 CAD equipment of \$294,406, Radio System upgrade of \$179,025, and library expansion costs of \$2,253,067.
- Transfers out for debt service increased by \$26,371 and transfers for support of proprietary funds increased by \$360,870 as compared to the prior year. The net increase in transfers resulted from an increase in transfer to Piney River Water and Sewer System of \$460,870 and a reduction in transfers to the Nelson County Broadband Authority of \$100,000, as compared to the prior year. The increased transfers to Piney River Water and Sewer System of \$460,870 consisted primarily of \$317,798 for early retirement of associated system debt and \$130,000 for capital improvements to implement corrective action required by the Department of Environmental Quality. General Fund support of the Nelson County Broadband Authority was reduced due to the overall health of the Authority’s fund balance. Subsequently, during FY20, operations of the Authority were transferred to Central Virginia Services, Inc. dba Firefly Broadband.

Proprietary funds

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

Unrestricted net position of the Piney River Water and Sewer Fund at the end of the fiscal year was \$402,180. This is an increase from the prior year of \$265,552.

Unrestricted net position of the Broadband Authority at the end of the fiscal year was \$1,383,075 as compared to \$1,000,601 in the prior year, for an increase of \$382,474. This is primarily attributable to the impact of increased revenues relative to operating expenditures. The transfer of the Authority’s infrastructure assets did not impact the unrestricted portion of net position.

General Fund Budgetary Highlights

The final amended budgeted appropriations for the General Fund were \$40,742,174, \$2,238,026 more than the original budgeted expenditure appropriations, which is 5.8 percent of the total original budget, and can be briefly summarized as follows:

## **General Fund Budgetary Highlights (Continued)**

- In the general and financial administration functional category, there were net increases in budget during the year of \$95,393. This was comprised of small budget amendments in the following categories: County Administrator, Commissioner of revenue, Treasurer, Finance and accounting, and Technology and a more notable increase in Board of Elections/Registrar department of \$55,437 primarily due to the appropriation of funding related to 2020 dual presidential primary elections.
- The judicial administration functional category budget increased by \$132,523, with slight increases in most departments.
  - The VJCCA program sustained an increase of \$27,579 due to higher Juvenile Detention Home utilization
  - The Commonwealth's attorney's department sustained an increase of \$63,422 due to the funding of an additional Assistant Commonwealth Attorney
- The public safety functional category budget increased by \$720,913, with many of the departments having relatively small amendments. Some of the more significant Public Safety amendments are:
  - \$334,130 increase in Sheriff's department to appropriate the FY19 balance of Asset Forfeiture funds and the transfer of funds from the School Resource Officer Reserve to the department
  - \$30,955 increase in Paid EMS department due to the appropriation of Workers' Compensation Insurance costs not originally budgeted
  - \$302,585 increase in Coronavirus relief department partially appropriated following receipt during the fiscal year and in anticipation of expenditure in FY20
- The Nondepartmental functional category budget decreased by \$534,696, primarily due to the amendments to transfer contingency reserve budget to other departments.
- The Capital projects functional category budget increased by \$1,197,930 during FY20. These are the projects with amendments:
  - The Blue Ridge Tunnel Project budget increased \$735,131
  - The E911 Equipment budget increased by \$146,532
  - The Library Expansion project budget increased by \$451,213
  - Other projects combined increased by \$107,000.

Refer to Schedule 2 for details of increases and decreases by department.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The County's investment in capital assets for its governmental activities as of June 30, 2020 is \$31,632,536 (net of accumulated depreciation and is an increase of \$2,035,154 from the previous fiscal year). This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, and construction in progress.



**Capital Asset and Debt Administration (Continued)**

**Capital Assets (Continued)**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 694,107	\$ 694,107	\$ 40,000	\$ 40,000	\$ 734,107	\$ 734,107
Infrastructure	-	-	3,982,580	4,171,569	3,982,580	4,171,569
Buildings and improvements	20,300,379	21,923,028	-	-	20,300,379	21,923,028
Machinery and equipment	2,190,091	2,444,534	245,801	3,076,057	2,435,892	5,520,591
Construction in progress	8,447,959	4,535,713	-	-	8,447,959	4,535,713
Total	\$ <u>31,632,536</u>	\$ <u>29,597,382</u>	\$ <u>4,268,381</u>	\$ <u>7,287,626</u>	\$ <u>35,900,917</u>	\$ <u>36,885,008</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

**Long-term debt**

At the end of the fiscal year the County had the following outstanding loans and bonded indebtedness:

**County of Nelson's Outstanding Debt  
For the Year Ended June 30, 2020**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Lease Revenue Refunding	\$ 5,955,000	\$ 6,510,000	\$ -	\$ -	\$ 5,955,000	\$ 6,510,000
General Obligation Bonds	4,125,000	5,035,000	-	-	4,125,000	5,035,000
Revenue Bonds	5,270,000	5,795,000	-	662,393	5,270,000	6,457,393
Refunding Revenue Bonds	3,580,000	3,945,000	-	-	3,580,000	3,945,000
Total	\$ <u>18,930,000</u>	\$ <u>21,285,000</u>	\$ <u>-</u>	\$ <u>662,393</u>	\$ <u>18,930,000</u>	\$ <u>21,947,393</u>

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

Additional information on the County's long-term debt, including other long-term obligations such as compensated absences, other post-employment benefits and net pension liability, can be found in Notes 7-11, in the notes of the financial statements.

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

- The unemployment rate for the County was 7.8 percent (June 2020), which is an increase from the rate of 3.2 percent a year ago (June 2019). The rate still compares favorably to the state's average unemployment rate of 8.5 percent (June 2020) and the national average rate of 11.2 percent (June 2020). These rates were obtained from the U.S. Bureau of Labor Statistics and Virginia Employment Commission websites and are indicative of the adverse effects of the Coronavirus Pandemic on local employment.
- Due to current housing market conditions, the County incurred an increase in building permit fees of 2.6% for fiscal year 2019-2020, a significant improvement over the 12.8% decrease seen in fiscal year 2018-2019, but reflective of continued steady growth as opposed to steady declines in building permit fees seen in historical years. Recordation taxes, also impacted by housing market conditions, saw a significant increase in FY20, where revenues went up 19.6% over the prior year.
- The real property assessment effective January 1, 2020 reflected a modest overall increase in property values of .76% from 2019. The budget for FY21 does not reflect an adjustment in real estate or other taxes.
- Effects of the Coronavirus Pandemic on the County's budget remain uncertain and will continue into FY21. Unspent Coronavirus Relief Funds received in June 2020 and subsequently in August 2020, as well as other Coronavirus grant funds received, will be reflected in FY21 Financial Statements. (See Note 26).

All of these factors were considered in preparing the County's budget for the 2020-2021 fiscal year.

## **Requests for Information**

This financial report is designed to provide readers with a general overview of the County of Nelson's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the County Administrator, County of Nelson, Post Office Box 336, Lovingson, Virginia 22949.

## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Position  
At June 30, 2020

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,384,316	\$ 1,533,897	26,918,213	\$ 1,835,110	\$ 17,217
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,890,115	-	12,890,115	-	-
Accounts receivable	339,792	49,332	389,124	-	-
Connection fees receivable	-	212,884	212,884	-	-
Due from component unit	631,895	-	631,895	-	-
Due from other governmental units	2,136,438	-	2,136,438	500,146	-
Inventories	-	-	-	27,430	-
Prepaid items	25,975	-	25,975	237,365	-
Land held for resale	-	-	-	-	213,663
Capital assets (net of accumulated depreciation):					
Land and improvements	694,107	40,000	734,107	851,210	-
Buildings and improvements	20,300,379	-	20,300,379	15,325,974	-
Infrastructure and equipment	-	4,228,381	4,228,381	-	-
Machinery and equipment	2,190,091	-	2,190,091	1,330,788	-
Construction in progress	8,447,959	-	8,447,959	-	-
<b>Total assets</b>	<b>\$ 73,041,067</b>	<b>\$ 6,064,494</b>	<b>\$ 79,105,561</b>	<b>\$ 20,108,023</b>	<b>\$ 230,880</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on refunding	\$ 134,699	\$ -	\$ 134,699	\$ -	\$ -
OPEB deferrals	127,687	-	127,687	419,017	-
Pension deferrals	1,133,409	-	1,133,409	3,930,848	-
<b>Total deferred outflows of resources</b>	<b>\$ 1,395,795</b>	<b>\$ -</b>	<b>\$ 1,395,795</b>	<b>\$ 4,349,865</b>	<b>\$ -</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 74,436,862</b>	<b>\$ 6,064,494</b>	<b>\$ 80,501,356</b>	<b>\$ 24,457,888</b>	<b>\$ 230,880</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 843,256	\$ 10,858	\$ 854,114	\$ 88,155	\$ -
Accrued liabilities	-	-	-	1,094,219	-
Amounts held for others	125,757	-	125,757	-	-
Accrued interest payable	231,195	-	231,195	-	-
Due to primary government	-	-	-	631,895	-
Unearned revenue - coronavirus relief fund	1,246,700	-	1,246,700	17,433	-
Long-term liabilities:					
Due within one year	2,684,993	-	2,684,993	191,109	-
Due in more than one year	20,938,660	-	20,938,660	24,836,134	-
<b>Total liabilities</b>	<b>\$ 26,070,561</b>	<b>\$ 10,858</b>	<b>\$ 26,081,419</b>	<b>\$ 26,858,945</b>	<b>\$ -</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - taxes	\$ 10,901,121	\$ -	\$ 10,901,121	\$ -	\$ -
Items related to measurement of net OPEB liability	211,388	-	211,388	219,318	-
Items related to measurement of net pension liability	282,785	-	282,785	2,424,568	-
<b>Total deferred inflows of resources</b>	<b>\$ 11,395,294</b>	<b>\$ -</b>	<b>\$ 11,395,294</b>	<b>\$ 2,643,886</b>	<b>\$ -</b>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 12,018,386	\$ 4,268,381	\$ 16,286,767	\$ 16,169,566	\$ -
Unrestricted (deficit)	24,952,621	1,785,255	26,737,876	(21,214,509)	230,880
<b>Total net position</b>	<b>\$ 36,971,007</b>	<b>\$ 6,053,636</b>	<b>\$ 43,024,643</b>	<b>\$ (5,044,943)</b>	<b>\$ 230,880</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 74,436,862</b>	<b>\$ 6,064,494</b>	<b>\$ 80,501,356</b>	<b>\$ 24,457,888</b>	<b>\$ 230,880</b>

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

COUNTY OF NELSON, VIRGINIA

Statement of Activities  
 For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 3,117,491	\$ -	\$ 236,429	\$ -
Judicial administration	996,430	102,387	594,428	-
Public safety	6,411,572	238,862	1,120,299	-
Public works	2,212,255	200,534	5,074	-
Health and welfare	3,956,898	-	2,356,201	-
Education	16,108,123	-	-	-
Parks, recreation, and cultural	569,528	38,030	4,500	-
Community development	801,084	293	-	2,439,506
Interest on long-term debt	618,473	-	-	-
Total governmental activities	\$ 34,791,854	\$ 580,106	\$ 4,316,931	\$ 2,439,506
Business-type activities:				
Piney River Water & Sewer	366,559	151,393	-	-
Nelson County Broadband Authority	147,975	510,090	-	-
Total primary government	\$ 35,306,388	\$ 1,241,589	\$ 4,316,931	\$ 2,439,506
<b>COMPONENT UNITS:</b>				
School Board	\$ 26,672,086	\$ 329,566	\$ 10,749,578	\$ -
Nelson County Economic Development Authority	45,884	-	-	-
Total component units	\$ 26,717,970	\$ 329,566	\$ 10,749,578	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Meals taxes				
Transient occupancy tax				
Motor vehicle licenses				
Other local taxes				
Payment from County of Nelson				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Loss on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
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	Business-type Activities	Total	School Board	Economic Development Authority
\$ (2,881,062)	\$ -	\$ (2,881,062)		
(299,615)	-	(299,615)		
(5,052,411)	-	(5,052,411)		
(2,006,647)	-	(2,006,647)		
(1,600,697)	-	(1,600,697)		
(16,108,123)	-	(16,108,123)		
(526,998)	-	(526,998)		
1,638,715	-	1,638,715		
(618,473)	-	(618,473)		
<u>\$ (27,455,311)</u>	<u>\$ -</u>	<u>\$ (27,455,311)</u>		
-	(215,166)	(215,166)		
-	362,115	362,115		
<u>\$ (27,455,311)</u>	<u>\$ 146,949</u>	<u>\$ (27,308,362)</u>		
			\$ (15,592,942)	\$ -
			-	(45,884)
			<u>\$ (15,592,942)</u>	<u>\$ (45,884)</u>
\$ 21,452,989	\$ -	\$ 21,452,989	\$ -	\$ -
1,480,484	-	1,480,484	-	-
500,686	-	500,686	-	-
965,975	-	965,975	-	-
500,408	-	500,408	-	-
743,376	-	743,376	-	-
489,646	-	489,646	-	-
-	-	-	15,568,899	3,100
528,397	-	528,397	88	151
314,843	-	314,843	178,694	-
2,336,964	-	2,336,964	-	40,000
-	(2,809,897)	(2,809,897)	-	-
(891,050)	891,050	-	-	-
<u>\$ 28,422,718</u>	<u>\$ (1,918,847)</u>	<u>\$ 26,503,871</u>	<u>\$ 15,747,681</u>	<u>\$ 43,251</u>
\$ 967,407	\$ (1,771,898)	\$ (804,491)	\$ 154,739	\$ (2,633)
<u>36,003,600</u>	<u>7,825,534</u>	<u>43,829,134</u>	<u>(5,199,682)</u>	<u>233,513</u>
<u>\$ 36,971,007</u>	<u>\$ 6,053,636</u>	<u>\$ 43,024,643</u>	<u>\$ (5,044,943)</u>	<u>\$ 230,880</u>

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 At June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 24,445,204	\$ 218,832	\$ 720,230	\$ 50	\$ 25,384,316
Receivables (net of allowance):					
Property taxes receivable, net	12,890,115	-	-	-	12,890,115
Accounts receivable	339,792	-	-	-	339,792
Due from component unit	631,895	-	-	-	631,895
Due from other governmental units	2,136,438	-	-	-	2,136,438
Prepaid items	25,975	-	-	-	25,975
<b>Total assets</b>	<b>\$ 40,469,419</b>	<b>\$ 218,832</b>	<b>\$ 720,230</b>	<b>\$ 50</b>	<b>\$ 41,408,531</b>
<b>Liabilities</b>					
Accounts payable	\$ 843,256	\$ -	\$ -	\$ -	\$ 843,256
Unearned revenue	1,246,700	-	-	-	1,246,700
Amounts held for others	125,757	-	-	-	125,757
<b>Total liabilities</b>	<b>\$ 2,215,713</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,215,713</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - prepaid taxes	\$ 276,042	\$ -	\$ -	\$ -	\$ 276,042
Unavailable revenue - taxes	12,493,638	-	-	-	12,493,638
<b>Total deferred inflows of resources</b>	<b>\$ 12,769,680</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,769,680</b>
<b>Fund balances</b>					
Nonspendable	\$ 25,975	\$ -	\$ -	\$ -	\$ 25,975
Committed	210,076	218,832	720,230	50	1,149,188
Unassigned	25,247,975	-	-	-	25,247,975
<b>Total fund balances</b>	<b>\$ 25,484,026</b>	<b>\$ 218,832</b>	<b>\$ 720,230</b>	<b>\$ 50</b>	<b>\$ 26,423,138</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 40,469,419</b>	<b>\$ 218,832</b>	<b>\$ 720,230</b>	<b>\$ 50</b>	<b>\$ 41,408,531</b>

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  
 At June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 26,423,138

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and improvements	\$	694,107	
Construction in progress		8,447,959	
Buildings and improvements, net of depreciation		14,248,380	
Equipment, net of depreciation		2,190,091	
School Board capital assets, net of depreciation		6,051,999	31,632,536

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unavailable revenue - property taxes	\$	1,868,559	
Deferred outflows related to measurement of net OPEB liability		(211,388)	
Deferred outflows related to measurement of net pension liability		(282,785)	1,374,386

Long-term liabilities and related interest are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest on debt	\$	(231,195)	
Bonds, notes and capital leases payable		(18,930,000)	
Bond premiums		(818,849)	
Deferred charge on refunding		134,699	
Net pension liability		(2,439,428)	
Net OPEB liability		(940,292)	
Compensated absences		(495,084)	(23,720,149)

Deferred outflows - OPEB deferrals			127,687
Deferred outflows - pension deferrals			1,133,409

Net position of governmental activities \$ 36,971,007

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 21,596,875	\$ -	\$ -	\$ -	\$ 21,596,875
Other local taxes	4,680,575	-	-	-	4,680,575
Permits, privilege fees, and regulatory licenses	225,841	-	-	-	225,841
Fines and forfeitures	88,571	-	-	-	88,571
Revenue from the use of money and property	528,397	-	-	-	528,397
Charges for services	265,694	-	-	-	265,694
Miscellaneous	314,843	-	-	-	314,843
Recovered costs	655,771	-	-	-	655,771
Intergovernmental:					
Revenue from the Commonwealth	5,606,977	-	-	-	5,606,977
Revenue from the Federal Government	3,486,424	-	-	-	3,486,424
<b>Total revenues</b>	<b>\$ 37,449,968</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,449,968</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government administration	\$ 1,875,480	\$ -	\$ -	\$ -	\$ 1,875,480
Judicial administration	947,585	-	-	-	947,585
Public safety	5,601,536	-	-	-	5,601,536
Public works	2,022,659	-	-	-	2,022,659
Health and welfare	3,979,752	-	-	-	3,979,752
Education	14,664,364	-	-	-	14,664,364
Parks, recreation, and cultural	512,077	-	-	-	512,077
Community development	728,944	-	-	-	728,944
Nondepartmental	1,134,105	-	-	-	1,134,105
Capital projects	5,112,880	-	-	-	5,112,880
Debt service:					
Principal retirement	-	2,355,000	-	-	2,355,000
Interest and other fiscal charges	-	824,805	-	-	824,805
<b>Total expenditures</b>	<b>\$ 36,579,382</b>	<b>\$ 3,179,805</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,759,187</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 870,586</b>	<b>\$ (3,179,805)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,309,219)</b>
<b>Other financing sources (uses)</b>					
Transfers in	\$ -	\$ 3,180,902	\$ -	\$ -	\$ 3,180,902
Transfers out	(4,071,952)	-	-	-	(4,071,952)
<b>Total other financing sources (uses)</b>	<b>\$ (4,071,952)</b>	<b>\$ 3,180,902</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (891,050)</b>
<b>Net change in fund balances</b>	<b>\$ (3,201,366)</b>	<b>\$ 1,097</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,200,269)</b>
<b>Fund balance, beginning of year</b>	<b>28,685,392</b>	<b>217,735</b>	<b>720,230</b>	<b>50</b>	<b>29,623,407</b>
<b>Fund balance, end of year</b>	<b>\$ 25,484,026</b>	<b>\$ 218,832</b>	<b>\$ 720,230</b>	<b>\$ 50</b>	<b>\$ 26,423,138</b>

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

Reconciliation of Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ (3,200,269)

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 depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 4,935,985	
Depreciation expense	(1,948,059)	2,987,926

Governmental funds do not report capital assets or the related accumulated depreciation; therefore, no loss is recognized when a net capital asset is retired. A loss on retirement is recorded in the statement of activities. (37,147)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board (915,625)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unearned revenue - property taxes	\$ (143,886)	
(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability	41,479	
(Increase) decrease in deferred inflows related to the measurement of the net pension liability	195,676	93,269

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.

Repayments:

Lease revenue refunding bonds	\$ 555,000	
Less: Amortization of deferred charge on refunding	(32,784)	
General obligation school bonds	910,000	
Plus: Amortization of issuance premium	22,509	
Lease revenue bonds	525,000	
Plus: Amortization of issuance premium	106,736	
Infrastructure revenue bonds	365,000	
Plus: Amortization of issuance premium	75,884	
Net adjustment		2,527,345

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.

Compensated absences	\$ (92,033)	
Decrease (increase) in net OPEB liability	(117,908)	
Decrease (increase) in net pension liability	(1,049,046)	
(Decrease) increase in deferred outflows related to pensions	88,908	
(Decrease) increase in deferred outflows related to OPEB	648,000	
Accrued interest payable	33,987	(488,092)

Change in net position of governmental activities \$ 967,407

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



Statement of Net Position  
 Proprietary Funds  
 At June 30, 2020

	Business-type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 377,569	\$ 1,156,328	\$ 1,533,897
Accounts receivable, net	31,952	17,380	49,332
Connection fees receivable, current portion	-	87,643	87,643
Total current assets	<u>\$ 409,521</u>	<u>\$ 1,261,351</u>	<u>\$ 1,670,872</u>
Noncurrent assets:			
Capital Assets:			
Land	\$ 40,000	\$ -	\$ 40,000
Other capital assets, net of accumulated depreciation	3,982,580	245,801	4,228,381
Total capital assets	<u>\$ 4,022,580</u>	<u>\$ 245,801</u>	<u>\$ 4,268,381</u>
Connection fees receivable, net of current portion	\$ -	\$ 125,241	\$ 125,241
Total noncurrent assets	<u>\$ 4,022,580</u>	<u>\$ 371,042</u>	<u>\$ 4,393,622</u>
Total assets	<u>\$ 4,432,101</u>	<u>\$ 1,632,393</u>	<u>\$ 6,064,494</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 7,341	\$ 3,517	\$ 10,858
Total current liabilities	<u>\$ 7,341</u>	<u>\$ 3,517</u>	<u>\$ 10,858</u>
Total liabilities	<u>\$ 7,341</u>	<u>\$ 3,517</u>	<u>\$ 10,858</u>
<b>Net Position:</b>			
Investment in capital assets	\$ 4,022,580	\$ 245,801	\$ 4,268,381
Unrestricted	<u>402,180</u>	<u>1,383,075</u>	<u>1,785,255</u>
Total net position	<u>\$ 4,424,760</u>	<u>\$ 1,628,876</u>	<u>\$ 6,053,636</u>

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
<b>Operating revenues:</b>			
Charges for services, net	\$ 151,393	\$ 510,090	\$ 661,483
Total operating revenues	<u>\$ 151,393</u>	<u>\$ 510,090</u>	<u>\$ 661,483</u>
<b>Operating expenses:</b>			
Water & sewer service	\$ 40,685	\$ -	\$ 40,685
Maintenance & repairs	35,236	5,044	40,280
Other charges	99,974	116,844	216,818
Depreciation expense	188,989	26,087	215,076
Total operating expenses	<u>\$ 364,884</u>	<u>\$ 147,975</u>	<u>\$ 512,859</u>
<b>Operating income (loss)</b>	<u>\$ (213,491)</u>	<u>\$ 362,115</u>	<u>\$ 148,624</u>
<b>Nonoperating expense:</b>			
Interest expense	\$ 1,675	\$ -	\$ 1,675
Loss on disposal of capital assets	-	2,809,897	2,809,897
Net nonoperating expense	<u>\$ 1,675</u>	<u>\$ 2,809,897</u>	<u>\$ 2,811,572</u>
<b>Income(loss) before transfers</b>	<u>\$ (215,166)</u>	<u>\$ (2,447,782)</u>	<u>\$ (2,662,948)</u>
<b>Transfers:</b>			
Transfers in	\$ 891,050	\$ -	\$ 891,050
Total transfers	<u>\$ 891,050</u>	<u>\$ -</u>	<u>\$ 891,050</u>
<b>Change in net position</b>	<u>\$ 675,884</u>	<u>\$ (2,447,782)</u>	<u>\$ (1,771,898)</u>
Net position, beginning of year	<u>3,748,876</u>	<u>4,076,658</u>	<u>7,825,534</u>
Net position, end of year	<u>\$ 4,424,760</u>	<u>\$ 1,628,876</u>	<u>\$ 6,053,636</u>

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

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2020

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Piney River Water &amp; Sewer Fund</b>	<b>Nelson County Broadband Authority</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 147,884	\$ 609,900	\$ 757,784
Payments to suppliers	(176,380)	(134,163)	(310,543)
Net cash provided by (used for) operating activities	<u>\$ (28,496)</u>	<u>\$ 475,737</u>	<u>\$ 447,241</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	\$ -	\$ (5,728)	\$ (5,728)
Principal repayments on bonds payable	(662,393)	-	(662,393)
Interest paid on bonds payable	(1,914)	-	(1,914)
Net cash provided by (used for) capital and related financing activities	<u>\$ (664,307)</u>	<u>\$ (5,728)</u>	<u>\$ (670,035)</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from local government	\$ 891,050	\$ -	\$ 891,050
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ 198,247</u>	<u>\$ 470,009</u>	<u>\$ 668,256</u>
<b>Cash and cash equivalents, beginning of year (including restricted cash of \$63,072)</b>	<u>179,322</u>	<u>686,319</u>	<u>865,641</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 377,569</u></u>	<u><u>\$ 1,156,328</u></u>	<u><u>\$ 1,533,897</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (213,491)	\$ 362,115	\$ 148,624
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	188,989	26,087	215,076
Changes in assets and liabilities:			
Accounts receivable	(3,509)	99,810	96,301
Accounts payable	(485)	(12,275)	(12,760)
Net cash provided by (used for) operating activities	<u>\$ (28,496)</u>	<u>\$ 475,737</u>	<u>\$ 447,241</u>
Supplemental information:			
Interest paid during year	\$ 1,914	\$ -	\$ 1,914
Change in accrued interest payable	(239)	-	(239)
Interest expense for year	<u>\$ 1,675</u>	<u>\$ -</u>	<u>\$ 1,675</u>

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

Statement of Fiduciary Net Position - Fiduciary Funds  
 At June 30, 2020

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>571,643</u>
Total assets	\$ <u><u>571,643</u></u>
<b>Liabilities:</b>	
Amounts held for others	\$ <u>571,643</u>
Total liabilities	\$ <u><u>571,643</u></u>

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

# COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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### Narrative Profile

The County of Nelson (the County), located in central Virginia and bordered by the counties of Augusta, Rockbridge, Amherst, Appomattox, Buckingham, and Albemarle, was founded in 1807. The County has a population of 14,930 and land area of 471 square miles.

The County is governed under the County Administrator - Board of Supervisors form of government. Nelson County engages in a comprehensive range of municipal services, including general government administration; public safety and administration of justice; education; health, welfare, and human service programs; planning and community development; and recreation and cultural activities.

The financial statements of the County have been prepared in conformity with the specifications promulgated by the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

### A. Management's Discussion and Analysis

Financial statements must be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

### B. Financial Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

**Blended Component Units - Nelson County Broadband Authority** - The Nelson County Broadband Authority serves all the citizens of the government and is governed by a board comprised of the government's elected supervisors. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2020.

**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 Nelson County School Board is responsible for elementary and secondary education within the County. The members of the governing board are elected by the County voters. The School Board is fiscally dependent upon the County because the County's Board of Supervisors approves the School Board budget, provides substantial funding for operations and must approve any debt issuance. The Nelson County School Board does not prepare separate financial statements.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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#### B. Financial Reporting Entity: (Continued)

The Economic Development Authority of Nelson County, Virginia was created to issue industrial development revenue bonds for businesses located within the County. The Authority board members are appointed by the County Board of Supervisors. All debt issuance must be approved by the County Board of Supervisors and the County has incurred a moral obligation to provide funding for the payment of the Authority debt. The Authority is presented as a discretely presented component unit. The Economic Development Authority of Nelson County, Virginia does not prepare separate financial statements.

**Related Organizations** - The County's officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the Board appointment. The Nelson County Service Authority board members are appointed by the County Board of Supervisors. The County's accountability for the Authority does not extend beyond making the appointments. The County appropriated \$156,000 to the Authority for operating grants for fire protection services in fiscal year 2020. The County also paid \$134,609 to the Authority for its share of the debt service of the Colleen water line. The Authority is not included in the reporting entity. A copy of the Authority's financial statements can be obtained from the Authority administrative office located in Lovingston, Virginia.

**Jointly Governed Organizations** - The County appoints representative members of the governing bodies of the Jefferson-Madison Regional Library, the Region Ten Community Services Board, and the Thomas Jefferson Planning District Commission. The County does not retain ongoing financial interests in these organizations. During the year, the County contributed \$301,676 for operations to the Jefferson-Madison Regional Library, \$100,586 to the Region Ten Community Services Board, \$17,435 to the Thomas Jefferson Planning District Commission, \$733,519 to the Albemarle-Charlottesville Regional Jail Authority, and \$101,500 to the Jefferson Area Board for Aging.

In June 2008, the County entered into a Use Agreement with the Region 2000 Services Authority to make use of its facilities. The Region 2000 Services Authority was formed by five participating jurisdictions to operate solid waste disposal landfills. The operating and debt service costs of the Region 2000 Services Authority are funded through the charging of tipping fees. In 2020, the County paid the Region 2000 Services Authority \$324,949 in tipping fees. See Note 20 for further discussion of the Use Agreement.

#### C. Government-wide and fund financial statements

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

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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#### C. Government-wide and fund financial statements: (Continued)

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

Statement of Net Position - The Statement of Net Position is designed to display the 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 expense - 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.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

#### D. 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. 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 are recorded only when payment is due.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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**D. Measurement focus, basis of accounting, and financial statement presentation: (Continued)**

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 revenue 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.

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 County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the County in fiscal year 2020.

1. Governmental Funds:

- a. General Fund: 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 is considered a major fund for financial reporting purposes.
- b. Debt Service Fund: The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The Debt Service Fund is considered a major fund for financial reporting purposes.
- c. Special Revenue Funds: Special revenue funds account for and report 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 Housing Improvement Fund which is considered a nonmajor fund for financial reporting purposes.
- d. Capital Projects Fund: The Capital Projects Fund accounts for and reports all financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund for financial reporting purposes.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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**D. Measurement focus, basis of accounting, and financial statement presentation: (Continued)**

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon the determination of net income, financial position, and changes in financial position.

Proprietary funds operating revenue consist of charges for services and related revenues. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

Proprietary Funds consist of the Piney River Water & Sewer Fund and the Nelson County Broadband Authority. The Piney River Water & Sewer Fund and the Nelson County Broadband Authority are Enterprise Funds. An Enterprise Fund is a proprietary fund that accounts for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services.

3. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Agency Funds consist of the Special Welfare and EMS Loan Funds.

The County has no Trust Funds.

4. Component Units:

a. Nelson County School Board: The Nelson County School Board has the following fund:

– Governmental Fund:

- ~ School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Nelson and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes. This fund also accounts for the operations of the School Board's food service and textbook purchase programs.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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**D. Measurement focus, basis of accounting, and financial statement presentation: (Continued)**

4. Component Units: (Continued)

- b. Economic Development Authority: The Economic Development Authority operates on a proprietary fund basis where revenues and expenditures are recognized on the accrual basis of accounting, where the measurement focus is on the determination of net income, financial position, and changes in financial position. The Economic Development Authority is an enterprise fund. Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services.

**E. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**F. Investments**

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

**G. Property Taxes**

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. The County bills and collects its own property taxes. Personal property taxes are prorated based on the date property is located within the County. However, the value as of January 1 is used to compute the tax.

Real estate and personal property taxes are payable in semi-annual installments due June 5 and December 5.

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

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**H. Budgets and Budgetary Accounting**

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the department level for the primary government funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

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

1. Prior to March 30, 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.
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. Formal budgetary integration is employed as a management control device during the year for the General Fund, the Housing Improvement Fund, the Piney River Water & Sewer Fund, the Capital Projects Fund, the Debt Service Fund, and the School Operating Fund.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.
7. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2020, as adopted, appropriated and legally amended.

The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. If budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. Public hearings are required to amend the budget if amendments exceed 1% of the original adopted budget. There was no budget amendment during the year that exceeded the 1% limitation. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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**I. 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 \$151,836 at June 30, 2020. The allowance is comprised of property taxes, landfill fees, and sewer charges.

**J. Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements. The County, Component Unit School Board, and Component Unit Economic Development Authority do not have any infrastructure in their capital assets since roads, streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Capital assets are defined by the County 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 costs or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition value at the date of donation.

Maintenance, repairs, and minor equipment and infrastructure are charged to operations when incurred. Expenses that materially change the capacities or extend the useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

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:

Buildings and improvements	10 to 40 years
Furniture and other equipment	5 to 12 years

**K. Compensated Absences**

The County and Component Unit School Board incur liabilities related to compensated absences (annual and sick leave benefits) when vested. Because the timing of the settlement of the liability related to compensated absences is not considered to be estimable, the entire amount of the liability has been classified as current in the government-wide financial statements.

**L. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

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**M. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or component unit activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive or 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.

**N. Fund Equity**

Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to ensure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

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

Fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables.

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned fund balance - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

N. Fund Equity: (Continued)

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Board of Supervisors is authorized to assign amounts for specific purposes. The Board of Supervisors is also authorized to commit amounts for specific purposes. The following is detail of the County’s Fund Balances:

Category	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government	Component Unit School Board
<b>Nonspendable:</b>						
Prepaid items	\$ 25,975	\$ -	\$ -	\$ -	\$ 25,975	\$ 237,365
Inventory	-	-	-	-	-	27,430
Total Nonspendable	\$ 25,975	\$ -	\$ -	\$ -	\$ 25,975	\$ 264,795
<b>Committed:</b>						
Ryan School Reserve	\$ 39,401	\$ -	\$ -	\$ -	\$ 39,401	\$ -
Reassessment	170,675	-	-	-	170,675	-
Debt Service	-	218,832	-	-	218,832	-
Community Development	-	-	-	50	50	-
Textbooks	-	-	-	-	-	473,444
Cafeteria	-	-	-	-	-	267,475
Capital Projects	-	-	720,230	-	720,230	-
Total Committed	\$ 210,076	\$ 218,832	\$ 720,230	\$ 50	\$ 1,149,188	\$ 740,919
Unassigned	\$ 25,247,975	\$ -	\$ -	\$ -	\$ 25,247,975	\$ (237,365)
Total Fund Balance	\$ 25,484,026	\$ 218,832	\$ 720,230	\$ 50	\$ 26,423,138	\$ 768,349

O. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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#### O. Net Position: (Continued)

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

#### P. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund 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.

#### Q. Inventory

Inventory is stated at the lesser of cost or fair market value. Cost is calculated on a first in, first out basis.

#### R. 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/expenditure) until then. The County has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the 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 County has multiple 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, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> 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.



## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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#### S. 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 and School Board's Retirement Plans and the additions to/deductions from the County's and School Board'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.

#### T. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC, OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Deposits

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

#### Investments

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The County does not have a written investment policy but follows state guidelines.

#### Custodial Credit Risk (Investments)

The County's investments at June 30, 2020 were held in the County's name by the County's custodial banks.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2020 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<b>County's Rated Debt Investments' Values</b>	
<b>Primary Government</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Virginia Investment Pool	\$ 3,123,675
Local Government Investment Pool	8,491,745
Total	\$ 11,615,420
<b>Component Unit -- Economic Development Authority</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Local Government Investment Pool	\$ 9,409

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Investment maturities in years:

<b>Investment Maturities (in years)</b>			
<b>Local Government</b>			
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>
Certificates of Deposit	\$ 3,014,598	\$ 1,488,039	\$ 1,526,559
Virginia Investment Pool	3,123,675	3,123,675	-
Local Government Investment Pool	8,501,154	8,501,154	-
Total	\$ 14,639,427	\$ 13,112,868	\$ 1,526,559

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

External Investment Pool:

The fair values of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**NOTE 3—RECEIVABLES:**

Receivables at June 30, 2020 consist of the following:

	Primary Government			
	Governmental Activities		Component Units	
	General Fund	Business-type Activities	School Board	Economic Development Authority
Property taxes	\$ 13,033,427	\$ -	\$ -	\$ -
Penalties	21,219	-	-	-
Utility taxes	53,290	-	-	-
Recordation taxes and court fees	30,184	-	-	-
Lodging fees	13,386	-	-	-
Meals taxes	72,362	-	-	-
Landfill fees	9,199	-	-	-
EMS revenue recovery	87,326	-	-	-
Sewer charges	-	37,638	-	-
Broadband charges	-	17,380	-	-
Broadband connection fees	-	212,884	-	-
Other	55,664	-	-	-
Total receivables	\$ 13,376,057	\$ 267,902	\$ -	\$ -
Allowance for uncollectibles	(146,150)	(5,686)	-	-
Net receivables	\$ 13,229,907	\$ 262,216	\$ -	\$ -

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Component
	Governmental			Unit
	Activities			
	Other			
General	Governmental	Total	School	
Fund	Funds		Board	
<b>Commonwealth of Virginia:</b>				
Local sales taxes	\$ 278,026	\$ -	\$ 278,026	-
State sales taxes	-	-	-	287,311
Personal property tax relief act	734,930	-	734,930	-
Comprehensive Services Act	273,395	-	273,395	-
Public assistance	46,701	-	46,701	-
Communications tax	64,433	-	64,433	-
Rolling stock tax	1,846	-	1,846	-
Shared expenses and grants	142,763	-	142,763	-
Other	29,712	-	29,712	-
<b>Federal government:</b>				
Public assistance	75,393	-	75,393	-
Blue Ridge Railway Tunnel grant	458,981	-	458,981	-
Other	30,258	-	30,258	-
Federal pass-through school funds	-	-	-	212,835
Total	\$ 2,136,438	\$ -	\$ 2,136,438	\$ 500,146

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 5—INTERFUND ACTIVITY:**

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**Primary Government:**

Transfers To/From Other Funds:

Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ (3,180,902)
Transfer to the Piney River Water & Sewer fund to pay off debt	<u>(891,050)</u>
Net transfers to/from General Fund	<u>\$ (4,071,952)</u>
Transfer from the General Fund to pay principal and interest on long-term debt	\$ <u>3,180,902</u>
Net transfers to Debt Service Fund	<u>\$ 3,180,902</u>
Transfer from the General Fund to support operations	\$ <u>891,050</u>
Net transfers to the Piney River Water & Sewer Fund	<u>\$ 891,050</u>

The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2020:

**Primary Government:  
Governmental Activities:**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land and land improvements	\$ 694,107	\$ -	\$ -	\$ 694,107
Construction in progress	4,535,713	4,287,175	374,929	8,447,959
Total capital assets not being depreciated	<u>\$ 5,229,820</u>	<u>\$ 4,287,175</u>	<u>\$ 374,929</u>	<u>\$ 9,142,066</u>
Other capital assets:				
Buildings and improvements	\$ 21,166,584	\$ 164,789	\$ -	\$ 21,331,373
Furniture, equipment and vehicles	8,871,713	858,950	236,347	9,494,316
School buildings, improvements and equipment *	<u>11,545,000</u>	<u>-</u>	<u>1,465,000</u>	<u>10,080,000</u>
Total other capital assets	<u>\$ 41,583,297</u>	<u>\$ 1,023,739</u>	<u>\$ 1,701,347</u>	<u>\$ 40,905,689</u>
Accumulated depreciation				
Buildings and improvements	\$ 6,463,180	\$ 619,813	\$ -	\$ 7,082,993
Furniture, equipment and vehicles	6,427,179	1,076,246	199,200	7,304,225
School buildings, improvements and equipment *	<u>4,325,376</u>	<u>252,000</u>	<u>549,375</u>	<u>4,028,001</u>
Total accumulated depreciation	<u>\$ 17,215,735</u>	<u>\$ 1,948,059</u>	<u>\$ 748,575</u>	<u>\$ 18,415,219</u>
Other capital assets, net	<u>\$ 24,367,562</u>	<u>\$ (924,320)</u>	<u>\$ 952,772</u>	<u>\$ 22,490,470</u>
Net capital assets	<u><u>\$ 29,597,382</u></u>	<u><u>\$ 3,362,855</u></u>	<u><u>\$ 1,327,701</u></u>	<u><u>\$ 31,632,536</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 469,601		
Public safety		973,271		
Public works		175,200		
Health and welfare		26,583		
Education		252,000		
Parks, recreation and cultural		42,710		
Community development		8,694		
Total depreciation expense		<u><u>\$ 1,948,059</u></u>		

\* School Board capital assets are jointly owned by the County (primary government) and the Component Unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Primary Government:

Business-type Activities:

Piney River Water & Sewer

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land and land improvements	\$ 40,000	\$ -	\$ -	\$ 40,000
Total capital assets not being depreciated	\$ 40,000	\$ -	\$ -	\$ 40,000
Other capital assets:				
Infrastructure	\$ 6,574,046	\$ -	\$ -	\$ 6,574,046
Total other capital assets	\$ 6,574,046	\$ -	\$ -	\$ 6,574,046
Accumulated depreciation				
Infrastructure	\$ 2,402,477	\$ 188,989	\$ -	\$ 2,591,466
Total accumulated depreciation	\$ 2,402,477	\$ 188,989	\$ -	\$ 2,591,466
Other capital assets, net	\$ 4,171,569	\$ (188,989)	\$ -	\$ 3,982,580
Net capital assets	\$ 4,211,569	\$ (188,989)	\$ -	\$ 4,022,580

Nelson County Broadband Authority

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Other capital assets:				
Equipment	\$ 4,654,969	\$ 5,728	\$ 4,210,298	\$ 450,399
Total other capital assets	\$ 4,654,969	\$ 5,728	\$ 4,210,298	\$ 450,399
Accumulated depreciation				
Equipment	\$ 1,578,912	\$ 26,087	\$ 1,400,401	\$ 204,598
Total accumulated depreciation	\$ 1,578,912	\$ 26,087	\$ 1,400,401	\$ 204,598
Other capital assets, net	\$ 3,076,057	\$ (20,359)	\$ 2,809,897	\$ 245,801
Net capital assets	\$ 3,076,057	\$ (20,359)	\$ 2,809,897	\$ 245,801

Reconciliation of primary government (business type activities) net position-net investment in capital assets.

Net capital assets	\$ 4,268,381
Less: Long-term debt applicable to capital assets at June 30, 2020	-
Net position investment in capital assets	\$ 4,268,381

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land and land improvements	\$ 851,210	\$ -	\$ -	\$ 851,210
Total capital assets not being depreciated	<u>\$ 851,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,210</u>
Other capital assets:				
Buildings and improvements	\$ 47,127,771	\$ -	\$ -	\$ 47,127,771
Furniture, equipment and vehicles	5,737,251	335,586	-	6,072,837
School buildings, improvements and equipment allocated to County *	(11,545,000)	1,465,000	-	(10,080,000)
Total other capital assets	<u>\$ 41,320,022</u>	<u>\$ 1,800,586</u>	<u>\$ -</u>	<u>\$ 43,120,608</u>
Accumulated depreciation				
Buildings and improvements	\$ 24,521,590	\$ 1,228,208	\$ -	\$ 25,749,798
Furniture, equipment and vehicles	4,448,676	293,373	-	4,742,049
School buildings, improvements and equipment allocated to County *	(4,325,376)	(252,000)	(549,375)	(4,028,001)
Total accumulated depreciation	<u>\$ 24,644,890</u>	<u>\$ 1,269,581</u>	<u>\$ (549,375)</u>	<u>\$ 26,463,846</u>
Other capital assets, net	<u>\$ 16,675,132</u>	<u>\$ 531,005</u>	<u>\$ 549,375</u>	<u>\$ 16,656,762</u>
Net capital assets	<u>\$ 17,526,342</u>	<u>\$ 531,005</u>	<u>\$ 549,375</u>	<u>\$ 17,507,972</u>
Depreciation expense allocated to education		<u>\$ 1,269,581</u>		

\* School Board capital assets are jointly owned by the County (primary government) and the Component Unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

Reconciliation of primary government (governmental activities) net position-net investment in capital assets.

Net capital assets	\$ 31,632,536
Less: Long-term debt applicable to capital assets at June 30, 2020	<u>19,614,150</u>
Net position net investment in capital assets	<u>\$ 12,018,386</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS:**

General Fund revenues are used to pay all long-term general obligation debt, and General Fund capital leases and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences. Thus, all of the long-term debt obligations are reported as liabilities of the primary government.

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2020</u>
<b>Primary Government:</b>				
Direct Borrowing and Direct Placements				
<b>Governmental activities:</b>				
Direct Borrowing and Direct Placements				
Lease revenue refunding bonds	\$ 6,510,000	\$ -	\$ 555,000	\$ 5,955,000
General obligation bonds:				
School	5,035,000	-	910,000	4,125,000
Premium on issuance	64,731	-	22,509	42,222
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	5,795,000	-	525,000	5,270,000
Premium on issuance	576,130	-	106,736	469,394
Refunding Revenue bonds:				
General	3,945,000	-	365,000	3,580,000
Premium on issuance	383,117	-	75,884	307,233
Other long-term obligations				
Compensated absences	403,051	92,033	-	495,084
Net OPEB liability:				
Net Health Insurance OPEB liability	494,384	107,516	25,302	576,598
Net Group Life Insurance OPEB liability	328,000	97,612	61,918	363,694
Total Net OPEB liability	\$ 822,384	\$ 205,128	\$ 87,220	\$ 940,292
Net pension liability	1,390,382	2,806,450	1,757,404	2,439,428
<b>Total</b>	<b>\$ 24,924,795</b>	<b>\$ 3,103,611</b>	<b>\$ 4,404,753</b>	<b>\$ 23,623,653</b>
<b>Reconciliation to Exhibit 1:</b>				
Long-term liabilities due within one year				\$ 2,684,993
Long-term liabilities due in more than one year				20,938,660
<b>Total</b>				<b>\$ 23,623,653</b>



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

	<u>Balance July 1, 2019</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2020</u>
<b>Primary Government (continued):</b>				
<b>Business-type activities:</b>				
USDA Water Revenue Bond	\$ 280,061	\$ -	\$ 280,061	\$ -
USDA Sewer Revenue Bond	382,332	-	382,332	-
	<u>\$ 662,393</u>	<u>\$ -</u>	<u>\$ 662,393</u>	<u>\$ -</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ -
Long-term liabilities due in more than one year				-
Total				<u>\$ -</u>

Annual requirements to amortize bonds, loans and related interest are as follows:

<u>Year Ending June 30,</u>	<b>Governmental Activities</b>	
	<u>Direct Borrowing and Direct Placements Principal</u>	<u>Interest</u>
2021	\$ 2,455,000	\$ 720,457
2022	2,555,000	613,502
2023	2,815,000	498,397
2024	2,735,000	375,896
2025	1,690,000	283,678
2026-2030	6,360,000	500,741
2031-2035	320,000	5,000
Total	<u>\$ 18,930,000</u>	<u>\$ 2,997,671</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Governmental activities:		
<u>General Obligation School Bonds:</u>		
\$14,280,000 School Bonds, 2003, issued November 2003, due in various installments of \$420,000 to \$1,110,000 through January 2024, interest rates from 3.1% to 5.35%.	\$ 4,125,000	\$ 955,000
Unamortized premium on issuance of 2003 School Bonds	<u>42,222</u>	<u>18,102</u>
Total general obligation school bonds	<u>\$ 4,167,222</u>	<u>\$ 973,102</u>
<u>Lease Revenue Refunding Bonds:</u>		
\$9,990,000 Lease Revenue Refunding Bonds Series 2012, issued March 2012, due in various semi-annual installments ranging from \$480,000 to \$860,000, through August 2027, interest rates at 2.75%.	<u>\$ 5,955,000</u>	<u>\$ 565,000</u>
Total lease revenue refunding bonds	<u>\$ 5,955,000</u>	<u>\$ 565,000</u>
<u>VRA Refunding Revenue Bonds:</u>		
\$7,305,000 Refunding Revenue Bonds Series 2013A, issued June 5, 2013, payable in various annual installments through October 1, 2027; Interest payable semiannually at rates ranging from 2.017% to 4.13%.	\$ 3,580,000	\$ 385,000
Unamortized premium on issuance of 2013 VRA Bonds	<u>307,233</u>	<u>67,499</u>
Total VRA refunding revenue bonds	<u>\$ 3,887,233</u>	<u>\$ 452,499</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Governmental activities: (Continued)		
<u>Virginia Resource Authority Infrastructure Revenue Bonds:</u>		
\$1,555,000 issued May 23, 2012 due in various installments of principal and interest through October 2022, interest payable semi-annually ranging from 3.445% to 5.125%.	\$ 545,000	\$ 175,000
Unamortized premium	23,572	12,919
\$3,590,000 issued November 18, 2015 due in various installments of principal and interest through October 2030, interest payable semi-annually ranging from 3.096% to 5.125%.	2,865,000	205,000
Unamortized premium	245,710	42,432
\$2,025,000 Revenue Bonds Series 2018C, issued October, 2018, payable in various annual installments through October 1, 2028; Interest payable semiannually at rates ranging from 2.06% to 5.125%.	1,860,000	170,000
Unamortized premium	200,112	39,533
Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 5,739,394</u>	<u>\$ 644,884</u>
Total governmental activities loans and bonds	<u>\$ 19,748,849</u>	<u>\$ 2,635,485</u>
Compensated absences	<u>\$ 495,084</u>	<u>\$ 49,508</u>
Net OPEB liability	<u>\$ 940,292</u>	<u>\$ -</u>
Net pension liability	<u>\$ 2,439,428</u>	<u>\$ -</u>
Total governmental activities obligations	<u><u>\$ 23,623,653</u></u>	<u><u>\$ 2,684,993</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

Federal Arbitrage Regulations:

The County is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

The following is summary of long-term obligations transactions of the School Board for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2020</u>
<b>Component Unit - School Board</b>				
Compensated absences	\$ 357,458	\$ 74,747	\$ -	\$ 432,205
Energy improvement lease	1,478,124	-	139,718	1,338,406
Net Pension liability	17,430,766	6,892,545	5,228,723	19,094,588
Net OPEB liability:				
Net Health Insurance OPEB liability	1,200,281	111,401	121,265	1,190,417
Net Group Life Insurance OPEB liability	1,064,000	278,936	221,587	1,121,349
Net Health Insurance Credit OPEB liability	1,835,000	255,211	239,933	1,850,278
Total Net OPEB liability	<u>\$ 4,099,281</u>	<u>\$ 645,548</u>	<u>\$ 582,785</u>	<u>\$ 4,162,044</u>
Total	<u>\$ 23,365,629</u>	<u>\$ 7,612,840</u>	<u>\$ 5,951,226</u>	<u>\$ 25,027,243</u>
<b>Reconciliation to Exhibit 1:</b>				
Long-term liabilities due within one year				\$ 191,109
Long-term liabilities due in more than one year				<u>24,836,134</u>
Total				<u>\$ 25,027,243</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

Federal Arbitrage Regulations: (Continued)

Annual requirements to amortize the energy improvements lease are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 147,888	\$ 27,985
2022	156,390	24,760
2023	165,234	21,350
2024	174,433	17,749
2025	184,000	13,947
2025-2028	<u>510,461</u>	<u>16,857</u>
Total	<u>\$ 1,338,406</u>	<u>\$ 122,648</u>

Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Component Unit - School Board		
<u>Energy Improvement Lease:</u>		
\$2,162,010 equipment lease/purchase agreement for energy improvements dated April 15, 2013. The lease is to be repaid in annual installments ranging from \$71,500 on October 15, 2013 to \$113,431 on October 15, 2027. Interest charged at a rate of 2.15%. Energy improvements of \$2,153,960 are included in buildings and improvements at year end.	\$ <u>1,338,406</u>	\$ <u>147,888</u>
Compensated absences	\$ <u>432,205</u>	\$ <u>43,221</u>
Net pension liability	\$ <u>19,094,588</u>	\$ <u>-</u>
Net OPEB liability	\$ <u>4,162,044</u>	\$ <u>-</u>
Total School Board long-term obligations	<u>\$ 25,027,243</u>	<u>\$ 191,109</u>

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 8—COMPENSATED ABSENCES:

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The County and its components units have accrued the liability arising from all outstanding compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions.

The County's policy is to pay accrued vacation and compensatory time upon termination. Vacation time earned is limited to a maximum of 24 to 48 days, depending on years of service. Compensatory leave credits lapse after twelve months following the performance of work. School Board employees are paid a Per Diem Rate for up to 36 days depending on account balance of accrued vacation upon termination and  $\frac{1}{4}$  of daily rate of pay per day up to a maximum of \$5,000 of sick leave. Social Services employees are paid up to a maximum of 24 to 54 days of accrued vacation upon termination. Social Services employees are also paid unused sick leave upon termination; such pay is limited to the lesser of 25% of the unused balance or \$2,500.

### NOTE 9—PENSION PLAN:

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#### *Plan Description*

All full-time, salaried permanent employees of the County/of Nelson, Virginia 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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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***Benefit Structures: (Continued)***

- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Employees Covered by Benefit Terms*

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	74	56
Inactive members:		
Vested inactive members	18	7
Non-vested inactive members	22	14
Inactive members active elsewhere in VRS	42	11
Total inactive members	82	32
Active members	89	82
Total covered employees	<u>245</u>	<u>170</u>

*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.

The County's contractually required employer contribution rate for the year ended June 30, 2020 was 9.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$424,827 and \$397,623 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 7.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$107,681 and \$113,508 for the years ended June 30, 2020 and June 30, 2019, respectively.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

***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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%
Discount Rate	Decreased rate from 7% to 6.75%

***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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Discount Rate: (Continued)*

VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 18,916,747	\$ 17,526,365	\$ 1,390,382
Changes for the year:			
Service cost	\$ 447,108	\$ -	\$ 447,108
Interest	1,285,306	-	1,285,306
Changes of assumptions	542,873	-	542,873
Differences between expected and actual experience	518,742	-	518,742
Contributions - employer	-	397,658	(397,658)
Contributions - employee	-	205,346	(205,346)
Net investment income	-	1,154,400	(1,154,400)
Benefit payments, including refunds of employee contributions	(1,110,453)	(1,110,453)	-
Administrative expenses	-	(11,696)	11,696
Other changes	-	(725)	725
Net changes	\$ 1,683,576	\$ 634,530	\$ 1,049,046
Balances at June 30, 2019	\$ 20,600,323	\$ 18,160,895	\$ 2,439,428

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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 (a) - (b)
Balances at June 30, 2018	\$ 7,667,302	\$ 7,270,526	\$ 396,776
Changes for the year:			
Service cost	\$ 135,657	\$ -	\$ 135,657
Interest	522,207	-	522,207
Changes of assumptions	203,110	-	203,110
Differences between expected and actual experience	(145,141)	-	(145,141)
Contributions - employer	-	113,509	(113,509)
Contributions - employee	-	78,290	(78,290)
Net investment income	-	479,923	(479,923)
Benefit payments, including refunds of employee contributions	(414,416)	(414,416)	-
Administrative expenses	-	(4,875)	4,875
Other changes	-	(300)	300
Net changes	\$ 301,417	\$ 252,131	\$ 49,286
Balances at June 30, 2019	\$ 7,968,719	\$ 7,522,657	\$ 446,062

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

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
County			
Net Pension Liability (Asset)	\$ 4,882,507	\$ 2,439,428	\$ 486,563
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,341,161	\$ 446,062	\$ (276,012)

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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, 2020, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$630,228 and \$107,711, respectively. At June 30, 2020, 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 School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 356,861	\$ 125,624	\$ 1,776	\$ 94,794
Change in assumptions	351,721	6,779	132,093	158
Net difference between projected and actual earnings on pension plan investments	-	150,382	-	66,024
Employer contributions subsequent to the measurement date	424,827	-	107,681	-
Total	<u>\$ 1,133,409</u>	<u>\$ 282,785</u>	<u>\$ 241,550</u>	<u>\$ 160,976</u>

\$424,827 and \$107,681 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2021. 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 School Board (nonprofessional)
2021	\$ 287,716	\$ 20,424
2022	131,591	(49,917)
2023	(4,361)	(1,823)
2024	10,851	4,209
Thereafter	-	-

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.



## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 9—PENSION PLAN: (CONTINUED)

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#### Component Unit School Board (Professional)

##### *Plan Description*

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

##### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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 Board were \$1,791,194 and \$1,815,913 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$18,648,526 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was .14170% as compared to .14485% at June 30, 2018.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 9—PENSION PLAN: (CONTINUED)**

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

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

For the year ended June 30, 2020, the school division recognized pension expense of \$1,751,282. 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, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,194,144
Change in assumptions	1,846,641	-
Net difference between projected and actual earnings on pension plan investments	-	409,477
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,463	659,971
Employer contributions subsequent to the measurement date	<u>1,791,194</u>	<u>-</u>
Total	<u>\$ 3,689,298</u>	<u>\$ 2,263,592</u>

\$1,791,194 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2021	\$ (235,807)
2022	(530,492)
2023	43,554
2024	241,311
Thereafter	115,946

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 9—PENSION PLAN: (CONTINUED)**

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

***Actuarial Assumptions: (Continued)***

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7% to 6.75%

***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, 2019, NPL amounts for the total statewide VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b><u>Teacher Employee Retirement Plan</u></b>
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	36,522,769
Employers' Net Pension Liability (Asset)	<u>\$ 13,160,567</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	  73.51%

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 9—PENSION PLAN: (CONTINUED)**

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

***Long-Term Expected Rate of Return***

The long-term expected rate of return and discount rate information previously described also apply to this plan.

***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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Current Rate</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	28,074,132 \$	18,648,526 \$	10,855,295

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Aggregate Pension Information**

<u>VRS Pension Plans:</u>	<u>Primary Government</u>			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net Pension Liability (Asset)</u>	<u>Pension Expense</u>
<b>Primary Government</b>				
Primary Government	\$ 1,133,409	\$ 282,785	\$ 2,439,428	\$ 630,228
Totals	<u>\$ 1,133,409</u>	<u>\$ 282,785</u>	<u>\$ 2,439,428</u>	<u>\$ 630,228</u>
<b>Component Unit School Board</b>				
School Board Nonprofessional	\$ 241,550	\$ 160,976	\$ 446,062	\$ 107,711
School Board Professional	3,689,298	2,263,592	18,648,526	1,751,282
Totals	<u>\$ 3,930,848</u>	<u>\$ 2,424,568</u>	<u>\$ 19,094,588</u>	<u>\$ 1,858,993</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE:**

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**County:**

***Plan Description***

The County offers health insurance benefits to qualified retirees under a single-employer plan (the County Plan). Health benefits are for medical coverage only.

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Key Advantage Expanded Benefits - PPO, or (b) Key Advantage 250 - PPO. An eligible retiree under the age of 65 may elect coverage for himself, for one dependent and himself, or for a family.

Eligible retirees 65 years or older may only participate in the Key Advantage 65 - PPO. An eligible retiree 65 years or older may elect coverage for himself, or for one dependent and himself.

The authority to establish and amend the benefit provisions of the County Plan rests with the County Board of Supervisors. There is no publicly available financial report for the County Plan.

***Benefits Provided***

Postemployment benefits are provided to eligible retirees include Health insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. For eligible retirees, 100% of the nominal premium is the responsibility of the retiree.

***Plan Membership***

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	98
Total retirees and spouses with coverage	<u>11</u>
Total	<u><u>109</u></u>

***Contributions***

The contribution requirements of plan members and the County are established and may be amended by the County Board of Supervisors. The County has not adopted a funding policy for the implicitly subsidized costs of the County Plan. The County Plan has no assets and is financed on a pay-as-you-go basis.

***Total OPEB Liability***

The County's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, calculated based on the discount rate and actuarial assumptions, then projected forward to the measurement date.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

**County: (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Medical Trend Rate	5.50% - 4.00% over 53 years
Salary Increases	3.00%
Discount Rate	2.21%

Mortality rates for Active employees and healthy retirees were based on a RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety employees) and Females set back 3 years. Mortality rates for Disabled employees were based on a RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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

**Discount Rate**

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

**Changes in Total OPEB Liability**

		<b>Primary Government Total OPEB Liability</b>
Balances at June 30, 2019	\$	494,384
Changes for the year:		
Service cost		36,050
Interest		18,126
Gains or losses		-
Changes in assumptions		53,340
Benefit payments		(25,302)
Net changes		<u>82,214</u>
Balances at June 30, 2020	\$	<u><u>576,598</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

**County: (Continued)**

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

Rate		
1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
\$ 627,757	\$ 576,598	\$ 530,968

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

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower was calculated using healthcare cost trend rates that are one percentage point lower (4.50-3.00% over 53 years) or one percentage point higher (6.50-5.00% over 53 years) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.50-3.00% over 53 years)	Healthcare Cost Trend (5.50-4.00% over 53 years)	1% Increase (6.50-5.00% over 53 years)
\$ 524,003	\$ 576,598	\$ 639,698

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

For the year ended June 30, 2020, the County recognized OPEB expense in the amount of \$27,161. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 123,245
Changes in assumptions	45,720	64,987
Total	<u>\$ 45,720</u>	<u>\$ 188,232</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

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**County: (Continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (27,015)
2022	(27,013)
2023	(22,122)
2024	(22,122)
2025	(22,122)
Thereafter	(22,118)

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

**School Board:**

***Plan Description***

The School Board offers health insurance benefits to qualified retirees under a single-employer plan (the School Board Plan). Health benefits include medical and life coverage.

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Key Advantage 250, (b) Key Advantage 500, or (c) TLC HDHP.

An eligible retiree under the age of 65 may elect coverage for himself, for one dependent and himself, or for a family.

Eligible retirees 65 years or older may only participate in the Advantage 65 - PPO. An eligible retiree 65 years or older may elect coverage for himself, or for one dependent and himself.

The authority to establish and amend the benefit provisions of the School Plan rests with the School Board. There is no publicly available financial report for the School Plan.

***Benefits Provided***

Postemployment benefits are provided to eligible retirees include Medical and Life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. For eligible retirees, 100% of the nominal premium is the responsibility of the retiree.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

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**School Board: (Continued)**

***Plan Membership***

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	327
Total retirees and spouses with coverage	<u>18</u>
Total	<u><u>345</u></u>

***Contributions***

The contribution requirements of plan members and the School Board are established and may be amended by the School Board. The School Board has not adopted a funding policy for the implicitly subsidized costs of the School Plan. The School Plan has no assets and is financed on a pay-as-you-go basis.

***Total OPEB Liability***

The School Board's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, calculated based on the discount rate and actuarial assumptions, then projected forward to the measurement date.

***Actuarial Assumptions***

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Medical Trend Rate	5.50% - 4.00% over 53 years
Salary Increases	3.00%
Discount Rate	2.21%

Mortality rates for Active employees and healthy retirees were based on a RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety employees) and Females set back 3 years. Mortality rates for Disabled employees were based on a RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

**School Board: (Continued)**

*Discount Rate*

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

*Changes in Total OPEB Liability*

		<b>Component Unit School Board Total OPEB Liability</b>
Balances at June 30, 2019	\$	1,200,281
Changes for the year:		
Service cost		66,949
Interest		42,727
Difference between expected and actual experience		1,725
Changes in assumptions		(27,554)
Benefit payments		(93,711)
Net changes		<u>(9,864)</u>
Balances at June 30, 2020	\$	<u><u>1,190,417</u></u>

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

			<b>Rate</b>		
<b>1% Decrease (1.21%)</b>		<b>Current Discount Rate (2.21%)</b>		<b>1% Increase (3.21%)</b>	
\$	1,269,483	\$	1,190,417	\$	1,113

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

**School Board: (Continued)**

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

The following presents the total OPEB liability of the School Board as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower was calculated using healthcare cost trend rates that are one percentage point lower (4.50% - 3.00% over 53 years) or one percentage point higher (6.50% - 5.00% over 53 years) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.50-3.00% over 53 years)	Healthcare Cost Trend (5.50-4.00% over 53 years)	1% Increase (6.50-5.00% over 53 years)
\$ 1,044,765	\$ 1,190,417	\$ 1,363,696

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

For the year ended June 30, 2020, the School Board recognized OPEB expense in the amount of \$106,521. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,366	\$ -
Changes in assumptions	12,301	30,500
Total	<u>\$ 13,667</u>	<u>\$ 30,500</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ (3,155)
2022	(3,992)
2023	(5,381)
2024	(4,305)
Thereafter	-

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):**

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***Plan Description***

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan 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. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. 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 HIC 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 HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

***Eligible Employees***

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. 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: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

***HIC Plan Notes***

The monthly HIC 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 HIC as a retiree.

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

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***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, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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 HIC Program were \$141,269 and \$142,260 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB***

At June 30, 2020, the school division reported a liability of \$1,850,278 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Program was .14134% as compared to .14452% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$141,096. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

*Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)*

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 10,481
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	117	-
Change in assumptions	43,065	12,857
Change in proportion	5,933	66,743
Employer contributions subsequent to the measurement date	<u>141,269</u>	<u>-</u>
Total	<u>\$ 190,384</u>	<u>\$ 90,081</u>

\$141,269 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, 2021. 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:

<u>Year Ended June 30</u>	
2021	\$ (9,431)
2022	(9,433)
2023	(8,622)
2024	(8,894)
2025	(5,495)
Thereafter	909

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

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***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation: Teacher employees	3.5%-5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

**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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7% to 6.75%

***Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
		<u>                    </u>
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u><u>1,309,098</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

***Net Teacher Employee HIC OPEB Liability: (Continued)***

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.63%</u>

\*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

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***Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. 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 ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue 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 HIC Program net HIC OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>Rate</b>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 2,070,776	\$ 1,850,278	\$ 1,662,966

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

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#### *Plan Description*

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

#### *Eligible Employees*

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

#### *Benefit Amounts*

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

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#### *Contributions*

The contribution requirements for the GLI Plan 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 GLI Plan 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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. Contributions to the GLI Plan from the entity were \$24,678 and \$22,780 for the years ended June 30, 2020 and June 30, 2019, respectively, for the County; \$8,377 and \$8,602 for the years ended June 30, 2020 and June 30, 2019, respectively, for the School Board (nonprofessional); and \$61,217 and \$63,130 for the years ended June 30, 2020 and June 30, 2019, respectively, for the School Board (professional).

#### *GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI OPEB*

At June 30, 2020, the entity reported a liability of \$363,694, \$137,341, and \$984,008 for the County, School Board Nonprofessional, and School Board Professional, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.02235%, 0.00844%, and 0.06047% as compared to 0.02159%, 0.00856%, and 0.06147% at June 30, 2018 for the County, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$10,323, \$2,880, and \$16,684 for the County, School Board Nonprofessional, and School Board Professional, 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)*

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Primary Government</b>		
Differences between expected and actual experience	\$ 24,188	\$ 4,718
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,471
Change in assumptions	22,962	10,967
Changes in proportion	10,139	-
Employer contributions subsequent to the measurement date	24,678	-
<b>Total Primary Government</b>	<u>\$ 81,967</u>	<u>\$ 23,156</u>
<b>Component Unit School Board (nonprofessional)</b>		
Differences between expected and actual experience	\$ 9,134	\$ 1,782
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,821
Change in assumptions	-	4,141
Changes in proportion	8,671	1,601
Employer contributions subsequent to the measurement date	8,377	-
<b>Total Component Unit School Board (nonprofessional)</b>	<u>\$ 26,182</u>	<u>\$ 10,345</u>
<b>Component Unit School Board (professional)</b>		
Differences between expected and actual experience	\$ 65,442	\$ 12,764
Net difference between projected and actual earnings on GLI OPEB program investments	-	20,212
Change in assumptions	62,125	29,672
Changes in proportion	-	25,744
Employer contributions subsequent to the measurement date	61,217	-
<b>Total Component Unit School Board (professional)</b>	<u>\$ 188,784</u>	<u>\$ 88,392</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)***

\$24,678, \$8,377 and \$61,217 for the County, School Board Nonprofessional, and School Board Professional, respectively, 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, 2021. 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:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2021	\$ 3,205	\$ 192	\$ (2,574)
2022	3,205	192	(2,573)
2023	6,369	1,387	5,988
2024	9,257	2,477	15,781
2025	9,385	2,526	17,744
Thereafter	2,712	686	4,809

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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*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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7% to 6.75%

**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.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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*Actuarial Assumptions: (Continued)*

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

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decreased rate from 7% to 6.75%

**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.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decreased rate from 7% to 6.75%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

*NET GLI OPEB Liability: (Continued)*

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.

*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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strateg	6.00%	3.52%	0.21%
PIP - Private Investment Partner:	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

\*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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 ended 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue 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.

*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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 477,794	\$ 363,694	\$ 271,163
School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 180,428	\$ 137,341	\$ 102,399
School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,292,714	\$ 984,008	\$ 733,656

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

*Group Life Insurance Plan Fiduciary Net Position*

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 13—SUMMARY OF NET OPEB LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES:**

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net/Total OPEB Liability/(Asset)</u>	<u>OPEB Expense</u>
<b>Primary Government</b>				
<hr/>				
VRS OPEB Plans:				
Group Life Insurance Plan (Note 12):				
County	\$ 81,967	\$ 23,156	\$ 363,694	\$ 10,323
County Stand-Alone Plan (Note 10)	45,720	188,232	576,598	27,161
Totals	<u>\$ 127,687</u>	<u>\$ 211,388</u>	<u>\$ 940,292</u>	<u>\$ 37,484</u>
<b>Component Unit School Board</b>				
<hr/>				
VRS OPEB Plans:				
Group Life Insurance Plan (Note 12):				
School Board Nonprofessional	\$ 26,182	\$ 10,345	\$ 137,341	\$ 2,880
School Board Professional	188,784	88,392	984,008	16,684
Teacher Health Insurance Credit Plan (Note 11)	190,384	90,081	1,850,278	141,096
School Stand-Alone Plan (Note 10)	13,667	30,500	1,190,417	106,521
Totals	<u>\$ 419,017</u>	<u>\$ 219,318</u>	<u>\$ 4,162,044</u>	<u>\$ 267,181</u>

**NOTE 14—EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

There was no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2020.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 15—DEFERRED/UNAVAILABLE/UNEARNED REVENUE:**

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
<b>Primary Government:</b>		
Deferred/Unavailable tax revenue:		
Uncollected property tax billings for which asset recognition criteria have not been met have been recorded as deferred revenue. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,868,559
Second half installment due after June 30th	10,625,079	10,625,079
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	276,042	276,042
Total primary government	<u>\$ 10,901,121</u>	<u>\$ 12,769,680</u>

The Component Unit School Board had no unearned or unavailable revenue.

**NOTE 16—CONNECTION FEES RECEIVABLE:**

When customers connect to the broadband network, the customer is charged a connection fee. The County agreed to collect a portion of these fees over a period up to five years. At June 30, 2020, the County had connection fees receivable in the amount of \$212,884. The following is a schedule of the annual repayments.

Year Ending June 30,	Amount
<u>                    </u>	<u>                    </u>
2021	\$ 87,643
2022	73,690
2023	36,938
2024	10,079
2025	4,534
Total	<u>\$ 212,884</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 17—COMMITMENTS AND CONTINGENCIES:**

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Primary Government and Component Unit School Board:

Federal programs in which the County and School Board participate were audited in accordance with the provisions of U. S. Office of Management and Budget (OMB) and the *Uniform Guidance*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Operating Leases:

The County is leasing space at area locations in the County. None of the lease agreements have terms of more than one year. Total rent expenditures were \$89,753.

**NOTE 18—LITIGATION:**

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At June 30, 2020, there were no matters of litigation involving the County or its component units that would have an adverse material effect on the financial position of the reporting entity should there be unfavorable rulings affecting the entities.

**NOTE 19—SURETY BONDS:**

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	<u>Amount</u>
Virginia Department of Risk Management - Surety	
Lisa Bryant, Clerk of the Circuit Court	\$ 450,000
Angela F. Hicks, Treasurer	400,000
Pamela C. Campbell, Commissioner of the Revenue	3,000
David W. Hill, Sheriff	30,000
Above constitutional officers' employee - blanket bond	50,000
Virginia Association of Counties	
Group Self-Insurance Risk Pool - Crime coverage	
School Board employees	
Employee dishonesty - limit of liability	250,000
Fidelity and Deposit Company - Crime coverage	
Nelson County Department of Social Services employees	
Employee theft - per employee per occurrence	100,000
National Grange Mutual Insurance Company - Surety	
J. David Parr, Supervisor	1,000
Stephen A. Carter, County Administrator	2,000
Thomas D. Harvey, Supervisor	1,000
Ernie Q. Reed, Supervisor	1,000
Jesse N. Rutherford, Supervisor	1,000
Robert G. Barton, Jr., Supervisor	1,000

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **NOTE 20—RISK MANAGEMENT:**

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The primary government and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation claims and natural disasters.

The County contracts with the Virginia Association of Counties Municipal Liability Pool to provide for insurance coverages for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, the Pool 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 property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage is for \$4,000,000.

The School Board contracts with private insurers for property and liability coverages. Property coverages are for specific property values. General liability coverage is \$10,000,000 and wrongful acts liability coverage is \$4,000,000.

#### Unemployment Insurance:

The County and School Board are responsible for any unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

#### Employee Health Insurance:

The County and School Board have contracted with a private carrier for health insurance coverages.

#### Other:

The County and its component units have had no reductions in insurance coverages from the prior year. There have been no settlements in excess of insurance coverages for the past three years, other than the payment of deductibles which are immaterial.

### **NOTE 21—ACCRUED LANDFILL REMEDIATION COST:**

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The County closed its landfill operation on October 8, 1993, and contracted with private contractors to dispose of its solid waste. The landfill closure commenced in July, 1994, and, in accordance with federal and state laws and regulations, the County is required to monitor the landfill for 10 years or until released by the Department of Environmental Quality. The original postclosure care liability of \$387,865 was determined by engineers. On August 16, 2019, DEQ released the County from the requirements for operation and maintenance, well as the requirement to demonstrate financial assurance for the closed landfill.

The County demonstrated financial assurance requirements for closure, post closure care and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **NOTE 21—ACCRUED LANDFILL REMEDIATION COST: (CONTINUED)**

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As discussed in Note 1, the County entered into a Use Agreement with the Region 2000 Services Authority to use its solid waste disposal landfills. Under the terms of the agreement, the County is responsible for its pro rata share, as defined, of costs budgeted for closure, post-closure and corrective action, to the extent that tipping fees paid are not adequate to cover such costs.

### **NOTE 22—RELATED PARTY TRANSACTIONS:**

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The County had certain transactions with the Nelson County Service Authority during fiscal year 2020. In addition to purchasing water from the Authority at its normal rates, the County appropriated \$156,000 to the Authority for fire protection services. The County also paid \$134,609 to the Authority for debt service requirements for the Colleen water line.

In October 2007, the County entered into an agreement with the Nelson County Service Authority (NCSA) to operate and maintain the Piney River III Water and Sewer system (Piney River III). NCSA also bills Piney River III customers, and remits collections to the County on a monthly basis. The County pays NCSA \$3.62 per 1,000 gallons of water delivered to Piney River III customers and \$2.94 per 1,000 gallons of sewerage delivered to NCSA by Piney River III customers.

### **NOTE 23—DEFERRED COMPENSATION PLAN:**

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The County offers an approved deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. Permanent, part-time and full-time County employees are eligible to participate and may defer 25% of their gross income up to a maximum of \$19,500 for 2020. Eligible employees age 50 and over may defer up to \$26,000 for 2020. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

The assets of the plan vest solely with the employee and are not available to the County general creditors.

### **NOTE 24—FAIR VALUE MEASUREMENTS:**

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 24—FAIR VALUE MEASUREMENTS: (CONTINUED)**

- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or Liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2020:

Investment	6/30/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 3,014,598	\$ 3,014,598	\$ -	\$ -
	\$ 3,014,598	\$ 3,014,598	\$ -	\$ -
Investments measured at NAV:				
Virginia Investment Pool	\$ 3,123,675			
Total Investments measured at NAV	\$ 3,123,675			
Total Investments measured at Fair Value	\$ 6,138,273			

As of June 30, 2020 there were no withdraw limitations associated with investments held by the Virginia Investment Pool.

**NOTE 25—UPCOMING PRONOUNCEMENTS:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 26—COVID-19 PANDEMIC SUBSEQUENT EVENT:

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On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Nelson, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Nelson, Virginia, received the second round of CRF funds in the amount of \$1,302,585 on August 10, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

**Required Supplementary Information**

General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 23,415,429	\$ 21,363,888	\$ 21,596,875	\$ 232,987
Other local taxes	5,039,595	5,039,595	4,680,575	(359,020)
Permits, privilege fees, and regulatory licenses	221,548	221,548	225,841	4,293
Fines and forfeitures	220,750	220,750	88,571	(132,179)
Revenue from the use of money and property	355,000	355,000	528,397	173,397
Charges for services	281,756	281,756	265,694	(16,062)
Miscellaneous	60,800	203,225	314,843	111,618
Recovered costs	578,116	580,979	655,771	74,792
Intergovernmental:				
Commonwealth	8,310,586	9,474,665	5,606,977	(3,867,688)
Federal	1,027,940	1,355,226	3,486,424	2,131,198
Total revenues	\$ 39,511,520	\$ 39,096,632	\$ 37,449,968	\$ (1,646,664)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,890,027	\$ 1,970,873	\$ 1,875,480	\$ 95,393
Judicial administration	893,756	1,026,279	947,585	78,694
Public safety	5,560,042	6,280,955	5,601,536	679,419
Public works	2,095,850	2,216,477	2,022,659	193,818
Health and welfare	3,805,674	4,021,173	3,979,752	41,421
Education	15,109,609	15,109,609	14,664,364	445,245
Parks, recreation, and cultural	535,141	543,566	512,077	31,489
Community development	814,578	868,591	728,944	139,647
Nondepartmental	2,384,270	1,849,574	1,134,105	715,469
Capital projects	5,415,201	6,855,077	5,112,880	1,742,197
Total expenditures	\$ 38,504,148	\$ 40,742,174	\$ 36,579,382	\$ 4,162,792
Excess (deficiency) of revenues over (under) expenditures	\$ 1,007,372	\$ (1,645,542)	\$ 870,586	\$ 2,516,128
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (4,071,952)	\$ (4,071,952)	\$ (4,071,952)	\$ -
Issuance of long-term debt	1,578,992	1,754,446	-	(1,754,446)
Total other financing sources (uses)	\$ (2,492,960)	\$ (2,317,506)	\$ (4,071,952)	\$ (1,754,446)
Net change in fund balances	\$ (1,485,588)	\$ (3,963,048)	\$ (3,201,366)	\$ 761,682
Fund balances - beginning	1,570,588	4,048,048	28,685,392	24,637,344
Fund balances - ending	\$ 85,000	\$ 85,000	\$ 25,484,026	\$ 25,399,026

Schedule of Changes in Net Pension Liability and Related Ratios  
 Primary Government  
 For the Measurement Dates of June 30, 2014 through June 30, 2019

	2014	2015	2016	2017	2018	2019
<b>Total pension liability</b>						
Service cost	\$ 446,356	\$ 454,133	\$ 464,883	\$ 462,147	\$ 451,702	\$ 447,108
Interest	1,144,445	1,198,069	1,237,687	1,222,935	1,266,683	1,285,306
Differences between expected and actual experience	-	20,264	(577,384)	221,808	(338,544)	518,742
Changes in assumptions	-	-	-	(72,395)	-	542,873
Benefit payments, including refunds of employee contributions	(806,440)	(843,042)	(1,369,946)	(1,301,909)	(1,117,138)	(1,110,453)
<b>Net change in total pension liability</b>	\$ 784,361	\$ 829,424	\$ (244,760)	\$ 532,586	\$ 262,703	\$ 1,683,576
<b>Total pension liability - beginning</b>	16,752,433	17,536,794	18,366,218	18,121,458	18,654,044	18,916,747
<b>Total pension liability - ending (a)</b>	<u>\$ 17,536,794</u>	<u>\$ 18,366,218</u>	<u>\$ 18,121,458</u>	<u>\$ 18,654,044</u>	<u>\$ 18,916,747</u>	<u>\$ 20,600,323</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 492,143	\$ 461,417	\$ 471,492	\$ 369,631	\$ 372,060	\$ 397,658
Contributions - employee	186,897	186,660	193,264	192,487	195,521	205,346
Net investment income	2,150,653	713,434	260,208	1,869,534	1,236,033	1,154,400
Benefit payments, including refunds of employee contributions	(806,440)	(843,042)	(1,369,946)	(1,301,909)	(1,117,138)	(1,110,453)
Administrative expense	(11,582)	(9,817)	(10,372)	(11,274)	(10,926)	(11,696)
Other	113	(150)	(116)	(1,647)	(1,088)	(725)
<b>Net change in plan fiduciary net position</b>	\$ 2,011,784	\$ 508,502	\$ (455,470)	\$ 1,116,822	\$ 674,462	\$ 634,530
<b>Plan fiduciary net position - beginning</b>	13,670,265	15,682,049	16,190,551	15,735,081	16,851,903	17,526,365
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 15,682,049</u>	<u>\$ 16,190,551</u>	<u>\$ 15,735,081</u>	<u>\$ 16,851,903</u>	<u>\$ 17,526,365</u>	<u>\$ 18,160,895</u>
<b>County's net pension liability - ending (a) - (b)</b>	\$ 1,854,745	\$ 2,175,667	\$ 2,386,377	\$ 1,802,141	\$ 1,390,382	\$ 2,439,428
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	89.42%	88.15%	86.83%	90.34%	92.65%	88.16%
<b>Covered payroll</b>	\$ 3,738,547	\$ 3,774,065	\$ 3,868,886	\$ 3,978,899	\$ 4,105,970	\$ 4,380,765
<b>County's net pension liability as a percentage of covered payroll</b>	49.61%	57.65%	61.68%	45.29%	33.86%	55.68%

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)  
 For the Measurement Dates of June 30, 2014 through June 30, 2019

	2014	2015	2016	2017	2018	2019
<b>Total pension liability</b>						
Service cost	\$ 154,252	\$ 154,759	\$ 143,640	\$ 137,401	\$ 138,026	\$ 135,657
Interest	424,255	445,743	469,771	490,822	503,765	522,207
Differences between expected and actual experience	-	45,500	35,814	(60,927)	5,440	(145,141)
Changes in assumptions	-	-	-	(23,759)	-	203,110
Benefit payments, including refunds of employee contributions	(270,446)	(272,613)	(332,889)	(364,109)	(353,149)	(414,416)
<b>Net change in total pension liability</b>	<b>\$ 308,061</b>	<b>\$ 373,389</b>	<b>\$ 316,336</b>	<b>\$ 179,428</b>	<b>\$ 294,082</b>	<b>\$ 301,417</b>
<b>Total pension liability - beginning</b>	<b>6,196,006</b>	<b>6,504,067</b>	<b>6,877,456</b>	<b>7,193,792</b>	<b>7,373,220</b>	<b>7,667,302</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 6,504,067</b>	<b>\$ 6,877,456</b>	<b>\$ 7,193,792</b>	<b>\$ 7,373,220</b>	<b>\$ 7,667,302</b>	<b>\$ 7,968,719</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 146,724	\$ 128,397	\$ 129,605	\$ 111,202	\$ 112,566	\$ 113,509
Contributions - employee	79,650	76,055	76,172	76,116	77,269	78,290
Net investment income	844,221	281,345	109,678	765,481	509,323	479,923
Benefit payments, including refunds of employee contributions	(270,446)	(272,613)	(332,889)	(364,109)	(353,149)	(414,416)
Administrative expense	(4,543)	(3,869)	(3,984)	(4,502)	(4,451)	(4,875)
Other	45	(60)	(47)	(677)	(451)	(300)
<b>Net change in plan fiduciary net position</b>	<b>\$ 795,651</b>	<b>\$ 209,255</b>	<b>\$ (21,465)</b>	<b>\$ 583,511</b>	<b>\$ 341,107</b>	<b>\$ 252,131</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,362,477</b>	<b>6,158,128</b>	<b>6,367,383</b>	<b>6,345,918</b>	<b>6,929,429</b>	<b>7,270,536</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,158,128</b>	<b>\$ 6,367,383</b>	<b>\$ 6,345,918</b>	<b>\$ 6,929,429</b>	<b>\$ 7,270,536</b>	<b>\$ 7,522,667</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 345,939</b>	<b>\$ 510,073</b>	<b>\$ 847,874</b>	<b>\$ 443,791</b>	<b>\$ 396,766</b>	<b>\$ 446,052</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>94.68%</b>	<b>92.58%</b>	<b>88.21%</b>	<b>93.98%</b>	<b>94.83%</b>	<b>94.40%</b>
<b>Covered payroll</b>	<b>\$ 1,594,791</b>	<b>\$ 1,535,050</b>	<b>\$ 1,567,154</b>	<b>\$ 1,587,580</b>	<b>\$ 1,626,878</b>	<b>\$ 1,654,302</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>21.69%</b>	<b>33.23%</b>	<b>54.10%</b>	<b>27.95%</b>	<b>24.39%</b>	<b>26.96%</b>

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 For the Measurement Dates of June 30, 2014 through June 30, 2019

	2014	2015	2016	2017	2018	2019
Employer's Proportion of the Net Pension Liability (Asset)	0.15347%	0.14912%	0.14800%	0.14426%	0.14485%	0.14170%
Employer's Proportionate Share of the Net Pension Liability (Asset) \$	18,547,000 \$	18,769,000 \$	20,741,000 \$	17,741,000 \$	17,034,000 \$	18,648,526
Employer's Covered Payroll	11,212,976	11,080,965	12,016,024	11,255,580	11,687,998	11,855,025
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165%	169%	173%	158%	146%	157%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liabili	70.88%	70.88%	68.28%	72.92%	74.81%	73.51%

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  
 For the Years Ended June 30, 2011 through June 30, 2020

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)
<b>Primary Government</b>					
2020	\$ 424,827	\$ 424,827	\$ -	\$ 4,745,753	8.95%
2019	397,623	397,623	-	4,380,765	9.08%
2018	372,305	372,305	-	4,105,970	9.07%
2017	344,144	344,144	-	3,978,899	8.65%
2016	476,260	476,260	-	3,868,886	12.31%
2015	464,083	464,083	-	3,774,065	12.30%
2014	491,619	491,619	-	3,738,547	13.15%
2013	475,486	475,486	-	3,615,862	13.15%
2012	360,280	360,280	-	3,348,332	10.76%
2011	352,602	352,602	-	3,276,968	10.76%
<b>Component Unit School Board (nonprofessional)</b>					
2020	\$ 107,681	\$ 107,681	\$ -	\$ 1,607,994	6.70%
2019	113,508	113,508	-	1,654,302	6.86%
2018	112,557	112,557	-	1,626,878	6.92%
2017	112,018	112,018	-	1,587,580	7.06%
2016	131,798	131,798	-	1,567,154	8.41%
2015	129,098	129,098	-	1,535,050	8.41%
2014	146,880	146,880	-	1,594,791	9.21%
2013	141,101	141,101	-	1,532,037	9.21%
2012	116,455	116,455	-	1,518,314	7.67%
2011	118,858	118,858	-	1,549,648	7.67%
<b>Component Unit School Board (professional)</b>					
2020	\$ 1,791,194	\$ 1,791,194	\$ -	\$ 11,772,414	15.22%
2019	1,815,913	1,815,913	-	11,855,025	15.32%
2018	1,889,150	1,889,150	-	11,687,998	16.16%
2017	1,650,068	1,650,068	-	11,255,580	14.66%
2016	1,689,453	1,689,453	-	12,016,024	14.06%
2015	1,606,740	1,606,740	-	11,080,965	14.50%

Current year contributions are from County of Nelson and Nelson County School Board's records and prior year contributions are from the VRS actuarial valuation performed each year.

The School Board Professional Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no other data is available. However, additional years will be included as they become available.



Notes to Required Supplementary Information - Pension  
 For the Year Ended June 30, 2020

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

**Changes or assumptions** - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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
Withdrawal Rates	Adjusted rates to better fit experience at each year age and
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

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%
Discount Rate	Decreased rate from 7% to 6.75%

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
Discount Rate	Decreased rate from 7% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
 Primary Government  
 For the Measurement Dates ending June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 36,050	\$ 39,916	\$ 41,058
Interest	18,126	21,801	25,387
Changes in assumptions	53,340	(73,605)	(24,463)
Differences between expected and actual experience	-	(164,327)	-
Benefit payments	(25,302)	(33,924)	(43,143)
<b>Net change in total OPEB liability</b>	<b>\$ 82,214</b>	<b>\$ (210,139)</b>	<b>\$ (1,161)</b>
<b>Total OPEB liability - beginning</b>	<b>494,384</b>	<b>704,523</b>	<b>705,684</b>
<b>Total OPEB liability - ending</b>	<b>\$ <u>576,598</u></b>	<b>\$ <u>494,384</u></b>	<b>\$ <u>704,523</u></b>
<b>Covered payroll</b>	<b>\$ 4,190,874</b>	<b>\$ 4,190,874</b>	<b>\$ 3,930,700</b>
<b>County's total OPEB liability (asset) as a percentage of covered payroll</b>	<b>13.76%</b>	<b>11.80%</b>	<b>17.92%</b>

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 Measurement Dates ending June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 66,949	\$ 63,928	\$ 65,600
Interest	42,727	45,337	41,602
Changes in assumptions	(27,554)	31,227	(30,397)
Differences between expected and actual experience	1,725	-	-
Benefit payments	(93,711)	(94,685)	(89,947)
<b>Net change in total OPEB liability</b>	<b>\$ (9,864)</b>	<b>\$ 45,807</b>	<b>\$ (13,142)</b>
<b>Total OPEB liability - beginning</b>	<b>1,200,281</b>	<b>1,154,474</b>	<b>1,167,616</b>
<b>Total OPEB liability - ending</b>	<b>\$ <u>1,190,417</u></b>	<b>\$ <u>1,200,281</u></b>	<b>\$ <u>1,154,474</u></b>
<b>Covered payroll</b>	<b>\$ 13,116,400</b>	<b>\$ 13,116,400</b>	<b>\$ 13,116,400</b>
<b>School Board's total OPEB liability (asset) as a percentage of covered payroll</b>	<b>9.08%</b>	<b>9.15%</b>	<b>8.80%</b>

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

Notes to Required Supplementary Information - County and Component Unit School Board OPEB  
For the Year Ended June 30, 2020

**County:**

Valuation Date: 1/1/2019  
Measurement Date: 6/30/2020

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	2.21%
Inflation	2.50%
Healthcare Trend Rate	5.50% - 4.00% over 53 years
Salary Increase Rates	3.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	Mortality rates for Active employees and healthy retirees were based on a RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety employees) and Females set back 3 years. Mortality rates for Disabled employees were based on a RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

**Component Unit School Board**

Valuation Date: 1/1/2019  
Measurement Date: 6/30/2020

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	2.21%
Inflation	2.50%
Healthcare Trend Rate	5.50% - 4.00% over 53 years
Salary Increase Rates	3%
Retirement Age	The average age at retirement is 62
Mortality Rates	Mortality rates for Active employees and healthy retirees were based on a RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety employees) and Females set back 3 years. Mortality rates for Disabled employees were based on a RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

Schedule of School Board's Share of Net OPEB Liability  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.1413% \$	1,850,278 \$	11,855,025	15.61%	8.97%
2018	0.1445%	1,835,000	11,687,998	15.70%	8.08%
2017	0.1439%	1,826,000	11,355,061	16.08%	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 Employee Health Insurance Credit (HIC) Plan  
 For the Years Ended June 30, 2017 through June 30, 2020

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2020	\$ 141,269	\$ 141,269	\$ -	\$ 11,772,414	1.20%
2019	142,260	142,260	-	11,855,025	1.20%
2018	143,762	143,762	-	11,687,998	1.23%
2017	126,041	126,041	-	11,355,061	1.11%

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.

Notes to Required Supplementary Information  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Year Ended June 30, 2020

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7% to 6.75%

Schedule of County and School Board's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government</b>					
2019	0.02235% \$	363,694 \$	4,380,765	8.30%	52.00%
2018	0.02159%	328,000	4,105,970	7.99%	51.22%
2017	0.02157%	325,000	3,978,899	8.17%	48.86%
<b>Component Unit School Board (nonprofessional)</b>					
2019	0.00844% \$	137,341 \$	1,654,302	8.30%	52.00%
2018	0.00856%	130,000	1,626,878	7.99%	51.22%
2017	0.00861%	129,000	1,587,580	8.13%	48.86%
<b>Component Unit School Board (professional)</b>					
2019	0.06047% \$	984,008 \$	12,140,385	8.11%	52.00%
2018	0.06147%	934,000	11,687,998	7.99%	51.22%
2017	0.06156%	926,000	11,355,061	8.15%	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 (GLI) Plan  
 For the Years Ended June 30, 2017 through June 30, 2020

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)
<b>Primary Government</b>					
2020	\$ 24,678	\$ 24,678	\$ -	\$ 4,745,753	0.52%
2019	22,780	22,780	-	4,380,765	0.52%
2018	21,351	21,351	-	4,105,970	0.52%
2017	20,690	20,690	-	3,978,899	0.52%
<b>Component Unit School Board (nonprofessional)</b>					
2020	\$ 8,377	\$ 8,377	\$ -	\$ 1,610,873	0.52%
2019	8,602	8,602	-	1,654,302	0.52%
2018	8,460	8,460	-	1,626,878	0.52%
2017	8,255	8,255	-	1,587,580	0.52%
<b>Component Unit School Board (professional)</b>					
2020	\$ 61,217	\$ 61,217	\$ -	\$ 11,772,414	0.52%
2019	63,130	63,130	-	12,140,385	0.52%
2018	60,778	60,778	-	11,687,998	0.52%
2017	59,046	59,046	-	11,355,061	0.52%

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

Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 For the Year Ended June 30, 2020

**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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**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
Discount Rate	Decreased rate from 7.00% to 6.75%

**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%
Discount Rate	Decreased rate from 7.00% to 6.75%

**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%
Discount Rate	Decreased rate from 7.00% to 6.75%

## **Other Supplementary Information**

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**Combining and Individual Fund Financial Statements and Schedules**

Debt Service Fund

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

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 2,355,000	\$ 2,355,000	\$ 2,355,000	\$ -
Interest and other fiscal charges	825,902	825,902	824,805	1,097
Total expenditures	<u>\$ 3,180,902</u>	<u>\$ 3,180,902</u>	<u>\$ 3,179,805</u>	<u>\$ 1,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,180,902)</u>	<u>\$ (3,180,902)</u>	<u>\$ (3,179,805)</u>	<u>\$ 1,097</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ 3,180,902</u>	<u>\$ 3,180,902</u>	<u>\$ 3,180,902</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ 3,180,902</u>	<u>\$ 3,180,902</u>	<u>\$ 3,180,902</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 1,097	\$ 1,097
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>217,735</u>	<u>217,735</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 218,832</u></u>	<u><u>\$ 218,832</u></u>

Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Capital projects	\$ 705,251	\$ 705,251	\$ -	\$ 705,251
Total expenditures	\$ 705,251	\$ 705,251	\$ -	\$ 705,251
Excess (deficiency) of revenues over (under) expenditures	\$ (705,251)	\$ (705,251)	\$ -	\$ 705,251
Net change in fund balances	\$ (705,251)	\$ (705,251)	\$ -	\$ 705,251
Fund balances - beginning	705,251	705,251	720,230	14,979
Fund balances - ending	\$ -	\$ -	\$ 720,230	\$ 720,230

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Fund  
 For the Year Ended June 30, 2020

	Housing Improvement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	50	50
Fund balances - ending	\$ -	\$ -	\$ 50	\$ 50



Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 At June 30, 2020

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	Agency Funds		Total
	Special Welfare Fund	EMS Loan Fund	
<b>Assets</b>			
Cash and cash equivalents	\$ 44,502	\$ 527,141	\$ 571,643
Total assets	<u>\$ 44,502</u>	<u>\$ 527,141</u>	<u>\$ 571,643</u>
<b>Liabilities</b>			
Amounts held for others	\$ 44,502	\$ 527,141	\$ 571,643
Total liabilities	<u>\$ 44,502</u>	<u>\$ 527,141</u>	<u>\$ 571,643</u>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2020

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 36,400	\$ 14,101	\$ 5,999	\$ 44,502
Total assets	<u>\$ 36,400</u>	<u>\$ 14,101</u>	<u>\$ 5,999</u>	<u>\$ 44,502</u>
<b>Liabilities</b>				
Amounts held for others	<u>\$ 36,400</u>	<u>\$ 14,101</u>	<u>\$ 5,999</u>	<u>\$ 44,502</u>
<b>EMS Loan Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 573,437	\$ 233,704	\$ 280,000	\$ 527,141
Total assets	<u>\$ 573,437</u>	<u>\$ 233,704</u>	<u>\$ 280,000</u>	<u>\$ 527,141</u>
<b>Liabilities</b>				
Amounts held for others	<u>\$ 573,437</u>	<u>\$ 233,704</u>	<u>\$ 280,000</u>	<u>\$ 527,141</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 609,837	\$ 247,805	\$ 285,999	\$ 571,643
Total assets	<u>609,837</u>	<u>247,805</u>	<u>285,999</u>	<u>571,643</u>
<b>Liabilities</b>				
Amounts held for others	<u>\$ 609,837</u>	<u>\$ 247,805</u>	<u>\$ 285,999</u>	<u>\$ 571,643</u>

Discretely Presented Component Unit School Board  
 Balance Sheet  
 At June 30, 2020

	<u>School Operating Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,835,110
Due from other governments	500,146
Inventories	27,430
Prepaid items	<u>237,365</u>
Total assets	<u><u>\$ 2,600,051</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 88,155
Accrued liabilities	1,094,219
Due to primary government	631,895
Deferred revenue	<u>17,433</u>
Total liabilities	<u>\$ 1,831,702</u>
<b>Fund balances</b>	
Nonspendable	\$ 264,795
Committed	740,919
Unassigned	<u>(237,365)</u>
Total fund balances	<u>\$ 768,349</u>
Total liabilities and fund balances	<u><u>\$ 2,600,051</u></u>

Discretely Presented Component Unit School Board  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
 At June 30, 2020

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Total fund balance for governmental fund (Exhibit 31)	\$	768,349
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. Those assets consist of:		
Land and improvements	\$	851,210
Buildings and improvements, net of depreciation		21,377,973
Equipment, net of depreciation		1,330,788
School Board capital assets in primary government, net of depreciation		<u>(6,051,999)</u>
		17,507,972
Items related to measurement of net pension and OPEB liability not available to pay for current-period expenditures		
Deferred inflows related to pensions		(2,424,568)
Deferred inflows related to OPEB		(219,318)
Deferred outflows related to pensions		3,930,848
Deferred outflows related to OPEB		419,017
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Compensated absences	\$	(432,205)
Energy improvement lease		(1,338,406)
Net pension liability		(19,094,588)
Net OPEB liability		<u>(4,162,044)</u>
		<u>(25,027,243)</u>
Total net position of governmental activities (Exhibit 1)	\$	<u><u>(5,044,943)</u></u>

Discretely Presented Component Unit School Board  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Fund  
 For the Year Ended June 30, 2020

	<u>School Operating Fund</u>
<b>Revenues</b>	
Revenue from the use of money and property	\$ 88
Charges for services	329,566
Miscellaneous	178,694
Recovered costs	138,173
Intergovernmental:	
Appropriations from primary government	14,653,274
Commonwealth	8,969,305
Federal	<u>1,780,273</u>
 Total revenues	 \$ <u>26,049,373</u>
<b>Expenditures</b>	
Current:	
Education	
Instruction	\$ 17,420,341
Administration, attendance and health	1,231,250
Transportation	2,323,294
Facilities operations	2,607,711
School food services	1,121,708
Facilities	15,877
Technology	1,125,819
Debt service:	
Principal retirement	139,718
Interest and other fiscal charges	<u>30,847</u>
 Total expenditures	 \$ <u>26,016,565</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	 \$ 32,808
 <b>Fund balance, beginning of year</b>	 <u>735,541</u>
<b>Fund balance, end of year</b>	<u><u>\$ 768,349</u></u>

Discretely Presented Component Unit School Board  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balance of Governmental Fund to the Statement of Activities  
 For the Year Ended June 30, 2020

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Net change in fund balance - total governmental fund (Exhibit 33) \$ 32,808

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 depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 335,586	
Depreciation expense	<u>(1,269,581)</u>	(933,995)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board 915,625

(Increase) decrease in deferred inflows related to the measurement of the net pension liability/asset 39,718

(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability/asset (24,395)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	\$ (74,747)	
Energy improvement lease	139,718	
Decrease (increase) in net pension liability	(1,663,822)	
Decrease (increase) in deferred outflows related to pensions	1,662,331	
Decrease (increase) in deferred outflows related to OPEB	124,261	
Net OPEB liability	<u>(62,763)</u>	<u>124,978</u>

Change in net position of governmental activities (Exhibit 2) \$ 154,739

Discretely Presented Component Unit School Board  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 17	\$ 17	\$ 88	\$ 71
Charges for services	606,041	610,481	329,566	(280,915)
Miscellaneous	274,511	240,070	178,694	(61,376)
Recovered costs	269,881	269,881	138,173	(131,708)
Intergovernmental:				
Local government	15,094,822	15,094,822	14,653,274	(441,548)
Commonwealth	9,411,252	9,441,253	8,969,305	(471,948)
Federal	1,900,211	1,900,211	1,780,273	(119,938)
Total revenues	<u>\$ 27,556,735</u>	<u>\$ 27,556,735</u>	<u>\$ 26,049,373</u>	<u>\$ (1,507,362)</u>
<b>EXPENDITURES</b>				
Current:				
Education				
Instruction	\$ 19,200,550	\$ 18,396,034	\$ 17,420,341	\$ 975,693
Administration, attendance and health	1,196,752	1,223,845	1,231,250	(7,405)
Transportation	2,456,896	2,364,029	2,323,294	40,735
Facilities operations	2,751,544	3,581,321	2,607,711	973,610
School food services	1,224,846	1,224,846	1,121,708	103,138
Facilities	-	14,805	15,877	(1,072)
Technology	1,216,998	1,242,706	1,125,819	116,887
Debt service:				
Principal retirement	139,718	139,718	139,718	-
Interest and other fiscal charges	31,033	31,033	30,847	186
Total expenditures	<u>\$ 28,218,337</u>	<u>\$ 28,218,337</u>	<u>\$ 26,016,565</u>	<u>\$ 2,201,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (661,602)</u>	<u>\$ (661,602)</u>	<u>\$ 32,808</u>	<u>\$ 694,410</u>
Net change in fund balances	(661,602)	(661,602)	32,808	694,410
Fund balances - beginning	<u>661,602</u>	<u>661,602</u>	<u>735,541</u>	<u>73,939</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,349</u>	<u>\$ 768,349</u>

Discretely Presented Component Unit - Nelson County EDA  
 Statement of Net Position  
 At June 30, 2020

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**Assets**

Current assets:

Cash and cash equivalents	\$ 17,217
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Noncurrent assets:

Land held for resale	213,663
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Total assets	\$ <u>230,880</u>
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**Net Position**

Unrestricted	\$ <u>230,880</u>
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Total net position	\$ <u><u>230,880</u></u>
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Discretely Presented Component Unit - Nelson County EDA  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2020

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**Operating revenues**

Revenue from the Commonwealth	\$ 40,000
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**Operating expenses**

Economic development grants	\$ 43,500
Director Fees	1,650
Insurance	392
Travel	342

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Total operating expenses	\$ 45,884
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Operating income (loss)	\$ (5,884)
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**Nonoperating revenues**

Contribution from Nelson County	\$ 3,100
Interest revenue	151

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Total nonoperating revenues	\$ 3,251
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Change in net position	\$ (2,633)
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Net position, beginning of year	233,513
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Net position, end of year	\$ 230,880
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Discretely Presented Component Unit - Nelson County EDA  
Statement of Cash Flows  
For the Year Ended June 30, 2020

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<b>Cash flows from operating activities</b>	
Revenue from the Commonwealth	\$ 40,000
Payments to suppliers	(44,234)
Payments to directors	(1,650)
	<u>                    </u>
Net cash provided by (used for) by operating activities	\$ (5,884)
<b>Cash flows from noncapital financing activities</b>	
Contribution from Nelson County	\$ 3,100
	<u>                    </u>
<b>Cash flows from investing activities</b>	
Interest revenue	\$ 151
	<u>                    </u>
Net increase (decrease) in cash and cash equivalents	\$ (2,633)
Cash and cash equivalents, beginning of year	<u>19,850</u>
Cash and cash equivalents, end of year	\$ <u><u>17,217</u></u>
<b>Reconciliation of operating income (loss) to net cash</b>	
Operating income (loss)	\$ (5,884)
	<u>                    </u>
Net cash provided by (used for) operating activities	\$ <u><u>(5,884)</u></u>

## Supporting Schedules

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 17,819,027	\$ 17,819,027	\$ 17,802,906	\$ (16,121)
Real and personal public service corporation taxes	958,292	958,292	945,077	(13,215)
Personal property taxes	4,241,988	2,229,892	2,471,300	241,408
Mobile home taxes	-	-	17,972	17,972
Machinery and tools taxes	65,629	26,184	40,168	13,984
Penalties	180,000	180,000	178,169	(1,831)
Interest	150,493	150,493	141,283	(9,210)
Total general property taxes	<u>\$ 23,415,429</u>	<u>\$ 21,363,888</u>	<u>\$ 21,596,875</u>	<u>\$ 232,987</u>
Other local taxes:				
Local sales and use taxes	\$ 1,623,586	\$ 1,623,586	\$ 1,480,484	\$ (143,102)
Consumers' utility taxes	487,789	487,789	500,686	12,897
Business license taxes	35,000	35,000	35,445	445
Utility franchise taxes	100,000	100,000	85,728	(14,272)
Motor vehicle licenses	724,470	724,470	743,376	18,906
Bank franchise tax	70,485	70,485	94,184	23,699
Taxes on recordation and wills	250,000	250,000	274,289	24,289
Transient occupancy tax	583,695	583,695	500,408	(83,287)
Meals tax	1,164,570	1,164,570	965,975	(198,595)
Total other local taxes	<u>\$ 5,039,595</u>	<u>\$ 5,039,595</u>	<u>\$ 4,680,575</u>	<u>\$ (359,020)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 13,185	\$ 13,185	\$ 11,947	\$ (1,238)
Dog pound fees	2,000	2,000	1,320	(680)
Land use application fees	11,000	11,000	18,549	7,549
Transfer fees	750	750	985	235
Zoning & Subdivision fees	17,500	17,500	21,705	4,205
Building permits	148,000	148,000	133,909	(14,091)
Building inspection fees	7,500	7,500	18,842	11,342
Well & Septic fees	7,000	7,000	7,100	100
Land disturbing fees	11,613	11,613	9,855	(1,758)
Tourism collections	3,000	3,000	1,629	(1,371)
Total permits, privilege fees, and regulatory licenses	<u>\$ 221,548</u>	<u>\$ 221,548</u>	<u>\$ 225,841</u>	<u>\$ 4,293</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 220,750	\$ 220,750	\$ 88,571	\$ (132,179)
Total fines and forfeitures	<u>\$ 220,750</u>	<u>\$ 220,750</u>	<u>\$ 88,571</u>	<u>\$ (132,179)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 335,000	\$ 335,000	\$ 474,274	\$ 139,274
Revenue from use of property	20,000	20,000	54,123	34,123
Total revenue from use of money and property	<u>\$ 355,000</u>	<u>\$ 355,000</u>	<u>\$ 528,397</u>	<u>\$ 173,397</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services:				
Sheriff's fees	\$ 8,000	\$ 8,000	\$ 13,021	\$ 5,021
Law library fees	2,500	2,500	2,379	(121)
Courthouse maintenance fees	8,000	8,000	4,950	(3,050)
Document reproduction fees	3,500	3,500	2,923	(577)
Excess fees paid to Circuit Court	30	30	15	(15)
Court appointed attorney fees	2,000	2,000	763	(1,237)
Fingerprint/Report fees	250	250	210	(40)
Cost of postage - Circuit Court	50	50	165	115
Charges for Commonwealth's Attorney	1,800	1,800	2,411	611
Charges for sanitation and waste removal	194,626	194,626	200,534	5,908
Charges for parks and recreation	44,700	44,700	38,030	(6,670)
Sale of literature	300	300	293	(7)
Concealed weapons permits	16,000	16,000	-	(16,000)
Total charges for services	\$ 281,756	\$ 281,756	\$ 265,694	\$ (16,062)
Miscellaneous:				
Expenditure refunds	\$ 25,000	\$ 25,000	\$ 128,392	\$ 103,392
Other miscellaneous	35,800	178,225	186,451	8,226
Total miscellaneous	\$ 60,800	\$ 203,225	\$ 314,843	\$ 111,618
Recovered costs:				
DSS Reimbursement	\$ 65,000	\$ 65,000	\$ 64,035	\$ (965)
School Resource officer and other costs	25,000	25,000	-	(25,000)
Jaunt Wintergreen	10,614	10,614	12,634	2,020
DMV stop fees	36,000	36,000	37,387	1,387
EMS revenue recovery	420,000	420,000	523,455	103,455
Forest Service Coop. agreement	-	2,863	4,380	1,517
Shared network maintenance fee	8,000	8,000	5,228	(2,772)
Recycling	11,500	11,500	5,342	(6,158)
Other recovered costs	2,002	2,002	3,310	1,308
Total recovered costs	\$ 578,116	\$ 580,979	\$ 655,771	\$ 74,792
Total revenue from local sources	\$ 30,172,994	\$ 28,266,741	\$ 28,356,567	\$ 89,826
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 100,000	\$ 100,000	\$ 99,621	\$ (379)
Mobile home titling tax	20,000	20,000	20,903	903
Tax on deeds	64,986	64,986	43,108	(21,878)
Communication sales & use tax	450,000	450,000	392,704	(57,296)
Personal property tax relief funds	1,708,030	1,708,030	1,708,030	-
Total noncategorical aid	\$ 2,343,016	\$ 2,343,016	\$ 2,264,366	\$ (78,650)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental (continued):				
Revenue from the Commonwealth (continued):				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 230,574	\$ 230,574	\$ 305,919	\$ 75,345
Sheriff	829,381	829,381	824,534	(4,847)
Commissioner of revenue	90,511	90,511	88,853	(1,658)
Treasurer	106,955	106,955	106,796	(159)
Registrar/electoral board	37,000	37,000	40,780	3,780
Clerk of the Circuit Court	211,481	211,481	223,934	12,453
Total shared expenses	<u>\$ 1,505,902</u>	<u>\$ 1,505,902</u>	<u>\$ 1,590,816</u>	<u>\$ 84,914</u>
Welfare:				
Public assistance and welfare administration	\$ 477,194	\$ 477,194	\$ 455,282	\$ (21,912)
Other categorical aid:				
E911 wireless grant	\$ 54,832	\$ 54,832	\$ 58,907	\$ 4,075
DMV animal friendly plates	285	285	248	(37)
Fire programs	51,989	56,480	54,705	(1,775)
Four for life	17,300	17,300	-	(17,300)
Litter control grant	6,466	6,466	5,074	(1,392)
Victim-witness grant	59,594	59,594	16,144	(43,450)
VJCCCA Dept - Juvenile Justice	10,364	10,364	10,364	-
Comprehensive services act	1,136,070	1,283,155	1,090,861	(192,294)
Asset forfeiture proceeds	35,000.00	60,158	33,641	(26,517)
Performance arts grant	4,500	4,500	4,500	-
Library grant	-	16,685	-	(16,685)
Tunnel grant (TEA-21)	2,601,074	3,336,205	-	(3,336,205)
Other categorical	7,000	242,529	22,069	(220,460)
Total other categorical aid	<u>\$ 3,984,474</u>	<u>\$ 5,148,553</u>	<u>\$ 1,296,513</u>	<u>\$ (3,852,040)</u>
Total categorical aid	<u>\$ 5,967,570</u>	<u>\$ 7,131,649</u>	<u>\$ 3,342,611</u>	<u>\$ (3,789,038)</u>
Total revenue from the Commonwealth	<u>\$ 8,310,586</u>	<u>\$ 9,474,665</u>	<u>\$ 5,606,977</u>	<u>\$ (3,867,688)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 62,150	\$ 62,150	\$ 72,598	\$ 10,448
Categorical aid:				
Public assistance and welfare administration	\$ 715,790	\$ 715,790	\$ 810,058	\$ 94,268
Coronavirus relief fund	-	302,585	55,885	(246,700)
Victim witness program	-	-	48,431	48,431
Sheriff's grants	-	17,960	9,760	(8,200)
SCAAP (federal prisoners)	-	5,567	5,567	-
Sheriff's Byrne Grant	-	1,174	1,174	-
Recreational trails program	250,000	250,000	-	(250,000)
Tunnel Grant (TEA-21)	-	-	2,439,506	2,439,506
Other federal categorical	-	-	43,445	43,445
Total categorical aid	<u>\$ 965,790</u>	<u>\$ 1,293,076</u>	<u>\$ 3,413,826</u>	<u>\$ 2,120,750</u>
Total revenue from the federal government	<u>\$ 1,027,940</u>	<u>\$ 1,355,226</u>	<u>\$ 3,486,424</u>	<u>\$ 2,131,198</u>
Total General Fund	<u>\$ 39,511,520</u>	<u>\$ 39,096,632</u>	<u>\$ 37,449,968</u>	<u>\$ (1,646,664)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Total Primary Government	\$ 39,511,520	\$ 39,096,632	\$ 37,449,968	\$ (1,646,664)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 17	\$ 17	\$ 88	\$ 71
Charges for services:				
Charges for education	\$ -	\$ 6,000	\$ 6,000	\$ -
Charges for cafeteria	606,041	604,481	323,566	(280,915)
Total charges for services	\$ 606,041	\$ 610,481	\$ 329,566	\$ (280,915)
Miscellaneous:				
Other miscellaneous	\$ 274,511	\$ 240,070	\$ 178,694	\$ (61,376)
Total miscellaneous	\$ 274,511	\$ 240,070	\$ 178,694	\$ (61,376)
Recovered costs:				
Other recovered costs	\$ 269,881	\$ 269,881	\$ 138,173	\$ (131,708)
Total recovered costs	\$ 269,881	\$ 269,881	\$ 138,173	\$ (131,708)
Total revenue from local sources	\$ 1,150,450	\$ 1,120,449	\$ 646,521	\$ (473,928)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 15,094,822	\$ 15,094,822	\$ 14,653,274	\$ (441,548)
Total revenues from local governments	\$ 15,094,822	\$ 15,094,822	\$ 14,653,274	\$ (441,548)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,323,881	\$ 2,351,268	\$ 2,369,749	\$ 18,481
Basic school aid	3,953,474	3,797,154	3,653,924	(143,230)
Remedial education	149,470	149,470	141,352	(8,118)



Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental (Continued):				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Special education	\$ 450,000	\$ 450,000	\$ 425,560	\$ (24,440)
Vocational standards of quality payments	122,438	122,438	115,788	(6,650)
Fringe benefits	775,972	775,972	733,827	(42,145)
VPSA technology	154,000	154,000	21,317	(132,683)
At risk payments	183,922	183,922	179,455	(4,467)
Primary class size	158,327	158,327	151,295	(7,032)
Other state funds	1,139,768	1,298,702	1,177,038	(121,664)
Total categorical aid	\$ 9,411,252	\$ 9,441,253	\$ 8,969,305	\$ (471,948)
Total revenue from the Commonwealth	\$ 9,411,252	\$ 9,441,253	\$ 8,969,305	\$ (471,948)
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 5,500	\$ 5,500	\$ 4,244	\$ (1,256)
Title 1/A grants to LEAs	536,945	536,945	522,550	(14,395)
Title 1/C migrant education	-	11,170	-	(11,170)
IDEA 611 flow-through (Title VI-B)	542,556	566,030	390,756	(175,274)
Rural and safe schools	-	-	20,104	20,104
Title 1 - Carl Perkins vocational	39,563	39,563	38,889	(674)
Preschool grants/special ed	13,472	31,439	15,569	(15,870)
Title V/A innovative ed program	41,441	-	-	-
Title III language acquisition	11,170	-	5,448	5,448
Title II part A	74,660	74,660	78,099	3,439
Title IV	34,904	34,904	32,886	(2,018)
School food	600,000	600,000	603,972	3,972
School food commodities	-	-	67,756	67,756
Total revenue from the federal government	\$ 1,900,211	\$ 1,900,211	\$ 1,780,273	\$ (119,938)
Total School Operating Fund	\$ 27,556,735	\$ 27,556,735	\$ 26,049,373	\$ (1,507,362)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 128,769	\$ 128,769	\$ 129,128	\$ (359)
General and financial administration:				
County administrator	\$ 337,091	\$ 346,803	\$ 333,792	\$ 13,011
County attorney	90,000	90,000	81,876	8,124
Commissioner of revenue	256,602	259,730	255,105	4,625
Treasurer	335,026	338,954	340,407	(1,453)
Finance and accounting	323,087	324,186	306,639	17,547
Technology	243,180	250,722	221,440	29,282
Land use panel	5,700	5,700	1,276	4,424
Total general and financial administration	\$ 1,590,686	\$ 1,616,095	\$ 1,540,535	\$ 75,560
Board of elections:				
Board of elections	\$ 38,473	\$ 78,048	\$ 70,455	\$ 7,593
Registrar	132,099	147,961	135,362	12,599
Total board of elections	\$ 170,572	\$ 226,009	\$ 205,817	\$ 20,192
Total general government administration	\$ 1,890,027	\$ 1,970,873	\$ 1,875,480	\$ 95,393
Judicial administration:				
Courts:				
Circuit court	\$ 55,550	\$ 69,526	\$ 58,898	\$ 10,628
General district court	7,891	7,891	3,775	4,116
VJCCA	18,066	45,645	47,725	(2,080)
Juvenile and domestic relations court	3,954	3,954	2,903	1,051
Magistrate	325	325	234	91
Clerk of the circuit court	346,063	373,609	338,466	35,143
Total courts	\$ 431,849	\$ 500,950	\$ 452,001	\$ 48,949
Commonwealth's attorney:				
Commonwealth's attorney	\$ 461,907	\$ 525,329	\$ 495,584	\$ 29,745
Total commonwealth's attorney	\$ 461,907	\$ 525,329	\$ 495,584	\$ 29,745
Total judicial administration	\$ 893,756	\$ 1,026,279	\$ 947,585	\$ 78,694
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,655,118	\$ 1,989,248	\$ 1,758,039	\$ 231,209
E-911	464,809	479,157	398,187	80,970
Emergency services council	624,366	634,743	613,837	20,906
Emergency services	474,574	489,554	476,736	12,818
T.J. EMS Council	10,000	10,000	10,000	-
Fire protection	156,000	156,000	156,000	-
Paid EMS	859,605	890,560	839,960	50,600
Forestry service	20,986	20,986	20,986	-

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
Regional jail services	\$ 732,019	\$ 745,132	\$ 733,519	\$ 11,613
Building inspector	297,654	297,654	293,252	4,402
Animal control	251,649	251,994	222,342	29,652
Coronavirus relief fund	-	302,585	65,336	237,249
Humane Society of Nelson County	7,500	7,500	7,500	-
OAR/Jefferson Area Community Corrections	5,602	5,602	5,602	-
Medical examiner	160	240	240	-
Total law enforcement and traffic control	<u>\$ 5,560,042</u>	<u>\$ 6,280,955</u>	<u>\$ 5,601,536</u>	<u>\$ 679,419</u>
Total public safety	<u>\$ 5,560,042</u>	<u>\$ 6,280,955</u>	<u>\$ 5,601,536</u>	<u>\$ 679,419</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 291,502	\$ 363,679	\$ 245,180	\$ 118,499
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 291,502</u>	<u>\$ 363,679</u>	<u>\$ 245,180</u>	<u>\$ 118,499</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,049,813	\$ 1,084,423	\$ 1,063,046	\$ 21,377
Total sanitation and waste removal	<u>\$ 1,049,813</u>	<u>\$ 1,084,423</u>	<u>\$ 1,063,046</u>	<u>\$ 21,377</u>
Maintenance of general buildings and grounds:				
General properties	\$ 754,535	\$ 768,375	\$ 714,433	\$ 53,942
Total maintenance of general buildings and grounds	<u>\$ 754,535</u>	<u>\$ 768,375</u>	<u>\$ 714,433</u>	<u>\$ 53,942</u>
Total public works	<u>\$ 2,095,850</u>	<u>\$ 2,216,477</u>	<u>\$ 2,022,659</u>	<u>\$ 193,818</u>
Health and welfare:				
Health:				
Health department	\$ 248,979	\$ 248,979	\$ 248,979	\$ -
Total health	<u>\$ 248,979</u>	<u>\$ 248,979</u>	<u>\$ 248,979</u>	<u>\$ -</u>
Mental health and mental retardation:				
Region Ten community services board	\$ 100,586	\$ 100,586	\$ 100,586	\$ -
Total mental health and mental retardation	<u>\$ 100,586</u>	<u>\$ 100,586</u>	<u>\$ 100,586</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Welfare:				
Public assistance and administration	\$ 1,559,683	\$ 1,559,683	\$ 1,439,277	\$ 120,406
MACAA	31,410	31,410	31,410	-
Senior center meals	20,621	20,621	20,621	-
At risk youth program	1,663,059	1,878,558	1,763,752	114,806
Shelter for help	8,160	8,160	8,160	-
JAUNT	67,176	67,176	67,176	-
JABA	101,500	101,500	101,500	-
Sexual assault resource agency	1,000	1,000	1,000	-
CASA of Central Virginia	3,500	3,500	3,500	-
Tax relief for the elderly	-	-	193,791	(193,791)
Total welfare	<u>\$ 3,456,109</u>	<u>\$ 3,671,608</u>	<u>\$ 3,630,187</u>	<u>\$ 41,421</u>
Total health and welfare	<u>\$ 3,805,674</u>	<u>\$ 4,021,173</u>	<u>\$ 3,979,752</u>	<u>\$ 41,421</u>
Education:				
Other instructional costs:				
Community College	\$ 14,787	\$ 14,787	\$ 11,090	\$ 3,697
Appropriation to public school system	15,094,822	15,094,822	14,653,274	441,548
Total education	<u>\$ 15,109,609</u>	<u>\$ 15,109,609</u>	<u>\$ 14,664,364</u>	<u>\$ 445,245</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 224,333	\$ 232,758	\$ 201,401	\$ 31,357
Total parks and recreation	<u>\$ 224,333</u>	<u>\$ 232,758</u>	<u>\$ 201,401</u>	<u>\$ 31,357</u>
Cultural enrichment:				
Wintergreen Performing Arts	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Total cultural enrichment	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ -</u>
Library:				
Regional library	\$ 301,808	\$ 301,808	\$ 301,676	\$ 132
Total library	<u>\$ 301,808</u>	<u>\$ 301,808</u>	<u>\$ 301,676</u>	<u>\$ 132</u>
Total parks, recreation, and cultural	<u>\$ 535,141</u>	<u>\$ 543,566</u>	<u>\$ 512,077</u>	<u>\$ 31,489</u>
Community development:				
Planning and community development:				
Planning	\$ 170,929	\$ 170,929	\$ 143,564	\$ 27,365
Community development	297,231	346,170	298,338	47,832
Thomas Jefferson Planning District Commission	17,435	17,435	17,435	-
Virginia Institute of Government	1,000	1,000	1,000	-
Colleen water/sewer subsidy	162,812	162,812	134,609	28,203
Community Investment Collaborative	4,000	4,000	4,000	-
Anti-litter program	-	5,074	-	5,074
Nelson County Economic Development Authority	3,100	3,100	3,100	-
Central Virginia Partnership for Economic Development	10,000	10,000	10,000	-
Nelson County Community Development Foundation	55,729	55,729	55,729	-
Total planning and community development	<u>\$ 722,236</u>	<u>\$ 776,249</u>	<u>\$ 667,775</u>	<u>\$ 108,474</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water district	\$ 33,075	\$ 33,075	\$ 33,075	\$ -
Total environmental management	<u>\$ 33,075</u>	<u>\$ 33,075</u>	<u>\$ 33,075</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 59,267	\$ 59,267	\$ 28,094	\$ 31,173
Total cooperative extension program	<u>\$ 59,267</u>	<u>\$ 59,267</u>	<u>\$ 28,094</u>	<u>\$ 31,173</u>
Total community development	<u>\$ 814,578</u>	<u>\$ 868,591</u>	<u>\$ 728,944</u>	<u>\$ 139,647</u>
Nondepartmental:				
Refunds	\$ 45,064	\$ 75,660	\$ 63,560	\$ 12,100
Reserve for contingency	2,140,378	1,634,910	1,026,936	607,974
Other nondepartmental	198,828	139,004	43,609	95,395
Total nondepartmental	<u>\$ 2,384,270</u>	<u>\$ 1,849,574</u>	<u>\$ 1,134,105</u>	<u>\$ 715,469</u>
Capital projects:				
Blue Ridge Tunnel (TEA-21)	\$ 2,125,907	\$ 2,861,038	\$ 1,692,142	\$ 1,168,896
Emergency services vehicles	398,300	398,300	294,523	103,777
E911 equipment	222,799	369,331	294,406	74,925
Library expansion	1,808,905	2,260,118	2,253,067	7,051
Other capital projects	859,290	966,290	578,742	387,548
Total capital projects	<u>\$ 5,415,201</u>	<u>\$ 6,855,077</u>	<u>\$ 5,112,880</u>	<u>\$ 1,742,197</u>
Total General Fund	<u><u>\$ 38,504,148</u></u>	<u><u>\$ 40,742,174</u></u>	<u><u>\$ 36,579,382</u></u>	<u><u>\$ 4,162,792</u></u>
<b>Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 2,355,000	\$ 2,355,000	\$ 2,355,000	\$ -
Interest and other fiscal charges	825,902	825,902	824,805	1,097
Total Debt Service Fund	<u>\$ 3,180,902</u>	<u>\$ 3,180,902</u>	<u>\$ 3,179,805</u>	<u>\$ 1,097</u>
<b>Capital Projects Fund:</b>				
Capital projects:				
Contingencies	\$ 705,251	\$ 705,251	\$ -	\$ 705,251
Total capital projects	<u>\$ 705,251</u>	<u>\$ 705,251</u>	<u>\$ -</u>	<u>\$ 705,251</u>
Total Capital Projects Fund	<u><u>\$ 705,251</u></u>	<u><u>\$ 705,251</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 705,251</u></u>
Total Primary Government	<u><u>\$ 42,390,301</u></u>	<u><u>\$ 44,628,327</u></u>	<u><u>\$ 39,759,187</u></u>	<u><u>\$ 4,869,140</u></u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Instructional costs	\$ 19,200,550	\$ 18,396,034	\$ 17,420,341	\$ 975,693
Total instruction costs	<u>\$ 19,200,550</u>	<u>\$ 18,396,034</u>	<u>\$ 17,420,341</u>	<u>\$ 975,693</u>
Operating costs:				
Administration, attendance and health services	\$ 1,196,752	\$ 1,223,845	\$ 1,231,250	\$ (7,405)
Pupil transportation	2,456,896	2,364,029	2,323,294	40,735
Operation and maintenance of school plant	2,751,544	3,581,321	2,607,711	973,610
School food	1,224,846	1,224,846	1,121,708	103,138
Facilities	-	14,805	15,877	(1,072)
Technology	1,216,998	1,242,706	1,125,819	116,887
Total operating costs	<u>\$ 8,847,036</u>	<u>\$ 9,651,552</u>	<u>\$ 8,425,659</u>	<u>\$ 1,225,893</u>
Total education	<u>\$ 28,047,586</u>	<u>\$ 28,047,586</u>	<u>\$ 25,846,000</u>	<u>\$ 2,201,586</u>
Debt service:				
Principal retirement	\$ 139,718	\$ 139,718	\$ 139,718	\$ -
Interest and other fiscal charges	31,033	31,033	30,847	186
Total debt service	<u>\$ 170,751</u>	<u>\$ 170,751</u>	<u>\$ 170,565</u>	<u>\$ 186</u>
Total School Operating Fund	<u>\$ 28,218,337</u>	<u>\$ 28,218,337</u>	<u>\$ 26,016,565</u>	<u>\$ 2,201,772</u>
Total Discretely Presented Component Unit-School Board	<u>\$ 28,218,337</u>	<u>\$ 28,218,337</u>	<u>\$ 26,016,565</u>	<u>\$ 2,201,772</u>

## Statistical Information

COUNTY OF NELSON, VIRGINIA

Table 1

Government-Wide Expenses by Function  
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration		Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
	Administration	Government									
2011	\$ 1,938,519	\$ 666,374	\$ 3,373,814	\$ 2,067,363	\$ 2,356,458	\$ 14,266,695	\$ 565,713	\$ 724,030	\$ 1,472,808	\$ 27,431,774	
2012	1,985,357	692,589	4,131,423	2,215,956	2,272,554	15,227,323	599,470	812,186	1,502,603	29,439,461	
2013	2,218,102	725,905	4,204,470	2,068,094	2,418,330	14,983,417	534,768	1,411,994	1,373,603	29,938,683	
2014	2,024,078	760,170	5,037,123	2,121,760	2,506,489	16,169,175	565,861	928,029	968,301	31,080,986	
2015	1,931,016	709,914	5,130,442	2,051,142	2,366,870	15,784,538	568,093	773,915	866,705	30,182,635	
2016	1,949,333	717,437	5,158,634	1,982,740	2,684,740	16,010,197	574,628	762,775	964,793	30,805,277	
2017	2,195,124	759,914	5,427,281	2,131,248	2,961,759	17,177,335	587,648	818,106	804,949	32,863,364	
2018	2,380,593	952,178	5,547,471	1,860,789	3,520,080	17,422,795	613,334	765,642	704,490	33,767,372	
2019	2,285,005	770,841	6,050,356	1,326,860	3,536,192	16,385,204	674,601	823,167	661,937	32,514,163	
2020	3,117,491	996,430	6,411,572	2,212,255	3,956,898	16,108,123	569,528	801,084	618,473	34,791,854	

(1) Primary Government's Governmental Activities only



COUNTY OF NELSON, VIRGINIA

Table 2

Government-Wide Revenues by Source  
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2011	\$ 982,162	\$ 2,979,948	\$ 509,872	\$	\$ 19,270,265	\$ 3,496,429	\$ 331,077	\$ 84,056	\$ 2,670,871	\$ 30,324,680		
2012	741,776	2,659,104	2,753,439		20,120,918	3,610,714	154,369	68,990	2,395,975	32,505,285		
2013	680,137	2,721,650	655,166		21,421,597	3,912,469	110,011	120,335	2,526,847	32,148,212		
2014	883,247	2,924,866	431,654		21,779,423	4,022,028	125,442	80,201	2,458,708	32,705,569		
2015	934,970	2,868,264	753,001		22,191,371	4,256,941	59,213	71,605	2,412,973	33,548,338		
2016	744,739	3,080,455	201,490		22,900,404	4,167,376	166,633	131,388	2,398,629	33,791,114		
2017	745,516	3,464,684	19,985		22,941,866	4,432,849	170,882	90,549	2,406,195	34,272,526		
2018	667,084	3,733,082	-		23,087,057	4,827,998	294,101	118,390	2,285,266	35,012,978		
2019	584,651	4,270,101	2,135,054		23,273,910	4,723,968	426,877	132,489	2,344,744	37,891,794		
2020	580,106	4,316,931	2,439,506		21,452,989	4,680,575	528,397	314,843	2,336,964	36,650,311		

(1) Primary Government's Governmental Activities only

COUNTY OF NELSON, VIRGINIA

Table 3

General Governmental Revenues by Source (1)  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2011	\$ 19,527,884	\$ 3,538,978	\$ 243,522	\$ 358,244	\$ 331,246	\$ 711,271	\$ 341,485	\$ 715,060	\$ 15,906,458	\$ 41,674,148
2012	19,964,116	3,610,714	177,207	237,993	154,542	677,916	403,542	640,168	16,549,968	42,416,166
2013	21,529,646	3,912,469	176,921	278,688	110,098	675,143	471,690	774,339	15,399,851	43,328,845
2014	21,894,598	4,022,028	188,116	436,296	125,478	683,538	321,102	1,078,722	15,322,742	44,072,620
2015	22,462,776	4,256,941	289,183	367,860	59,237	709,735	361,098	979,519	16,099,840	45,586,189
2016	22,605,217	4,167,376	220,105	269,649	166,667	698,989	421,705	834,401	16,102,394	45,486,503
2017	22,965,908	4,432,849	225,659	247,923	170,928	703,956	378,337	953,802	16,115,152	46,194,514
2018	23,016,862	4,827,998	216,790	181,025	2,021,353 (2)	666,479	372,240	931,700	16,126,930	48,361,377
2019	23,048,894	4,723,968	200,533	104,541	426,979	664,440	309,036	964,718	19,572,037	50,015,146
2020	21,596,875	4,680,575	225,841	88,571	528,485	595,260	493,537	793,944	19,842,979	48,846,067

(1) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board.

(2) In FY 2018, the County sold a property for \$1,727,200.

COUNTY OF NELSON, VIRGINIA

Table 4

General Governmental Expenditures by Function (1)  
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety		Public Works	Health and Welfare		Education (2)	Recreation and Cultural		Community Development	Nondepartmental	Capital Projects	Debt Service	Total
			Safety	Public Safety		Welfare	Cultural		Development	mental					
2011	\$ 1,803,127	\$ 666,374	\$ 3,760,748	\$ 1,512,532	\$ 2,400,582	\$ 23,206,251	\$ 437,357	\$ 742,872	\$ 119,572	\$ 3,805,237	\$ 3,252,478	\$ 41,707,130			
2012	1,684,480	692,589	3,902,854	1,701,133	2,326,951	23,717,607	448,611	941,321	62,459	3,011,998	4,083,263	42,573,266			
2013	1,885,620	733,316	4,452,145	1,766,078	2,446,824	23,920,947	465,924	1,502,758	87,166	1,463,724	3,429,231	42,153,733			
2014	1,721,530	757,806	4,838,651	2,057,624	2,517,465	25,079,440	459,772	789,983	65,419	2,593,285	3,309,774	44,190,749			
2015	1,633,671	731,991	4,715,943	1,835,938	2,502,319	25,064,722	468,588	771,534	84,208	2,368,313	3,407,600	43,584,827			
2016	1,669,590	749,324	4,956,762	1,809,476	2,780,209	25,579,745	474,866	818,236	69,951	3,700,404	3,563,805	46,172,368			
2017	1,844,773	766,410	5,002,511	1,901,844	3,060,817	26,661,744	492,716	839,124	66,313	3,175,469	3,732,658	47,544,379			
2018	1,983,869	773,494	5,051,737	2,016,664	3,604,945	26,831,217	523,582	775,489	71,278	1,123,135	3,376,685	46,132,095			
2019	1,938,766	795,823	5,298,773	2,034,512	3,655,624	26,718,978	515,938	829,821	92,690	3,920,663	3,365,701	49,167,289			
2020	1,875,480	947,585	5,601,536	2,022,659	3,979,752	25,857,090	512,077	728,944	1,134,105	5,112,880	3,350,370	51,122,478			

(1) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board.

(2) Does not include appropriation from primary government to School Board.

COUNTY OF NELSON, VIRGINIA

Table 5

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total (1) (2)		Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1) Tax Collections		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1)		Percent of Delinquent Taxes to Tax Levy	
	Tax Levy	\$			Tax Collections	Percent of Levy Collected		Tax Collections	Total Tax Collections	Total Tax Collections to Tax Levy	Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2011	\$ 20,358,566	\$	19,585,235	96.20%	\$ 1,275,961	\$	20,861,196	102.47%	\$	2,390,679	11.74%		
2012	21,147,999		20,464,264	96.77%	883,820		21,348,084	100.95%		2,595,800	12.27%		
2013	22,371,562		21,912,219	97.95%	960,970		22,873,189	102.24%		2,520,749	11.27%		
2014	22,955,321		22,349,770	97.36%	878,931		23,228,701	101.19%		2,603,797	11.34%		
2015	23,464,205		22,919,925	97.68%	889,526		23,809,451	101.47%		2,350,671	10.02%		
2016	23,434,201		23,040,817	98.32%	916,054		23,956,871	102.23%		2,254,765	9.62%		
2017	23,774,405		23,375,376	98.32%	944,757		24,320,133	102.30%		2,452,150	10.31%		
2018	23,957,389		23,373,470	97.56%	990,656		24,364,126	101.70%		2,438,968	10.18%		
2019	24,201,337		23,506,336	97.13%	941,922		24,448,258	101.02%		2,577,549	10.65%		
2020	(3) 22,580,929		21,939,361	97.16%	1,046,092		22,985,453	101.79%		2,408,348	10.67%		

- (1) Exclusive of penalties and interest.
- (2) Real estate taxes are collected in installments. The due date of the first half installment is June 5. The tax levy includes the second half of the prior year and first half of the current year real estate tax levies.
- (3) In fiscal year 2020, the first half of the 2020 personal property taxes and machinery and tools taxes were forgiven in the amount of \$2,051,542.

COUNTY OF NELSON, VIRGINIA

Table 6

Assessed Value of Taxable Property  
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery & Tools	Public Utility	Total
2011	\$ 2,893,059,995	\$ 131,627,375	\$ 5,401,696	\$ 398,183	\$ 99,695,437	\$ 3,130,182,686
2012	2,899,427,265	133,865,528	5,371,407	456,903	99,614,737	3,138,735,840
2013	2,936,646,420	140,682,862	5,252,401	674,898	103,528,974	3,186,785,555
2014	2,698,994,105	147,214,790	4,769,312	901,110	102,178,904	2,954,058,221
2015	2,439,972,005	149,988,448	4,460,160	1,021,923	104,274,278	2,699,716,814
2016	2,454,837,405	150,643,025	4,552,937	1,841,760	80,041,583	2,691,916,710
2017	2,471,704,199	152,783,120	4,515,700	3,778,757	109,287,296	2,742,069,072
2018	2,465,471,934	157,853,731	4,573,430	5,628,496	112,550,419	2,746,078,010
2019	2,462,132,877	162,744,378	4,631,543	7,015,142	122,074,091	2,758,598,031
2020	2,480,933,184	166,691,512	4,634,964	7,001,602	125,563,949	2,784,825,211

Note:

Includes only the assessed values, as adjusted for supplements and abatements as of the tax year indicated.

COUNTY OF NELSON, VIRGINIA

Table 7

Property Tax Rates (1)  
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	
2011	0.55	2.95	0.55	1.25	1.25
2012	.55/.60	2.95	.55/.60	1.25	1.25
2013	0.60	2.95	0.60	1.25	1.25
2014	0.60/.72	2.95/3.45	0.60/.72	1.25	1.25
2015	0.72	3.45	0.72	1.25	1.25
2016	0.72	3.45	0.72	1.25	1.25
2017	0.72	3.45	0.72	1.25	1.25
2018	0.72	3.45	0.72	1.25	1.25
2019	0.72	3.45	0.72	1.25	1.25
2020	0.72	3.45	0.72	1.25	1.25

(1) Per \$100 of assessed value

COUNTY OF NELSON, VIRGINIA

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value		Net Bonded Debt per Capita
				Service Monies Available	Debt		Debt to Assessed Value	Debt to Assessed Value	
2011	15,161	\$ 3,130,182,686	\$ 33,211,918	\$ 1,613,157	\$ 31,598,761	1.01%	\$ 2,084		
2012	15,161	3,138,735,840	32,496,317	-	32,496,317	1.04%	2,143		
2013	15,161	3,186,785,555	30,656,196	-	30,656,196	0.96%	2,022		
2014	14,789	2,954,058,221	28,677,466	-	28,677,466	0.97%	1,939		
2015	14,789	2,699,716,814	26,270,402	-	26,270,402	0.97%	1,776		
2016	14,789	2,691,916,710	27,839,133	-	27,839,133	1.03%	1,882		
2017	14,789	2,742,069,072	25,064,070	-	25,064,070	0.91%	1,695		
2018	14,789	2,746,078,010	22,554,995	-	22,554,995	0.82%	1,525		
2019	14,943	2,758,598,031	22,329,658	-	22,329,658	0.81%	1,494		
2020	14,930	2,784,825,211	19,748,849	-	19,748,849	0.71%	1,323		

(1) U.S. Bureau of the Census

(2) From Table 6

(3) Includes long-term general obligation bonded debt, Literary Fund loans, lease revenue bonds, bond anticipation loans and retirement incentive obligations of the primary government and Component Unit School Board. Excludes capital leases, compensated absences, accrued landfill costs and debt on the Piney River Water & Sewer Enterprise fund.

COUNTY OF NELSON, VIRGINIA

Table 9

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Fiscal Years

Fiscal Year	(2) Principal	(2) Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2011	\$ 1,806,406	\$ 1,446,072	\$ 3,252,478	\$ 41,707,130	7.80%
2012	2,187,022	1,896,241	4,083,263	42,573,266	9.59%
2013	2,037,867	1,391,364	3,429,231	42,153,733	8.14%
2014	2,190,739	1,119,035	3,309,774	44,190,749	7.49%
2015	2,199,184	1,061,125	3,260,309	43,584,827	7.48%
2016	2,387,989	1,175,816	3,563,805	46,172,368	7.72%
2017	2,663,874	1,068,784	3,732,658	47,544,379	7.85%
2018	2,425,311	951,374	3,376,685	46,132,095	7.32%
2019	2,461,868	903,833	3,365,701	49,167,289	6.85%
2020	2,494,718	855,652	3,350,370	51,122,478	6.55%

(1) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board.

(2) Includes lease revenue bonds, general obligation debt, and Literary Fund loans, exclusive of fiscal charges, does not include capital leases, early retirement incentive obligation, repayment of bond anticipation loans, or debt on the Enterprise Fund.



## Compliance

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**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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**To the Honorable Members of the Board of Supervisors  
County of Nelson, 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Nelson, Virginia, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the County of Nelson, Virginia's basic financial statements, and have issued our report thereon December 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered County of Nelson, Virginia's internal control over financial reporting (internal control) as a basis for designing 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 Nelson, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Nelson, 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 Nelson, 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 financial statements. 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, Farnell, Cox Associates*

Charlottesville, Virginia  
December 15, 2020



**Independent Auditors' Report on Compliance For Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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To the Honorable Members of the Board of Supervisors  
County of Nelson, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited County of Nelson, 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 Nelson, Virginia's major federal programs for the year ended June 30, 2020. County of Nelson, 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 the County of Nelson, 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 the County of Nelson, 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 Nelson, Virginia's compliance.

***Opinion on Each Major Federal Program***

In our opinion, County of Nelson, 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, 2020.

## Report on Internal Control over Compliance

Management of County of Nelson, 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 Nelson, 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 Nelson, Virginia's internal control over compliance.

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

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

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

*Robinson, Farnell, Cox Associates*  
Charlottesville, Virginia  
December 15, 2020

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
COVID-19 - Provider Relief Fund	93.498	Not Available	\$ 22,138
Pass Through Payments:			
Department of Social Services:			
MaryLee Allen Promoting Safe and Stable Families	93.556	0950109/0950110	1,194
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400109/0400110	110,662
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	0500109/0500110	166
Low Income Home Energy Assistance	93.568	0600409/0600410	21,825
Child Care and Development Fund (CCDF) Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	21,339
Chafee Education and Training Vouchers Program (ETV)	93.599	9160116	7,897
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	297
Foster Care - Title IV-E	93.658	1100109/1100110	171,717
Adoption Assistance	93.659	1120109/1120110	43,221
Social Services Block Grant	93.667	1000109/1000110	130,082
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150108/9150109/9150110	1,937
Children's Health Insurance Program	93.767	0540109/0540110	2,584
Medical Assistance Program (Medicaid Cluster)	93.778	1200109/1200110	153,295
Total Department of Health and Human Services			<u>\$ 688,354</u>
Department of Agriculture:			
Direct Payments:			
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	201818N109941	\$ 82,903
COVID-19 - Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	201818N109941	87,636
Total 10.559			<u>\$ 170,539</u>
Pass Through Payments:			
Department of Education:			
School Breakfast Program (Child Nutrition Cluster)	10.553	201717N109941/201818N109941	\$ 100,307
COVID-19 -School Breakfast Program (Child Nutrition Cluster)	10.553	201717N109941/201818N109941	8,252
Total 10.553			<u>\$ 108,559</u>
National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	\$ 301,308
COVID-19 - National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	23,565
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	67,756
Total 10.555			<u>\$ 392,629</u>
Total Child Nutrition Cluster			<u>\$ 671,727</u>
Forest Service Schools and Roads Cluster			
Schools and Roads - Grants to States	10.665	10.665	4,244
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	0010109/0010110/0040109/0040110	143,842
Total Department of Agriculture			<u>\$ 819,813</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	Not Available	\$ 4,875
Total Department of Homeland Security			<u>\$ 4,875</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2020

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development:			
Pass Through Payments:			
Virginia Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Not Available	\$ 16,432
Total Department of Housing and Urban Development			\$ 16,432
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victims Assistance	16.575	10VAGZ0095/11VAGX0001	\$ 48,431
State Criminal Alien Assistance Program	16.606	Not Available	5,567
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Available	1,174
Total Department of Justice - pass-through			\$ 55,172
Total Department of Justice			\$ 55,172
Department of Treasury:			
Pass Through Payments:			
Virginia Department of Accounts:			
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	\$ 55,885
Total Department of Treasury			\$ 55,885
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL1353100	\$ 9,760
Highway Planning and Construction Cluster:			
Department of Transportation:			
Highway Planning and Construction (Highway Planning and Construction Cluster)	20.205	Not Available	\$ 2,439,506
Total Highway Planning and Construction Cluster			\$ 2,439,506
Total Department of Transportation			\$ 2,449,266
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A120046/S010A130046	\$ 522,550
Special Education -- Grants to States (Special Education Cluster)	84.027	H027A120107/H027A130107	390,756
Special Education -- Preschool Grants (Special Education Cluster)	84.173	H173A120112/H173A130112	15,569
Total Special Education Cluster			\$ 406,325
Career and Technical Education - Basic Grants to States	84.048	V048A120046/V048A130046	38,890
Rural Education	84.358	Not Available	20,104
English Language Acquisition State Grants	84.365	T365A120046/S365A130046	5,448
Supporting Effective Instruction State Grant	84.367	S367A120044/S367A130044	78,099
Student Support and Academic Enrichment Program	84.424	Not Available	32,886
Total Department of Education			\$ 1,104,302
Total Expenditures of Federal Awards			\$ 5,194,099

See accompanying notes to the schedule of expenditures of federal awards.



COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Nelson, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Nelson, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Nelson, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Food Donation

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

Note 4 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

Note 7 - 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:

General Fund \$ 3,486,424

Total primary government \$ 3,486,424

Component Unit School Board:

School Operating Fund \$ 1,780,273

Total component unit school board \$ 1,780,273

Less Payments in Lieu of Taxes not reported on Schedule of Expenditures of Federal Awards \$ (72,598)

Total federal expenditures per basic financial statements \$ 5,194,099

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 5,194,099

COUNTY OF NELSON, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:  
Material weaknesses identified? No  
Significant deficiency(ies) identified? 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 2 CFR Section 200.516(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

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

There are no federal award findings and questioned costs to report.

**COUNTY OF NELSON, VIRGINIA**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2020

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There were no findings reported for the year ended June 30, 2019.

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