



**COUNTY OF NELSON, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2018**



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COUNTY OF NELSON, VIRGINIA  
DIRECTORY OF PRINCIPAL OFFICIALS  
FISCAL YEAR ENDED JUNE 30, 2018

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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	David Francis, Chairperson David Parr, Vice-Chairperson	
Janet Turner-Giles Debbie Harvey		Cesar Perkins

COUNTY SOCIAL SERVICES BOARD

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	Darlene Smith, Chairperson Diane Harvey, Vice-Chairperson	
Allen Hale Joan Giles	Tanya Stewart	Brad Johnson Ernie Reed

OTHER OFFICIALS

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Michael T. Garrett	Judge of the Circuit Court
Lisa Bryant	Clerk of the Circuit Court
Daniel Rutherford	Commonwealth's Attorney
Pamela C. Campbell	Commissioner of the Revenue
Angela F. Johnson	Treasurer
David W. Hill	Sheriff
Jeff Comer	Superintendent of Schools
Angela A. Rose	Director of Social Services
Stephen A. Carter	County Administrator





# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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To the Honorable Members of the Board of Supervisors  
County of 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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2018, 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.

## *Change in Accounting Principle*

As described in Note 24 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 24 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-13, 112, and 113-127 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.

## *Other Matters*

### *Supplementary and Other Information: (Continued)*

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 February 20, 2019, 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  
February 20, 2019

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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, 2018.

### 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 \$38,795,066. Of this amount, \$25,140,999 is unrestricted, and may be used to meet the government's ongoing obligations to creditors and citizens. Of the total net position, there is \$13,590,995 invested in capital assets net of related debt (a decrease of \$238,054 from the previous year). The School Board's net position is a deficit of \$6,366,439, of which the unrestricted net position was a deficit of \$22,275,894.

The total net position of the Primary Government increased by \$1,183,031, and the School Board's net position increased by \$1,033,749, when taking into consideration the restatement of beginning net position for both entities. (See Exhibit 2.) The net position of the primary government and the component unit as of June 30, 2017 were restated due to the implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Details of this restatement can be found in Note 24 of these financial statements.

#### Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$25,707,680. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2017-18 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26,848,953 of which \$25,707,680 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 \$38,795,066 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, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 39,866,406	\$ 40,050,065	\$ 977,413	\$ 619,107	\$ 40,843,819	\$ 40,669,172
Capital assets	29,241,237	31,401,043	7,740,359	7,957,005	36,981,596	39,358,048
Total assets	<u>\$ 69,107,643</u>	<u>\$ 71,451,108</u>	<u>\$ 8,717,772</u>	<u>\$ 8,576,112</u>	<u>\$ 77,825,415</u>	<u>\$ 80,027,220</u>
Deferred Outflows of Resources	\$ 755,057	\$ 1,020,083	\$ -	\$ -	\$ 755,057	\$ 1,020,083
Long-term liabilities	\$ 26,595,152	\$ 28,896,102	\$ 1,038,740	\$ 1,055,758	\$ 27,633,892	\$ 29,951,860
Other liabilities	820,552	1,289,179	40,115	58,862	860,667	1,348,041
Total liabilities	<u>\$ 27,415,704</u>	<u>\$ 30,185,281</u>	<u>\$ 1,078,855</u>	<u>\$ 1,114,620</u>	<u>\$ 28,494,559</u>	<u>\$ 31,299,901</u>
Deferred Inflows of Resources	\$ 11,290,847	\$ 11,115,576	\$ -	\$ -	\$ 11,290,847	\$ 11,115,576
Net Position:						
Invested in capital assets, net of related debt	\$ 6,889,376	\$ 6,644,518	\$ 6,701,619	\$ 6,901,247	\$ 13,590,995	\$ 13,545,765
Restricted for:						
Debt service and bond covenants	-	-	63,072	69,379	63,072	69,379
Unrestricted	24,266,773	24,525,816	874,226	490,866	25,140,999	25,016,682
Total net position	<u>\$ 31,156,149</u>	<u>\$ 31,170,334</u>	<u>\$ 7,638,917</u>	<u>\$ 7,461,492</u>	<u>\$ 38,795,066</u>	<u>\$ 38,631,826</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 34.3 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 \$63,072 at June 30, 2018. The remaining balance of unrestricted net position, which is \$25,140,999 or 65.53 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 is able to report a positive balance in total net position. The governmental activities reported positive balances of \$6,889,376 in net position invested in capital assets, net of related debt and \$24,266,773 in unrestricted net position. The business-type activities reported positive balances of \$6,701,619 in net position invested in capital assets net of related debt, \$63,072 in restricted net position, and \$874,226 in unrestricted net position.

The government's total net position increased by \$1,183,031 during the current fiscal year compared to an increase of \$1,016,078 in FY 2016-2017.

**Governmental and Business-type Activities**

Governmental activities increased the County's net position by \$1,005,606. Business-type activities increased the County's net position by \$177,425. Key elements of these changes are as follows:

**County of Nelson's Changes in Net Position  
For the Years Ended June 30, 2018 and June 30, 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 667,084	\$ 745,516	\$ 804,276	\$ 555,359	\$ 1,471,360	\$ 1,300,875
Operating grants & contributions	3,733,082	3,464,684	-	-	3,733,082	3,464,684
Capital grants & contributions	-	19,985	-	-	-	19,985
General revenues:						
General property taxes	23,087,057	22,941,866	-	-	23,087,057	22,941,866
Other local taxes	4,827,998	4,432,849	-	-	4,827,998	4,432,849
Use of money and property	294,101	170,882	-	-	294,101	170,882
Miscellaneous	118,390	90,549	-	-	118,390	90,549
Grants and contributions not restricted to specific programs	2,285,266	2,406,195	-	-	2,285,266	2,406,195
Transfers	(240,000)	(290,422)	240,000	290,422	-	-
Total revenues	\$ 34,772,978	\$ 33,982,104	\$ 1,044,276	\$ 845,781	\$ 35,817,254	\$ 34,827,885
Expenses:						
General government	\$ 2,380,593	\$ 2,195,124	\$ -	\$ -	\$ 2,380,593	\$ 2,195,124
Judicial administration	952,178	759,914	-	-	952,178	759,914
Public safety	5,547,471	5,427,281	-	-	5,547,471	5,427,281
Public works	1,860,789	2,131,248	866,851	948,443	2,727,640	3,079,691
Health and welfare	3,520,080	2,961,759	-	-	3,520,080	2,961,759
Education	17,422,795	17,177,335	-	-	17,422,795	17,177,335
Parks, recreation and cultural	613,334	587,648	-	-	613,334	587,648
Community development	765,642	818,106	-	-	765,642	818,106
Interest on long-term debt	704,490	804,949	-	-	704,490	804,949
Total expenses	\$ 33,767,372	\$ 32,863,364	\$ 866,851	\$ 948,443	\$ 34,634,223	\$ 33,811,807
Increase (decrease) in net assets	1,005,606	1,118,740	177,425	(102,662)	1,183,031	1,016,078
Beginning net position	31,170,334	30,051,594	7,461,492	7,564,154	38,631,826	37,615,748
Effect of change in accounting principle	(1,019,791)	-	-	-	(1,019,791)	-
Ending net position	\$ 31,156,149	\$ 31,170,334	\$ 7,638,917	\$ 7,461,492	\$ 38,795,066	\$ 38,631,826

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

- Overall revenues increased by \$989,369. Revenues from Governmental Activities increased by \$790,874. Business-type activities also sustained an increase in revenues when compared to the prior year of \$198,495. The net increase in revenue from Business-type activities is attributed additional Broadband Authority revenues of \$220,580 over the prior year and is partially offset by a reduced transfer in of governmental activity revenue, which was \$50,422 less than the prior year.
- The \$268,398 increase in grants and contributions for governmental activities, is primarily attributed to an increase in categorical aid from the Commonwealth for At Risk Youth programs (Children's Services Act), which increased \$327,656 over the prior year. Additionally, revenue from asset forfeitures were \$91,396 less than the prior year.
- The revenues from general property taxes increased by \$145,191 and revenues from other local taxes increased by \$395,149 primarily attributable to increased local sales tax remittances of \$351,005.
- The revenues from charges for services increased by \$170,485. Of this amount, a decrease of \$78,432 is attributable to governmental activities and an increase of \$248,917 is attributable to business-type activities. Within governmental activities, most permit categories of revenues declined slightly, as well as court fines and forfeitures, which were \$66,898 less than the previous year. Within business-type activities, revenues from Piney River Water and Sewer charges for services increased by \$28,337 while Nelson County Broadband Authority receipts from charges for services increased by \$220,580.
- Expenses reflected an overall net increase of \$822,416. Of this amount, expense from governmental activities increased by \$904,008 and business-type activities decreased by \$81,592.
- Several functional areas of expenses for governmental activities reflected increases including: general government, judicial administration, public safety, health and welfare, and education. The public works function declined by a significant amount, and there was a reduction in interest expense.
- The general government function had increased expenditures of \$185,469 including an increase in finance and accounting department of \$62,330, due to an increase in staff and benefit costs and an increase in technology department of \$65,435, due in part to staff and benefit costs and increases in telecommunication.
- The judicial administration function sustained an increase of \$192,264 mostly attributable to the completion of the circuit court space renovation.
- The public safety function had increased expenses of \$120,190. The E-911 Department sustained a reduction in expense of \$103,463, which was mostly offset with an increase in Emergency Services Council department expense of \$90,182. The remaining net increase is primarily because of a loss sustained on the disposal of capital assets reflected in this category of approximately \$112,000.
- The public works function sustained a decline in expenditures of \$270,459 generally because of a reduction in landfill closure liability of \$234,872 for corrective action costs which were removed in the current year.
- The health and welfare function reported an increase in expenditures of \$558,321 which is mainly attributable to at risk youth programs which increased by \$522,825 over the prior year.
- The education function reported an increase of expenditures of \$245,460 which is primarily attributable to increased contribution from the county to the school board of 280,835 partially offset by a net decrease in education depreciation and transfer of debt-financed capital assets between the primary government and component unit.

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

- The business activities reported a decrease in operational expenses of \$80,860. Of this net amount an increase of \$15,486 is attributable to the Piney River water and sewer operations and a decrease of \$96,346 is attributable to broadband network operations.

## Financial Analysis of the Government's Funds

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

### Governmental funds

The 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 \$26,848,953, an increase of \$1,886,918 from the prior year. Approximately, 95.75 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 \$112,772
- Committed fund balance of \$1,028,501

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, 2018, total fund balance of the general fund was \$25,859,833, of which \$25,707,680 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 81.4 percent of total general fund expenditures which includes transfers to the School Board component unit of \$16,048,728. Total fund balance represents 85.0 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$2,373,125 during the current fiscal year. Key factors in this increase are as follows:

- Overall General Fund revenues increased by \$2,367,254 as compared to the prior year. Local revenues increased by \$2,219,785 attributable to increases in other local taxes of \$395,149 and the significant sale of property included in the increase in revenue from interest and property of \$1,855,315. Revenue from the Commonwealth decreased by \$108,746 primarily attributable to a decrease in reportable motor vehicle carrier's tax due to the timing of late receipts and thus they were excluded from the accrual period, an increased funding for at risk youth programs of \$327,646, and a decrease in asset forfeiture proceeds of \$91,396. Federal revenues decreased by \$38,723 primarily attributed to public assistance.
- General Fund expenditures increased by \$830,041 as compared to the prior year. The change is attributable primarily to the increase in health and welfare expenditures of \$544,128. Other significant increases include \$139,096 in general government expenditures, \$114,820 in increased public works expenditures, and \$293,210 in education expenditures. There was also a decrease in capital project expenditures of \$289,719, mainly associated with the completion of the public safety radio project, reduced expenditures for emergency services vehicles and increased expenditures for E911 equipment.

## Financial Analysis of the Government's Funds: (Continued)

### Governmental funds: (Continued)

- Transfers out for debt service and support of business activity funds decreased by \$297,578 as compared to the prior year. This decrease is primarily attributable to overall reduced debt service expenditures required in the current year.

### 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 \$126,677. This is an increase from the prior year of \$18,969.

Unrestricted net position of the Broadband Authority at the end of the fiscal year was \$747,549 as compared to \$383,158 in the prior year, for an increase of \$364,391. This is primarily attributable to the impact of increased revenues relative to operating expenditures, in addition to local government funding of \$200,00.

### General Fund Budgetary Highlights

The final amended budgeted appropriations for the General Fund were \$1,271,643 more than the original budgeted expenditure appropriations, which is 3.6 percent of the total original budget, and can be briefly summarized as follows:

- In the general and financial administration functional category, there were net increases in budget during the year of \$99,791, comprised of \$19,936 in the Commissioner of Revenue's department (primarily for construction assessment services); \$30,000 in the Reassessment department (for anticipated increase in professional services), \$15,475 in the Treasurer's department (primarily for wages and benefits), and \$24,617 in the Finance and accounting department (primarily for wages and benefits).
- A supplemental appropriation was approved for Health and Welfare expenditures in the At Risk Youth Program (Children's Services Act) Department in the amount of \$937,017. The appropriation was partially supported with state revenues of \$646,655, with the balance of \$290,362 provided from contingency reserve to meet funding match requirements.
- A supplemental appropriation of \$184,073 was approved for Asset Forfeiture proceeds to be utilized by the Sheriff (\$133,580) and Commonwealth Attorney (\$50,493). The appropriation was supported with state receipts and must be expended in accordance with Virginia Forfeited Asset Sharing Program guidelines.
- A supplemental appropriation of \$49,671 was approved for additional expense of fire program funds, supported with additional state receipts in the prior year not expended.
- A supplemental appropriation of \$20,000 provided from contingency reserve was approved for additional expense in the Planning department for professional legal services for the Board of Zoning Appeals related to floodplain ordinance variance applications for local permitting of the Atlantic Coast Pipeline.
- A supplemental appropriation of \$456,946 was approved for additional expense for the public safety radio project, but the corresponding expenditure was accrued to the prior fiscal year.
- A supplemental appropriation of \$50,000 was approved for transfer to the Courthouse Project Fund.

- The Board approved various other supplemental appropriations. Contingency reserves also provided for various transfers within the General Fund appropriated budget. Refer to Schedule 2 for details of the 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, 2017 is \$31,401,043 (net of accumulated depreciation and is an increase of \$129,062 from the previous fiscal year). This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, and construction in progress.

County of Nelson, Virginia Capital Assets for Governmental Activities (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 694,107	\$ 694,107	\$ 40,000	\$ 40,000	\$ 734,107	\$ 734,107
Infrastructure	-	-	4,350,809	4,538,911	4,350,809	4,538,911
Buildings and improvements	23,878,100	23,358,006	-	-	23,878,100	23,358,006
Machinery and equipment	3,212,234	3,594,905	3,349,550	3,378,094	6,561,784	6,972,999
Construction in progress	1,456,796	3,754,025	-	-	1,456,796	3,754,025
Total	\$ 29,241,237	\$ 31,401,043	\$ 7,740,359	\$ 7,957,005	\$ 36,981,596	\$ 39,358,048

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, 2018						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Lease Revenue Refunding	\$ 7,045,000	\$ 7,565,000	\$ -	\$ -	\$ 7,045,000	\$ 7,565,000
General Obligation Bonds	5,900,000	6,720,000	-	-	5,900,000	6,720,000
Revenue Bonds	4,115,000	4,440,000	1,038,740	1,055,758	5,153,740	5,495,758
Refunding Revenue Bonds	4,530,000	5,100,000	-	-	4,530,000	5,100,000
Retirement Incentive Loan	-	65,985	-	-	-	65,985
Total	\$ 21,590,000	\$ 23,890,985	\$ 1,038,740	\$ 1,055,758	\$ 22,628,740	\$ 24,946,743

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 3.4 percent (June 2018), which is a decrease from the rate of 3.8 percent a year ago (June 2017). The rate still compares favorably to the state's average unemployment rate of 3.3 percent (June 2018) and the national average rate of 4.0 percent (June 2018). These rates were obtained from the Virginia Employment Commission's Labor Market Data.
- Due to current housing market conditions, the County incurred a decrease in building permit fees of 7.2% for fiscal year 2017-2018, somewhat less than the 4.3% increase seen in fiscal year 2016-2017, but reflective of continued steady growth as opposed to steady declines in building permit fees seen in years prior to fiscal year 2014-2015. The County does anticipate slow recovery of the housing market but does not expect to generate building permit fees at the level realized in fiscal year 2007-2008. Recordation taxes, also impacted by housing market conditions, have remained fairly level in recent years, in fiscal year 2017-2018, the County incurred a decrease of 1.8% in recordation taxes.
- The real property reassessment effective January 1, 2018 reflected a modest overall decline in property values of 3.2% from 2014 and a 2.01% decline in taxable values from 2017. The budget for FY19 does not reflect an adjustment in real estate or other taxes; rather expenditure reductions coupled with increases in other existing revenues will compensate for the expected property tax decline.

All of these factors were considered in preparing the County's budget for the 2018-2019 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, 2018

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 24,599,298	\$ 293,731	24,893,029	\$ 1,785,903	\$ 29,856
Restricted cash	-	63,072	63,072	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,590,195	-	12,590,195	-	-
Accounts receivable	394,401	173,711	568,112	10,054	-
Connection fees receivable	-	446,899	446,899	-	-
Due from component unit	586,632	-	586,632	-	-
Due from other governmental units	1,583,108	-	1,583,108	595,661	-
Inventories	-	-	-	45,158	-
Prepaid items	112,772	-	112,772	25,278	-
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	23,878,100	-	23,878,100	15,088,207	-
Infrastructure and equipment	-	7,700,359	7,700,359	-	-
Machinery and equipment	3,212,234	-	3,212,234	1,580,030	-
Construction in progress	1,456,796	-	1,456,796	-	-
<b>Total assets</b>	<b>\$ 69,107,643</b>	<b>\$ 8,717,772</b>	<b>\$ 77,825,415</b>	<b>\$ 19,981,501</b>	<b>\$ 243,519</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on refunding	\$ 203,134	\$ -	203,134	\$ -	\$ -
OPEB deferrals	21,351	-	21,351	213,000	-
Pension deferrals	530,572	-	530,572	2,471,268	-
<b>Total deferred outflows of resources</b>	<b>\$ 755,057</b>	<b>\$ -</b>	<b>\$ 755,057</b>	<b>\$ 2,684,268</b>	<b>\$ -</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 69,862,700</b>	<b>\$ 8,717,772</b>	<b>\$ 78,580,472</b>	<b>\$ 22,665,769</b>	<b>\$ 243,519</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 394,797	\$ 37,364	432,161	\$ 61,910	\$ 1,426
Accrued liabilities	-	-	-	901,716	-
Amounts held for others	121,747	-	121,747	-	-
Accrued interest payable	304,008	2,751	306,759	-	-
Due to primary government	-	-	-	586,632	-
Unearned revenue	-	-	-	8,272	-
Long-term liabilities:					
Due within one year	2,552,510	17,774	2,570,284	168,232	-
Due in more than one year	24,042,642	1,020,966	25,063,608	24,025,669	-
<b>Total liabilities</b>	<b>\$ 27,415,704</b>	<b>\$ 1,078,855</b>	<b>\$ 28,494,559</b>	<b>\$ 25,752,431</b>	<b>\$ 1,426</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - taxes	\$ 10,713,481	\$ -	10,713,481	\$ -	\$ -
Items related to measurement of net OPEB liability	55,570	-	55,570	226,160	-
Items related to measurement of net pension liability	521,796	-	521,796	2,846,111	-
<b>Total deferred inflows of resources</b>	<b>\$ 11,290,847</b>	<b>\$ -</b>	<b>\$ 11,290,847</b>	<b>\$ 3,072,271</b>	<b>\$ -</b>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 6,889,376	\$ 6,701,619	13,590,995	\$ 15,909,455	\$ -
Restricted:					
Debt service and bond covenants	-	63,072	63,072	-	-
Unrestricted (deficit)	24,266,773	874,226	25,140,999	(22,068,388)	242,093
<b>Total net position</b>	<b>\$ 31,156,149</b>	<b>\$ 7,638,917</b>	<b>\$ 38,795,066</b>	<b>\$ (6,158,933)</b>	<b>\$ 242,093</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 69,862,700</b>	<b>\$ 8,717,772</b>	<b>\$ 78,580,472</b>	<b>\$ 22,665,769</b>	<b>\$ 243,519</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, 2018

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	\$ 2,380,593	\$ -	\$ 227,804	\$ -
Judicial administration	952,178	198,653	494,933	-
Public safety	5,547,471	228,697	946,468	-
Public works	1,860,789	196,755	7,141	-
Health and welfare	3,520,080	-	2,042,306	-
Education	17,422,795	-	-	-
Parks, recreation, and cultural	613,334	42,850	14,430	-
Community development	765,642	129	-	-
Interest on long-term debt	704,490	-	-	-
Total governmental activities	\$ 33,767,372	\$ 667,084	\$ 3,733,082	\$ -
Business-type activities:				
Piney River Water & Sewer	355,327	156,905	-	-
Nelson County Broadband Authority	511,524	647,371	-	-
Total primary government	\$ 34,634,223	\$ 1,471,360	\$ 3,733,082	\$ -
<b>COMPONENT UNITS:</b>				
School Board	\$ 26,600,917	\$ 397,210	\$ 10,108,582	\$ -
Nelson County Economic Development Authority	11,531	-	-	-
Total component units	\$ 26,612,448	\$ 397,210	\$ 10,108,582	\$ -
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				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (2,152,789)	\$ -	\$ (2,152,789)		
(258,592)	-	(258,592)		
(4,372,306)	-	(4,372,306)		
(1,656,893)	-	(1,656,893)		
(1,477,774)	-	(1,477,774)		
(17,422,795)	-	(17,422,795)		
(556,054)	-	(556,054)		
(765,513)	-	(765,513)		
(704,490)	-	(704,490)		
<u>\$ (29,367,206)</u>	<u>\$ -</u>	<u>\$ (29,367,206)</u>		
-	(198,422)	(198,422)		
-	135,847	135,847		
<u>\$ (29,367,206)</u>	<u>\$ (62,575)</u>	<u>\$ (29,429,781)</u>		
			\$ (16,095,125)	\$ -
			-	(11,531)
			<u>\$ (16,095,125)</u>	<u>\$ (11,531)</u>
\$ 23,087,057	\$ -	\$ 23,087,057	\$ -	\$ -
1,538,481	-	1,538,481	-	-
485,942	-	485,942	-	-
1,069,551	-	1,069,551	-	-
551,992	-	551,992	-	-
713,387	-	713,387	-	-
468,645	-	468,645	-	-
-	-	-	17,082,478	3,100
294,101	-	294,101	52	132
118,390	-	118,390	253,850	-
2,285,266	-	2,285,266	-	8,216
(240,000)	240,000	-	-	-
<u>\$ 30,372,812</u>	<u>\$ 240,000</u>	<u>\$ 30,612,812</u>	<u>\$ 17,336,380</u>	<u>\$ 11,448</u>
\$ 1,005,606	\$ 177,425	\$ 1,183,031	\$ 1,241,255	\$ (83)
<u>30,150,543</u>	<u>7,461,492</u>	<u>37,612,035</u>	<u>(7,400,188)</u>	<u>242,176</u>
<u>\$ 31,156,149</u>	<u>\$ 7,638,917</u>	<u>\$ 38,795,066</u>	<u>\$ (6,158,933)</u>	<u>\$ 242,093</u>

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## Fund Financial Statements

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Balance Sheet  
 Governmental Funds  
 At June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 23,610,129	\$ 263,176	\$ 725,943	\$ 50	\$ 24,599,298
Receivables (net of allowance):					
Property taxes receivable, net	12,590,195	-	-	-	12,590,195
Accounts receivable	394,401	-	-	-	394,401
Due from component unit	586,632	-	-	-	586,632
Due from other governmental units	1,583,108	-	-	-	1,583,108
Prepaid items	112,772	-	-	-	112,772
<b>Total assets</b>	<b>\$ 38,877,237</b>	<b>\$ 263,176</b>	<b>\$ 725,943</b>	<b>\$ 50</b>	<b>\$ 39,866,406</b>
<b>Liabilities</b>					
Accounts payable	\$ 394,748	\$ 49	\$ -	\$ -	\$ 394,797
Amounts held for others	121,747	-	-	-	121,747
<b>Total liabilities</b>	<b>\$ 516,495</b>	<b>\$ 49</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 516,544</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - prepaid taxes	\$ 378,370	\$ -	\$ -	\$ -	\$ 378,370
Unavailable revenue - taxes	12,122,539	-	-	-	12,122,539
<b>Total deferred inflows of resources</b>	<b>\$ 12,500,909</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,500,909</b>
<b>Fund balances</b>					
Nonspendable	\$ 112,772	\$ -	\$ -	\$ -	\$ 112,772
Committed	39,381	263,127	725,943	50	1,028,501
Unassigned	25,707,680	-	-	-	25,707,680
<b>Total fund balances</b>	<b>\$ 25,859,833</b>	<b>\$ 263,127</b>	<b>\$ 725,943</b>	<b>\$ 50</b>	<b>\$ 26,848,953</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 38,877,237</b>	<b>\$ 263,176</b>	<b>\$ 725,943</b>	<b>\$ 50</b>	<b>\$ 39,866,406</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, 2018

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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	\$	26,848,953
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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		1,456,796	
Buildings and improvements, net of depreciation		15,336,476	
Equipment, net of depreciation		3,212,234	
School Board capital assets, net of depreciation		<u>8,541,624</u>	29,241,237

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

Unavailable revenue - property taxes	\$	1,787,428	
Items related to measurement of net OPEB liability		(55,570)	
Items related to measurement of net pension liability		<u>(521,796)</u>	1,210,062

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	\$	(304,008)	
Bonds, notes and capital leases payable		(21,590,000)	
Bond premiums		(964,995)	
Deferred charge on refunding		203,134	
Net pension liability		(1,802,141)	
Net OPEB liability		(1,029,523)	
Compensated absences		(383,787)	
Accrued landfill remediation costs		<u>(824,706)</u>	(26,696,026)

Deferred outflows - OPEB deferrals			21,351
Deferred outflows - pension deferrals			<u>530,572</u>

Net position of governmental activities	\$	<u><u>31,156,149</u></u>
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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, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 23,016,862	\$ -	\$ -	\$ -	\$ 23,016,862
Other local taxes	4,827,998	-	-	-	4,827,998
Permits, privilege fees, and regulatory licenses	216,790	-	-	-	216,790
Fines and forfeitures	181,025	-	-	-	181,025
Revenue from the use of money and property	2,021,301	-	-	-	2,021,301
Charges for services	269,269	-	-	-	269,269
Miscellaneous	118,390	-	-	-	118,390
Recovered costs	660,409	-	-	-	660,409
Intergovernmental:					
Revenue from the Commonwealth	5,211,308	-	-	-	5,211,308
Revenue from the Federal Government	807,040	-	-	-	807,040
<b>Total revenues</b>	<b>\$ 37,330,392</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,330,392</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government administration	\$ 1,983,869	\$ -	\$ -	\$ -	\$ 1,983,869
Judicial administration	773,494	-	-	-	773,494
Public safety	5,051,737	-	-	-	5,051,737
Public works	2,016,664	-	-	-	2,016,664
Health and welfare	3,604,945	-	-	-	3,604,945
Education	16,063,545	-	-	-	16,063,545
Parks, recreation, and cultural	523,582	-	-	-	523,582
Community development	775,489	-	-	-	775,489
Nondepartmental	71,278	-	-	-	71,278
Capital projects	736,845	-	386,290	-	1,123,135
Debt service:					
Principal retirement	-	2,300,985	-	-	2,300,985
Interest and other fiscal charges	-	914,751	-	-	914,751
<b>Total expenditures</b>	<b>\$ 31,601,448</b>	<b>\$ 3,215,736</b>	<b>\$ 386,290</b>	<b>\$ -</b>	<b>\$ 35,203,474</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 5,728,944</b>	<b>\$ (3,215,736)</b>	<b>\$ (386,290)</b>	<b>\$ -</b>	<b>\$ 2,126,918</b>
<b>Other financing sources (uses)</b>					
Transfers in	\$ 168,000	\$ 3,233,819	\$ 50,000	\$ -	\$ 3,451,819
Transfers out	(3,523,819)	-	(168,000)	-	(3,691,819)
<b>Total other financing sources (uses)</b>	<b>\$ (3,355,819)</b>	<b>\$ 3,233,819</b>	<b>\$ (118,000)</b>	<b>\$ -</b>	<b>\$ (240,000)</b>
<b>Net change in fund balances</b>	<b>\$ 2,373,125</b>	<b>\$ 18,083</b>	<b>\$ (504,290)</b>	<b>\$ -</b>	<b>\$ 1,886,918</b>
<b>Fund balance, beginning of year</b>	<b>23,486,708</b>	<b>245,044</b>	<b>1,230,233</b>	<b>50</b>	<b>24,962,035</b>
<b>Fund balance, end of year</b>	<b>\$ 25,859,833</b>	<b>\$ 263,127</b>	<b>\$ 725,943</b>	<b>\$ 50</b>	<b>\$ 26,848,953</b>

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, 2018

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

Net change in fund balances - total governmental funds - Exhibit 5	\$	1,886,918	
<p>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.</p>			
Capital asset additions	\$	967,426	
Depreciation expense		<u>(1,981,029)</u>	(1,013,603)
<p>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.</p>			
			(112,453)
<p>Transfer of joint tenancy assets from Primary Government to the Component Unit School Board</p>			
			(1,033,750)
<p>The sale of inventory held for resale provides current financial resources to governmental funds, however, has no effect on net position.</p>			
			(1,727,200)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Unearned revenue - property taxes	\$	70,195	
(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability		(55,570)	
(Increase) decrease in deferred inflows related to the measurement of the net pension liability		<u>(105,243)</u>	(90,618)
<p>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.</p>			
<p>Debt issued:</p>			
(Increase) decrease in landfill liability	\$	234,872	
<p>Repayments:</p>			
Lease revenue refunding bonds		520,000	
Less: Amortization of deferred charge on refunding		(38,426)	
General obligation school bonds		820,000	
Plus: Amortization of issuance premium		30,973	
Lease revenue bonds		325,000	
Plus: Amortization of issuance premium		79,346	
Infrastructure revenue bonds		570,000	
Plus: Amortization of issuance premium		97,771	
Early retirement incentive obligation		<u>65,985</u>	
Net adjustment			2,705,521
<p>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.</p>			
Compensated absences	\$	(39,603)	
Decrease (increase) in net OPEB liability		53,161	
Decrease (increase) in net pension liability		584,236	
(Decrease) increase in deferred outflows related to pensions		(247,951)	
(Decrease) increase in deferred outflows related to OPEB		351	
Accrued interest payable		<u>40,597</u>	390,791
Change in net position of governmental activities	\$		<u>1,005,606</u>

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

Statement of Net Position  
Proprietary Funds  
At June 30, 2018

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 101,064	\$ 192,667	\$ 293,731
Restricted cash	63,072	-	63,072
Accounts receivable, net	34,196	139,515	173,711
Connection fees receivable, current portion	-	109,645	109,645
Total current assets	<u>\$ 198,332</u>	<u>\$ 441,827</u>	<u>\$ 640,159</u>
Noncurrent assets:			
Capital Assets:			
Land	\$ 40,000	\$ -	\$ 40,000
Other capital assets, net of accumulated depreciation	4,350,809	3,349,550	7,700,359
Total capital assets	<u>\$ 4,390,809</u>	<u>\$ 3,349,550</u>	<u>\$ 7,740,359</u>
Connection fees receivable, net of current portion	\$ -	\$ 337,254	\$ 337,254
Total noncurrent assets	<u>\$ 4,390,809</u>	<u>\$ 3,686,804</u>	<u>\$ 8,077,613</u>
Total assets	<u>\$ 4,589,141</u>	<u>\$ 4,128,631</u>	<u>\$ 8,717,772</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 5,832	\$ 31,532	\$ 37,364
Accrued interest payable	2,751	-	2,751
Current portion of bonds payable	17,774	-	17,774
Total current liabilities	<u>\$ 26,357</u>	<u>\$ 31,532</u>	<u>\$ 57,889</u>
Long-term liabilities			
Bonds payable, net of current portion	\$ 1,020,966	\$ -	\$ 1,020,966
Total long-term liabilities	<u>\$ 1,020,966</u>	<u>\$ -</u>	<u>\$ 1,020,966</u>
Total liabilities	<u>\$ 1,047,323</u>	<u>\$ 31,532</u>	<u>\$ 1,078,855</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 3,352,069	\$ 3,349,550	\$ 6,701,619
Restricted:			
Debt service and bond covenants	63,072	-	63,072
Unrestricted	126,677	747,549	874,226
Total net position	<u>\$ 3,541,818</u>	<u>\$ 4,097,099</u>	<u>\$ 7,638,917</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, 2018

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
<b>Operating revenues:</b>			
Charges for services, net	\$ 156,905	\$ 647,371	\$ 804,276
Total operating revenues	\$ 156,905	\$ 647,371	\$ 804,276
<b>Operating expenses:</b>			
Water & sewer service	\$ 39,899	\$ -	\$ 39,899
Maintenance & repairs	31,958	14,968	46,926
Other charges	49,359	208,225	257,584
Depreciation expense	188,102	288,331	476,433
Total operating expenses	\$ 309,318	\$ 511,524	\$ 820,842
<b>Operating income (loss)</b>	\$ (152,413)	\$ 135,847	\$ (16,566)
<b>Nonoperating expense:</b>			
Interest expense	\$ 46,009	\$ -	\$ 46,009
Net nonoperating expense	\$ 46,009	\$ -	\$ 46,009
<b>Income(loss) before transfers</b>	\$ (198,422)	\$ 135,847	\$ (62,575)
<b>Transfers:</b>			
Transfers in	\$ 40,000	\$ 200,000	\$ 240,000
Total transfers	\$ 40,000	\$ 200,000	\$ 240,000
<b>Change in net position</b>	\$ (158,422)	\$ 335,847	\$ 177,425
Net position, beginning of year	3,700,240	3,761,252	7,461,492
Net position, end of year	\$ 3,541,818	\$ 4,097,099	\$ 7,638,917

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 152,898	\$ 389,651	\$ 542,549
Payments to suppliers	(122,261)	(240,850)	(363,111)
Net cash provided by (used for) operating activities	\$ 30,637	\$ 148,801	\$ 179,438
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	\$ -	\$ (259,787)	\$ (259,787)
Principal repayments on bonds payable	(17,018)	-	(17,018)
Interest paid on bonds payable	(46,054)	-	(46,054)
Net cash provided by (used for) capital and related financing activities	\$ (63,072)	\$ (259,787)	\$ (322,859)
<b>Cash flows from noncapital financing activities</b>			
Transfers from local government	\$ 40,000	\$ 200,000	\$ 240,000
Net increase (decrease) in cash and cash equivalents	\$ 7,565	\$ 89,014	\$ 96,579
Cash and cash equivalents, beginning of year (including restricted cash of \$69,379)	156,571	103,653	260,224
Cash and cash equivalents, end of year (including restricted cash of \$63,072)	\$ 164,136	\$ 192,667	\$ 356,803
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (152,413)	\$ 135,847	\$ (16,566)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	188,102	288,331	476,433
Changes in assets and liabilities:			
Accounts receivable	(4,007)	(257,720)	(261,727)
Accounts payable	(1,045)	(17,657)	(18,702)
Net cash provided by (used for) operating activities	\$ 30,637	\$ 148,801	\$ 179,438
<b>Supplemental information:</b>			
Interest paid during year	\$ 46,054	\$ -	\$ 46,054
Change in accrued interest payable	(45)	-	(45)
Interest expense for year	\$ 46,009	\$ -	\$ 46,009

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

Statement of Fiduciary Net Position - Fiduciary Funds  
At June 30, 2018

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>638,478</u>
Total assets	\$ <u><u>638,478</u></u>
<b>Liabilities:</b>	
Amounts held for others	\$ <u>638,478</u>
Total liabilities	\$ <u><u>638,478</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, 2018

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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 15,161 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 Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

**A. Management's Discussion and Analysis**

GASB Statement No. 34 requires that financial statements 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, 2018.

**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.

**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 proprietary fund type. A copy of the Authority's financial statements may be obtained from the Nelson County Administrator's office.

**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 2018 and provides space for its administrative offices. The County also paid \$162,812 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 \$293,485 for operations to the Jefferson-Madison Regional Library, \$100,586 to the Region Ten Community Services Board, \$17,596 to the Thomas Jefferson Planning District Commission, \$662,873 to the Albemarle-Charlottesville Regional Jail Authority, and \$98,000 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 2018, the County paid the Region 2000 Services Authority \$305,404 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.

**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.

**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 2018.

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.

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.

**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**

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

**F. Investments**

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

**G. Restricted Cash:**

Restricted cash has been recorded for funds held for restricted purposes.

The Piney River Water and Sewer Fund has recorded \$63,072 in restricted cash. This amount represents the reserve required to be established by the loan agreement. See Note 7 for further discussion.

**H. 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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**I. 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, 2018, 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.

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

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**J. 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 \$197,570 at June 30, 2018. The allowance is comprised of property taxes, landfill fees, and sewer charges.

**K. 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

**L. 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.

**M. 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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**N. 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.

**O. 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.

Under GASB 54, 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 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, 2018 (Continued)

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

O. 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	\$ 112,772	\$ -	\$ -	\$ -	\$ 112,772	\$ 25,278
Inventory	-	-	-	-	-	45,158
Total Nonspendable	<u>\$ 112,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,772</u>	<u>\$ 70,436</u>
<b>Committed:</b>						
Ryan School Reserve	\$ 39,246	\$ -	\$ -	\$ -	\$ 39,246	\$ -
Reassessment	135	-	-	-	135	-
Debt Service	-	263,127	-	-	263,127	-
Community Development	-	-	-	50	50	-
Textbooks	-	-	-	-	-	577,024
Cafeteria	-	-	-	-	-	307,827
Courthouse Construction	-	-	20,692	-	20,692	-
Capital Projects	-	-	705,251	-	705,251	-
Total Committed	<u>\$ 39,381</u>	<u>\$ 263,127</u>	<u>\$ 725,943</u>	<u>\$ 50</u>	<u>\$ 1,028,501</u>	<u>\$ 884,851</u>
Unassigned	<u>\$ 25,707,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,707,680</u>	<u>\$ (51,763)</u>
Total Fund Balance	<u>\$ 25,859,833</u>	<u>\$ 263,127</u>	<u>\$ 725,943</u>	<u>\$ 50</u>	<u>\$ 26,848,953</u>	<u>\$ 903,524</u>

P. Net Position

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

Q. Inventory

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

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

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**R. 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.

**S. 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.

**T. 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.

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

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U. Other Postemployment Benefits (OPEB)

*Group Life Insurance*

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

*Teacher Employee Health Insurance Credit Program*

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

NOTE 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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 and certain corporate notes, 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, 2018 were held in the County's name by the County's custodial banks.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 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>
Certificates of Deposit	\$ 3,147,515
Local Government Investment Pool	8,157,947
Total	<u>\$ 11,305,462</u>
<b>Component Unit -- Economic Development Authority</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Local Government Investment Pool	\$ 9,039

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	\$ 3,147,515	\$ 733,440	\$ 2,414,075
Local Government Investment Pool	8,166,986	8,166,986	-
Total	<u>\$ 11,314,501</u>	<u>\$ 8,900,426</u>	<u>\$ 2,414,075</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities: (Continued)

The fair values of the positions in the Local Government Investment Pool (LGIP) are 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 under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3—RECEIVABLES:

Receivables at June 30, 2018 consist of the following:

	Primary Government			
	Governmental Activities		Component Units	
	General Fund	Business-Type Activities	School Board	Economic Development Authority
Property taxes	\$ 12,774,079	\$ -	\$ -	\$ -
Penalties	32,944	-	-	-
Utility taxes	44,271	-	-	-
Recordation taxes and court fees	29,954	-	-	-
Lodging fees	39,145	-	-	-
Meals taxes	92,431	-	-	-
Landfill fees	13,842	-	-	-
EMS revenue recovery	86,727	-	-	-
Sewer charges	-	45,702	-	-
Broadband charges	-	139,515	-	-
Broadband connection fees	-	446,899	-	-
Other	57,267	-	10,054	-
Total receivables	\$ 13,170,660	\$ 632,116	\$ 10,054	\$ -
Allowance for uncollectibles	(186,064)	(11,506)	-	-
Net receivables	\$ 12,984,596	\$ 620,610	\$ 10,054	\$ -

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Component
	Governmental			Unit
	Activities			
	General	Other	Total	School
Fund	Governmental	Board		
	Funds			
<b>Commonwealth of Virginia:</b>				
Local sales taxes	\$ 192,790	\$ -	\$ 192,790	\$ -
State sales taxes	-	-	-	269,320
Personal property tax relief act	734,930	-	734,930	-
Comprehensive Services Act	317,806	-	317,806	-
Public assistance	31,701	-	31,701	-
Communications tax	69,563	-	69,563	-
Rolling stock tax	2,745	-	2,745	-
Shared expenses and grants	117,010	-	117,010	-
VPSA Technology	-	-	-	154,000
Other	40,740	-	40,740	-
<b>Federal government:</b>				
Public assistance	51,994	-	51,994	-
Other	23,829	-	23,829	-
Federal pass-through school funds	-	-	-	172,341
<b>Total</b>	<b>\$ 1,583,108</b>	<b>\$ -</b>	<b>\$ 1,583,108</b>	<b>\$ 595,661</b>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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	\$ (3,233,819)
Transfer to the Capital projects fund	(50,000)
Transfer from the Capital projects fund	168,000
Transfer to the Broadband Fund	(200,000)
Transfer to the Piney River Water & Sewer fund to support operations	<u>(40,000)</u>

Net transfers to/from General Fund \$ (3,355,819)

Transfer from the General Fund to pay principal and interest on long-term debt \$ 3,233,819

Net transfers to Debt Service Fund \$ 3,233,819

Transfer from the General Fund \$ 50,000  
Transfer to the General Fund (168,000)

Net transfers to/from the Capital Projects Fund \$ (118,000)

Transfer from the General Fund to support operations \$ 40,000

Net transfers to the Piney River Water & Sewer Fund \$ 40,000

Transfer from the General Fund to pay for broadband project \$ 200,000

Net transfers to the Broadband Authority Fund \$ 200,000

The component unit School Board consists of only one fund.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2018:

Primary Government:  
Governmental Activities:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 694,107	\$ -	\$ -	\$ 694,107
Construction in progress	3,754,025	237,967	2,535,196	1,456,796
Total capital assets not being depreciated	<u>\$ 4,448,132</u>	<u>\$ 237,967</u>	<u>\$ 2,535,196</u>	<u>\$ 2,150,903</u>
Other capital assets:				
Buildings and improvements	\$ 18,593,390	\$ 2,541,222	\$ -	\$ 21,134,612
Furniture, equipment and vehicles	8,351,009	723,433	384,133	8,690,309
School buildings, improvements and equipment *	14,755,000	-	1,575,000	13,180,000
Total other capital assets	<u>\$ 41,699,399</u>	<u>\$ 3,264,655</u>	<u>\$ 1,959,133</u>	<u>\$ 43,004,921</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 5,136,258	\$ 661,878	\$ -	\$ 5,798,136
Furniture, equipment and vehicles	4,756,104	993,651	271,680	5,478,075
School buildings, improvements and equipment *	4,854,126	325,500	541,250	4,638,376
Total accumulated depreciation	<u>\$ 14,746,488</u>	<u>\$ 1,981,029</u>	<u>\$ 812,930</u>	<u>\$ 15,914,587</u>
Other capital assets, net	<u>\$ 26,952,911</u>	<u>\$ 1,283,626</u>	<u>\$ 1,146,203</u>	<u>\$ 27,090,334</u>
Net capital assets	<u><u>\$ 31,401,043</u></u>	<u><u>\$ 1,521,593</u></u>	<u><u>\$ 3,681,399</u></u>	<u><u>\$ 29,241,237</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 465,802		
Public safety		842,198		
Public works		227,674		
Health and welfare		22,060		
Education		325,500		
Parks, recreation and cultural		92,409		
Community development		5,386		
Total depreciation expense		<u><u>\$ 1,981,029</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, 2018 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
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	\$ 46,796,689	\$ 84,049	\$ -	\$ 46,880,738
Furniture, equipment and vehicles	5,965,950	479,863	111,410	6,334,403
School buildings, improvements and equipment allocated to County *	(14,755,000)	1,575,000	-	(13,180,000)
Total other capital assets	<u>\$ 38,007,639</u>	<u>\$ 2,138,912</u>	<u>\$ 111,410</u>	<u>\$ 40,035,141</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 21,981,750	\$ 1,269,157	\$ -	\$ 23,250,907
Furniture, equipment and vehicles	4,450,287	382,889	78,803	4,754,373
School buildings, improvements and equipment allocated to County *	(4,854,126)	(325,500)	(541,250)	(4,638,376)
Total accumulated depreciation	<u>\$ 21,577,911</u>	<u>\$ 1,326,546</u>	<u>\$ (462,447)</u>	<u>\$ 23,366,904</u>
Other capital assets, net	<u>\$ 16,429,728</u>	<u>\$ 812,366</u>	<u>\$ 573,857</u>	<u>\$ 16,668,237</u>
Net capital assets	<u>\$ 17,280,938</u>	<u>\$ 812,366</u>	<u>\$ 573,857</u>	<u>\$ 17,519,447</u>
Depreciation expense allocated to education		<u>\$ 1,326,546</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	\$ 29,241,237
Less: Long-term debt applicable to capital assets at June 30, 2018	<u>22,351,861</u>
Net position net investment in capital assets	<u>\$ 6,889,376</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Primary Government:

Business-Type Activities:

Piney River Water & Sewer

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
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	\$ 6,565,184	\$ -	\$ -	\$ 6,565,184
Total other capital assets	\$ 6,565,184	\$ -	\$ -	\$ 6,565,184
Less: Accumulated depreciation for:				
Infrastructure	\$ 2,026,273	\$ 188,102	\$ -	\$ 2,214,375
Total accumulated depreciation	\$ 2,026,273	\$ 188,102	\$ -	\$ 2,214,375
Other capital assets, net	\$ 4,538,911	\$ (188,102)	\$ -	\$ 4,350,809
Net capital assets	\$ 4,578,911	\$ (188,102)	\$ -	\$ 4,390,809

Nelson County Broadband Authority

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Other capital assets:				
Equipment	\$ 4,378,995	\$ 259,787	\$ -	\$ 4,638,782
Total other capital assets	\$ 4,378,995	\$ 259,787	\$ -	\$ 4,638,782
Less: Accumulated depreciation for:				
Equipment	\$ 1,000,901	\$ 288,331	\$ -	\$ 1,289,232
Total accumulated depreciation	\$ 1,000,901	\$ 288,331	\$ -	\$ 1,289,232
Other capital assets, net	\$ 3,378,094	\$ (28,544)	\$ -	\$ 3,349,550
Net capital assets	\$ 3,378,094	\$ (28,544)	\$ -	\$ 3,349,550

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

Net capital assets	\$ 7,740,359
Less: Long-term debt applicable to capital assets at June 30, 2018	1,038,740
Net position investment in capital assets	\$ 6,701,619

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2018:

	July 1, 2017 as restated	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2018
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
Lease revenue refunding bonds	\$ 7,565,000	\$ -	\$ 520,000	\$ 7,045,000
General obligation bonds:				
School	6,720,000	-	820,000	5,900,000
Premium on issuance	122,396	-	30,973	91,423
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	4,440,000	-	325,000	4,115,000
Premium on issuance	484,108	-	79,346	404,762
Refunding Revenue bonds:				
General	5,100,000	-	570,000	4,530,000
Premium on issuance	566,581	-	97,771	468,810
Retirement incentive obligation loan	65,985	-	65,985	-
Compensated absences	344,184	74,021	34,418	383,787
Net OPEB liability:				
Net Health Insurance OPEB liability	705,684	66,445	67,606	704,523
Net Group Life Insurance OPEB liability	377,000	5,000	57,000	325,000
Total Net OPEB liability	<u>1,082,684</u>	<u>71,445</u>	<u>124,606</u>	<u>1,029,523</u>
Net pension liability	2,386,377	1,919,811	2,504,047	1,802,141
Landfill liability	<u>1,059,578</u>	<u>14,582</u>	<u>249,454</u>	<u>824,706</u>
<b>Total</b>	<b><u>\$ 29,936,893</u></b>	<b><u>\$ 2,079,859</u></b>	<b><u>\$ 5,421,600</u></b>	<b><u>\$ 26,595,152</u></b>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 2,552,510
Long-term liabilities due in more than one year				<u>24,042,642</u>
<b>Total</b>				<b><u>\$ 26,595,152</u></b>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

	Balance July 1, 2017	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2018
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Business-type activities:</b>				
USDA Water Revenue Bond	\$ 446,986	\$ -	\$ 7,377	\$ 439,609
USDA Sewer Revenue Bond	608,772	-	9,641	599,131
	<u>1,055,758</u>	<u>-</u>	<u>17,018</u>	<u>1,038,740</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 17,774
Long-term liabilities due in more than one year				<u>1,020,966</u>
Total				<u>\$ 1,038,740</u>

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

Year Ending June 30,	Principal	Interest
<u>          </u>	<u>          </u>	<u>          </u>
2019	\$ 2,347,774	\$ 867,635
2020	2,208,570	770,354
2021	2,304,402	673,158
2022	2,400,272	574,174
2023	2,651,180	467,385
2024-2028	8,966,022	1,098,796
2029-2033	1,080,692	211,043
2034-2038	187,642	127,718
2039-2043	233,661	81,699
2044-2048	248,525	25,085
	<u>          </u>	<u>          </u>
Total	<u>\$ 22,628,740</u>	<u>\$ 4,897,047</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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%.	\$ 5,900,000	\$ 865,000
Unamortized premium on issuance of 2003 School Bonds	<u>91,423</u>	<u>26,692</u>
Total general obligation school bonds	<u>\$ 5,991,423</u>	<u>\$ 891,692</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>\$ 7,045,000</u>	<u>\$ 535,000</u>
Total lease revenue refunding bonds	<u>\$ 7,045,000</u>	<u>\$ 535,000</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%.	\$ 4,530,000	\$ 585,000
Unamortized premium on issuance of 2013 VRA Bonds	<u>468,810</u>	<u>85,693</u>
Total VRA refunding revenue bonds	<u>\$ 4,998,810</u>	<u>\$ 670,693</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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%.	\$ 870,000	\$ 160,000
Unamortized premium	64,505	22,754
\$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%.	3,245,000	185,000
Unamortized premium	340,257	48,992
Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 4,519,762</u>	<u>\$ 416,746</u>
Total governmental activities loans and bonds	<u>\$ 22,554,995</u>	<u>\$ 2,514,131</u>
Compensated absences	<u>\$ 383,787</u>	<u>\$ 38,379</u>
Net OPEB liability	<u>\$ 1,029,523</u>	<u>\$ -</u>
Net pension liability	<u>\$ 1,802,141</u>	<u>\$ -</u>
Landfill liability	<u>\$ 824,706</u>	<u>\$ -</u>
Total governmental activities obligations	<u>\$ 26,595,152</u>	<u>\$ 2,552,510</u>
Business-type activities:		
<u>USDA Revenue Bonds:</u>		
\$499,000 Water Revenue Bond, Series 2007, issued November 8, 2007, interest only due on November 8, 2008, and then monthly principal and interest payments of \$2,186 through October 2047; interest at 4.25%.	\$ 439,609	\$ 7,694
\$676,000 Water Revenue Bond, Series 2007, issued November 8, 2007, interest only due on November 8, 2008, and then monthly principal and interest payments of \$3,070 through October 2047; interest at 4.5%.	599,131	10,080
Total business-type activities long-term obligations	<u>\$ 1,038,740</u>	<u>\$ 17,774</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

USDA Revenue Bonds

Under the terms of the USDA Water and Sewer Revenue Bonds, the County is required to establish a reserve equal to 10% of the monthly installments of principal and interest until an amount equal to twelve monthly installments has been established. The requirement to establish the reserve commences with the first scheduled monthly installment of principal and interest. The funds are not required to be held in a separate bank account.

The reserve was established in December 2008, and has a balance of \$63,072 at June 30, 2018. The reserve has been reflected as restricted cash in the accompanying financial statements.

The County paid \$46,009 in interest on the USDA Water and Sewer Bonds in fiscal 2018, of which \$0 has been capitalized in the accompanying financial statements.

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, 2018:

	Balance July 1, 2017 <u>as restated</u>	<u>Additions</u>	Retirements & Other Reductions	Balance June 30, 2018
<b>Component Unit - School Board</b>				
Compensated absences	\$ 350,452	\$ 48,237	\$ 35,045	\$ 363,644
Energy improvement lease	1,734,318	-	124,326	1,609,992
Net Pension liability	21,588,874	3,471,402	6,875,485	18,184,791
Net OPEB liability:				
Net Health Insurance OPEB liability	1,167,616	107,202	120,344	1,154,474
Net Group Life Insurance OPEB liability	1,252,000	7,000	204,000	1,055,000
Net Health Insurance Credit OPEB liability	1,877,000	141,000	192,000	1,826,000
Total Net OPEB liability	<u>\$ 4,296,616</u>	<u>\$ 255,202</u>	<u>\$ 516,344</u>	<u>\$ 4,035,474</u>
 Total	 <u>\$ 27,970,260</u>	 <u>\$ 3,774,841</u>	 <u>\$ 7,551,200</u>	 <u>\$ 24,193,901</u>
 Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 168,232
Long-term liabilities due in more than one year				<u>24,025,669</u>
 Total				 <u>\$ 24,193,901</u>



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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>
2019	\$ 131,868	\$ 33,910
2020	139,718	31,033
2021	147,888	27,985
2022	156,390	24,760
2023	165,234	21,350
2024-2028	868,894	48,553
Total	<u>\$ 1,609,992</u>	<u>\$ 187,591</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.	\$ 1,609,992	\$ 131,868
Compensated absences	\$ 363,644	\$ 36,364
Net pension liability	\$ 18,184,791	\$ -
Net OPEB liability	\$ 4,035,474	\$ -
Total School Board long-term obligations	<u>\$ 24,193,901</u>	<u>\$ 168,232</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**NOTE 8—COMPENSATED ABSENCES:**

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In accordance with GASB Statement 16, *Accounting for Compensated Absences*, 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 ¼ 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.

	<u>Balance</u> <u>July 1, 2017</u>	<u>Net Increase/ (Decrease)</u>	<u>Balance</u> <u>June 30, 2018</u>
Primary Government:			
Governmental activities	\$ 344,184	\$ 39,603	\$ 383,787
Component Unit School Board	\$ 350,452	\$ 13,192	\$ 363,644

**NOTE 9—PENSION PLAN:**

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*Plan Description*

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

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description: (Continued)*

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

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b> A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><u>Defined Contribution Component:</u> Not applicable.</p>

*Pension Plan Data*

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Employees Covered by Benefit Terms*

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

	Primary Government	Component Unit School Board Nonprofessional
	<u>        </u>	<u>        </u>
Inactive members or their beneficiaries currently receiving benefits	67	54
Inactive members:		
Vested inactive members	16	8
Non-vested inactive members	13	10
Inactive members active elsewhere in VRS	<u>31</u>	<u>11</u>
Total inactive members	60	29
Active members	<u>91</u>	<u>78</u>
Total covered employees	<u><u>218</u></u>	<u><u>161</u></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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 9.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$372,305 and \$344,144 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 7.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 9—PENSION PLAN: (CONTINUED)

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*Contributions (Continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$112,557 and \$112,018 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

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

*Actuarial Assumptions - General Employees*

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at 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, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees (Continued)*

Mortality rates: Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related:  
(Continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees (Continued)*

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

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

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

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

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

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

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 9—PENSION PLAN: (CONTINUED)

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

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related: (Continued)

Post-Disablement:

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

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

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%

*Long-Term Expected Rate of Return*

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Discount Rate*

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

*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, 2016	\$ 18,121,458	\$ 15,735,081	\$ 2,386,377
Changes for the year:			
Service cost	\$ 462,147	\$ -	\$ 462,147
Interest	1,222,935	-	1,222,935
Changes of assumptions	(72,395)	-	(72,395)
Differences between expected and actual experience	221,808	-	221,808
Contributions - employer	-	369,631	(369,631)
Contributions - employee	-	192,487	(192,487)
Net investment income	-	1,869,534	(1,869,534)
Benefit payments, including refunds of employee contributions	(1,301,909)	(1,301,909)	-
Administrative expenses	-	(11,274)	11,274
Other changes	-	(1,647)	1,647
Net changes	\$ 532,586	\$ 1,116,822	\$ (584,236)
Balances at June 30, 2017	\$ 18,654,044	\$ 16,851,903	\$ 1,802,141

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2016	\$ 7,193,792	\$ 6,345,918	\$ 847,874
Changes for the year:			
Service cost	\$ 137,401	\$ -	\$ 137,401
Interest	490,822	-	490,822
Changes of assumptions	(23,759)	-	(23,759)
Differences between expected and actual experience	(60,927)	-	(60,927)
Contributions - employer	-	111,202	(111,202)
Contributions - employee	-	76,116	(76,116)
Net investment income	-	765,481	(765,481)
Benefit payments, including refunds of employee contributions	(364,109)	(364,109)	-
Administrative expenses	-	(4,502)	4,502
Other changes	-	(677)	677
Net changes	<u>\$ 179,428</u>	<u>\$ 583,511</u>	<u>\$ (404,083)</u>
Balances at June 30, 2017	<u>\$ 7,373,220</u>	<u>\$ 6,929,429</u>	<u>\$ 443,791</u>

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

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 4,065,685	\$ 1,802,141	\$ (89,158)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,287,916	\$ 443,791	\$ (268,994)

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$166,750 and \$52,557, respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit 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	\$ 158,267	\$ 255,722	\$ 17,561	\$ 40,752
Change in assumptions	-	50,523	-	15,892
Net difference between projected and actual earnings on pension plan investments	-	215,551	-	98,467
Employer contributions subsequent to the measurement date	372,305	-	112,557	-
Total	<u>\$ 530,572</u>	<u>\$ 521,796</u>	<u>\$ 130,118</u>	<u>\$ 155,111</u>

\$372,305 and \$112,557 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (265,782)	\$ (75,874)
2020	36,407	3,650
2021	24,729	202
2022	(158,883)	(65,528)
Thereafter	-	-

**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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accumulated payback of the deferred contribution in the 2010-2012 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$1,889,150 and \$1,650,068 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$17,741,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .14426% as compared to .14800% at June 30, 2016.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2018, the school division recognized pension expense of \$1,206,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,256,000
Change in assumptions	259,000	-
Net difference between projected and actual earnings on pension plan investments	-	645,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	193,000	790,000
Employer contributions subsequent to the measurement date	<u>1,889,150</u>	<u>-</u>
Total	<u>\$ 2,341,150</u>	<u>\$ 2,691,000</u>

\$1,889,150 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (800,000)
2020	(216,000)
2021	(403,000)
2022	(703,000)
Thereafter	(117,000)

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

*Actuarial Assumptions: (Continued)*

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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

*Net Pension Liability*

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

*Long-Term Expected Rate of Return*

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

*Discount Rate*

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

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

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

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 26,494,000	\$ 17,741,000	\$ 10,501,000

*Pension Plan Fiduciary Net Position*

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2018 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	92
Total retirees and spouses with coverage	<u>17</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, 2018. The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, 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, 2018 (Continued)

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

County: (Continued)

*Actuarial Assumptions*

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2018 and June 30, 2017
Medical Trend Rate	8.70% - 4.00% over 75 years
Salary Increases	3.00%
Discount Rate	3.87% and 3.50% for accounting and funding disclosures as of June 30, 2018 and June 30, 2017 respectively

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*

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2017	\$	705,684
Changes for the year:		
Service cost		41,058
Interest		25,387
Changes in assumptions		(24,463)
Benefit payments		(43,143)
Net changes		<u>(1,161)</u>
Balances at June 30, 2018	\$	<u><u>704,523</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 773,332	\$ 704,523	\$ 643,779

*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 (7.70-3.00% over 75 years) or one percentage point higher (9.70-5.00% over 75 years) than the current healthcare cost trend rates:

Rates		
1% Decrease (7.70-3.00% over 75 years)	Healthcare Cost Trend (8.70-4.00% over 75 years)	1% Increase (9.70-5.00% over 75 years)
\$ 639,922	\$ 704,523	\$ 782,123

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$61,552. At June 30, 2018, 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
Changes in assumptions	\$ -	\$ 19,570
Total	\$ -	\$ 19,570

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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>	
2019	\$ (4,893)
2020	(4,893)
2021	(4,893)
2022	(4,891)
2023	-
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.

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, 2018 (Continued)

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

**School Board: (Continued)**

*Plan Membership*

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	327
Total retirees and spouses with coverage	<u>21</u>
Total	<u><u>348</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, 2018. The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2018 and June 30, 2017
Medical Trend Rate	8.90% - 4.30% over 58 years
Salary Increases	3.00%
Discount Rate	3.87% and 3.50% for accounting and funding disclosures as of June 30, 2018 and June 30, 2017 respectively

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, 2018 (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*

		<u>Component Unit School Board Total OPEB Liability</u>
Balances at June 30, 2017	\$	1,167,616
Changes for the year:		
Service cost		65,600
Interest		41,602
Changes in assumptions		(30,397)
Benefit payments		(89,947)
Net changes		<u>(13,142)</u>
Balances at June 30, 2018	\$	<u><u>1,154,474</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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

			<u>Rate</u>		
<u>1% Decrease (2.87%)</u>			<u>Current Discount Rate (3.87%)</u>		<u>1% Increase (4.87%)</u>
\$	1,238,440	\$	1,154,474	\$	1,076,447

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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 (7.90% - 3.30% over 58 years) or one percentage point higher (9.90% - 5.30% over 58 years) than the current healthcare cost trend rates:

Rates		
1% Decrease (7.90-3.30% over 58 years)	Healthcare Cost Trend (8.90-4.30% over 58 years)	1% Increase (9.90-5.30% over 58 years)
\$ 1,018,692	\$ 1,154,474	\$ 1,316,503

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$99,965. At June 30, 2018, 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
Changes in assumptions	\$ -	\$ 23,160
Total	\$ -	\$ 23,160

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	
2019	\$ (7,237)
2020	(7,237)
2021	(7,237)
2022	(1,449)
2023	-
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.

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

*Plan Description*

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

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

<b>TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b><u>At Retirement</u></b> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li> <li>• <b><u>Disability Retirement</u></b> - 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: <ul style="list-style-type: none"> <li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li> <li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li> </ul> </li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (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, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were 143,762 and \$126,041 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,826,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.14388% as compared to 0.1480% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$141,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 3,000
Change in assumptions	-	19,000
Change in proportion	-	45,000
Employer contributions subsequent to the measurement date	<u>143,762</u>	<u>-</u>
Total	<u>\$ 143,762</u>	<u>\$ 67,000</u>

\$143,762 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (11,000)
2020	(11,000)
2021	(11,000)
2022	(11,000)
2023	(10,000)
Thereafter	(13,000)

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

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*Actuarial Assumptions*

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

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

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

**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, 2018 (Continued)

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

*Actuarial Assumptions: (Continued)*

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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

*Net Teacher Employee HIC OPEB Liability*

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

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

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

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

*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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

*Discount Rate*

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



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 2,037,000	\$ 1,826,000	\$ 1,645,000

*Teacher Employee HIC OPEB Fiduciary Net Position*

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

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

*Plan Description*

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

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

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

*Plan Description: (Continued)*

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b><u>Natural Death Benefit</u></b> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b><u>Accidental Death Benefit</u></b> - The accidental death benefit is double the natural death benefit.</li> <li>• <b><u>Other Benefit Provisions</u></b> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$21,351 and \$20,690 for the years ended June 30, 2018 and June 30, 2017, respectively, for the County; \$8,460 and \$8,255 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (nonprofessional); and \$60,778 and \$59,046 for the years ended June 30, 2018 and June 30, 2017, 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 Group Life Insurance Program OPEB*

At June 30, 2018, the entity reported a liability of \$325,000, \$129,000, and \$926,000 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, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.02157%, 0.00861%, and 0.06156% as compared to 0.02153%, 0.00872%, and 0.06280% at June 30, 2016 for the County, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$5,000, (\$1,000), and \$7,000 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, 2018 (Continued)

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Primary Government</b>		
Differences between expected and actual experience	\$ -	\$ 7,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,000
Change in assumptions	-	17,000
Employer contributions subsequent to the measurement date	21,351	-
<b>Total Primary Government</b>	<b>\$ 21,351</b>	<b>\$ 36,000</b>
<b>Component Unit School Board (nonprofessional)</b>		
Differences between expected and actual experience	\$ -	\$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,000
Change in assumptions	-	7,000
Employer contributions subsequent to the measurement date	8,460	-
<b>Total Component Unit School Board (nonprofessional)</b>	<b>\$ 8,460</b>	<b>\$ 14,000</b>
<b>Component Unit School Board (professional)</b>		
Differences between expected and actual experience	\$ -	\$ 20,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	35,000
Change in assumptions	-	48,000
Changes in proportion	-	19,000
Employer contributions subsequent to the measurement date	60,778	-
<b>Total Component Unit School Board (professional)</b>	<b>\$ 60,778</b>	<b>\$ 122,000</b>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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

\$21,351, \$8,460 and \$60,778 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2019	\$ (7,000)	\$ (3,000)	\$ (24,000)
2020	(7,000)	(3,000)	(24,000)
2021	(7,000)	(3,000)	(24,000)
2022	(7,000)	(3,000)	(24,000)
2023	(4,000)	(2,000)	(16,000)
Thereafter	(4,000)	-	(10,000)

*Actuarial Assumptions*

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 12—GROUP LIFE INSURANCE (GLI) PROGRAM (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - SPORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - VaLORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - JRS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

*Actuarial Assumptions: (Continued)*

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

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

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

**NET GLI OPEB Liability**

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 420,000	\$ 325,000	\$ 247,000
School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 167,000	\$ 129,000	\$ 99,000
School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,198,000	\$ 926,000	\$ 706,000

*Group Life Insurance Program Fiduciary Net Position*

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



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 13—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, 2018.

**NOTE 14—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.	\$ -	\$ 1,787,428
Second half installment due after June 30th	10,335,111	10,335,111
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	378,370	378,370
Total primary government	<u>\$ 10,713,481</u>	<u>\$ 12,500,909</u>

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**NOTE 15—CONNECTION FEES RECEIVABLE:**

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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, 2018, the County had connection fees receivable in the amount of \$446,899. The following is a schedule of the annual repayments.

Year Ending June 30,	Amount
2019	\$ 109,645
2020	127,787
2021	91,375
2022	77,421
2023	40,671
Total	\$ 446,899

**NOTE 16—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 \$75,060.

**NOTE 17—LITIGATION:**

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At June 30, 2018, 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**NOTE 18—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. Johnson, 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	
Thomas H. Bruguiera, Jr., Supervisor	1,000
Constance Brennan, Supervisor	1,000
Stephen A. Carter, County Administrator	2,000
Thomas D. Harvey, Supervisor	1,000
Allen M. Hale, Supervisor	1,000
Larry D. Saunders, Supervisor	1,000

**NOTE 19—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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**NOTE 19—RISK MANAGEMENT: (CONTINUED)**

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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 20—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. The revised cost estimate has been estimated at \$824,706 as of June 30, 2018. This cost may be revised in the future depending on changes in regulations and applicable environmental laws.

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.

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 21—RELATED PARTY TRANSACTIONS:**

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The County had certain transactions with the Nelson County Service Authority during fiscal year 2018. In addition to purchasing water from the Authority at its normal rates, the County provides office space for the Authority's administrative operations free of charge, and appropriated \$156,000 to the Authority for fire protection services. The County also paid \$162,812 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 22—DEFERRED COMPENSATION PLAN:**

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 \$18,000 in 2018. Eligible employees age 50 and over may defer up to \$24,000 in 2018. 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 23—FAIR VALUE MEASUREMENTS:**

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
- 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, 2018:

Investment	6/30/2018	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	\$ 3,147,515	\$ 3,147,515	\$ -	\$ -
	\$ 3,147,515	\$ 3,147,515	\$ -	\$ -

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 24—ADOPTION OF ACCOUNTING PRINCIPLES:**

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

	Net Position	
	Governmental Activities	School Board
Net Position as reported at June 30, 2017	\$ 31,170,334	\$ (3,644,073)
Implementation of GASB 75:		
Net health insurance OPEB liability	(663,791)	(819,115)
Net group life insurance OPEB liability	(356,000)	(1,185,000)
Net teacher health insurance credit OPEB liability	-	(1,752,000)
Net Position as restated at June 30, 2017	\$ 30,150,543	\$ (7,400,188)

**NOTE 25—UPCOMING PRONOUNCEMENTS:**

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

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

**NOTE 25—UPCOMING PRONOUNCEMENTS: (CONTINUED)**

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

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

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

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

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**Required Supplementary Information**

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## General Fund

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 22,676,656	\$ 22,676,656	\$ 23,016,862	\$ 340,206
Other local taxes	4,418,262	4,418,262	4,827,998	409,736
Permits, privilege fees, and regulatory licenses	221,750	221,750	216,790	(4,960)
Fines and forfeitures	221,750	221,750	181,025	(40,725)
Revenue from the use of money and property	100,000	100,000	2,021,301	1,921,301
Charges for services	257,900	257,900	269,269	11,369
Miscellaneous	49,550	50,037	118,390	68,353
Recovered costs	660,045	661,245	660,409	(836)
Intergovernmental:				
Commonwealth	5,021,128	5,708,423	5,211,308	(497,115)
Federal	3,445,861	3,459,330	807,040	(2,652,290)
Total revenues	\$ 37,072,902	\$ 37,775,353	\$ 37,330,392	\$ (444,961)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,019,658	\$ 2,141,494	\$ 1,983,869	\$ 157,625
Judicial administration	780,919	863,395	773,494	89,901
Public safety	5,350,960	5,579,717	5,051,737	527,980
Public works	2,124,394	2,137,489	2,016,664	120,825
Health and welfare	2,690,581	3,631,598	3,604,945	26,653
Education	16,247,704	16,247,704	16,063,545	184,159
Parks, recreation, and cultural	509,972	534,397	523,582	10,815
Community development	798,144	825,636	775,489	50,147
Nondepartmental	906,572	377,496	71,278	306,218
Capital projects	3,951,277	4,312,898	736,845	3,576,053
Total expenditures	\$ 35,380,181	\$ 36,651,824	\$ 31,601,448	\$ 5,050,376
Excess (deficiency) of revenues over (under) expenditures	\$ 1,692,721	\$ 1,123,529	\$ 5,728,944	\$ 4,605,415
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 168,000	\$ 168,000	\$ 168,000	\$ -
Transfers out	(3,473,819)	(3,523,819)	(3,523,819)	-
Total other financing sources (uses)	\$ (3,305,819)	\$ (3,355,819)	\$ (3,355,819)	\$ -
Net change in fund balances	\$ (1,613,098)	\$ (2,232,290)	\$ 2,373,125	\$ 4,605,415
Fund balances - beginning	1,523,247	2,142,439	23,486,708	21,344,269
Fund balances - ending	\$ (89,851)	\$ (89,851)	\$ 25,859,833	\$ 25,949,684

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

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service cost	\$ 446,356	\$ 454,133	\$ 464,883	\$ 462,147
Interest	1,144,445	1,198,069	1,237,687	1,222,935
Differences between expected and actual experience	-	20,264	(577,384)	221,808
Changes in assumptions	-	-	-	(72,395)
Benefit payments, including refunds of employee contributions	(806,440)	(843,042)	(1,369,946)	(1,301,909)
<b>Net change in total pension liability</b>	<b>\$ 784,361</b>	<b>\$ 829,424</b>	<b>\$ (244,760)</b>	<b>\$ 532,586</b>
<b>Total pension liability - beginning</b>	<b>16,752,433</b>	<b>17,536,794</b>	<b>18,366,218</b>	<b>18,121,458</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 17,536,794</b>	<b>\$ 18,366,218</b>	<b>\$ 18,121,458</b>	<b>\$ 18,654,044</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 492,143	\$ 461,417	\$ 471,492	\$ 369,631
Contributions - employee	186,897	186,660	193,264	192,487
Net investment income	2,150,653	713,434	260,208	1,869,534
Benefit payments, including refunds of employee contributions	(806,440)	(843,042)	(1,369,946)	(1,301,909)
Administrative expense	(11,582)	(9,817)	(10,372)	(11,274)
Other	113	(150)	(116)	(1,647)
<b>Net change in plan fiduciary net position</b>	<b>\$ 2,011,784</b>	<b>\$ 508,502</b>	<b>\$ (455,470)</b>	<b>\$ 1,116,822</b>
<b>Plan fiduciary net position - beginning</b>	<b>13,670,265</b>	<b>15,682,049</b>	<b>16,190,551</b>	<b>15,735,081</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 15,682,049</b>	<b>\$ 16,190,551</b>	<b>\$ 15,735,081</b>	<b>\$ 16,851,903</b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 1,854,745</b>	<b>\$ 2,175,667</b>	<b>\$ 2,386,377</b>	<b>\$ 1,802,141</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>89.42%</b>	<b>88.15%</b>	<b>86.83%</b>	<b>90.34%</b>
<b>Covered payroll</b>	<b>\$ 3,738,547</b>	<b>\$ 3,774,065</b>	<b>\$ 3,868,886</b>	<b>\$ 3,978,899</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>49.61%</b>	<b>57.65%</b>	<b>61.68%</b>	<b>45.29%</b>

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

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

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service cost	\$ 154,252	\$ 154,759	\$ 143,640	\$ 137,401
Interest	424,255	445,743	469,771	490,822
Differences between expected and actual experience	-	45,500	35,814	(60,927)
Changes in assumptions	-	-	-	(23,759)
Benefit payments, including refunds of employee contributions	(270,446)	(272,613)	(332,889)	(364,109)
<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>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>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>Plan fiduciary net position</b>				
Contributions - employer	\$ 146,724	\$ 128,397	\$ 129,605	\$ 111,202
Contributions - employee	79,650	76,055	76,172	76,116
Net investment income	844,221	281,345	109,678	765,481
Benefit payments, including refunds of employee contributions	(270,446)	(272,613)	(332,889)	(364,109)
Administrative expense	(4,543)	(3,869)	(3,984)	(4,502)
Other	45	(60)	(47)	(677)
<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>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>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>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>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>Covered payroll</b>	<b>\$ 1,594,791</b>	<b>\$ 1,535,050</b>	<b>\$ 1,567,154</b>	<b>\$ 1,587,580</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>

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 Year Ended June 30, 2015 through June 30, 2018\*

	2014	2015	2016	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.15347%	0.14912%	0.14800%	0.14426%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 18,547,000	\$ 18,769,000	\$ 20,741,000	\$ 17,741,000
Employer's Covered Payroll	11,212,976	11,080,965	12,016,024	11,255,580
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165%	169%	173%	158%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%	68.28%	72.92%

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

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

Schedule of Employer Contributions  
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
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%
2010	340,945	340,945	-	3,310,144	10.30%
2009	349,454	349,454	-	3,392,755	10.30%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 112,557	\$ 112,557	\$ -	\$ 1,649,380	6.82%
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%
2010	134,932	134,932	-	1,585,573	8.51%
2009	135,509	135,509	-	1,592,352	8.51%
<b>Component Unit School Board (professional)</b>					
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  
For the Year Ended June 30, 2018

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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



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

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 41,058
Interest	25,387
Changes in assumptions	(24,463)
Benefit payments	(43,143)
<b>Net change in total OPEB liability</b>	<u>\$ (1,161)</u>
<b>Total OPEB liability - beginning</b>	<u>705,684</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 704,523</u></u>
<b>Covered payroll</b>	<b>\$ 3,930,700</b>
<b>County's total OPEB liability (asset) as a percentage of covered payroll</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 Year Ended June 30, 2018

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 65,600
Interest	41,602
Changes in assumptions	(30,397)
Benefit payments	(89,947)
<b>Net change in total OPEB liability</b>	<u>\$ (13,142)</u>
<b>Total OPEB liability - beginning</b>	<u>1,167,616</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 1,154,474</u></u>
<b>Covered payroll</b>	<b>\$ 13,116,400</b>
<b>School Board's total OPEB liability (asset) as a percentage of covered payroll</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, 2018

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**County:**

Valuation Date: 1/1/2017  
Measurement Date: 6/30/2018

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.87% and 3.50% for accounting and funding disclosures as of June 30, 2018 and June 30, 2017 respectively
Inflation	2.50% per year as of June 30, 2018 and June 30, 2017
Healthcare Trend Rate	8.70% - 4.00% over 75 years
Salary Increase Rates	
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: 1/1/2017  
Measurement Date: 6/30/2018

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.87% and 3.50% for accounting and funding disclosures as of June 30, 2018 and June 30, 2017 respectively
Inflation	2.50% per year as of June 30, 2018 and June 30, 2017
Healthcare Trend Rate	8.90% - 4.30% over 58 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 Health Insurance Credit Program (HIC)  
 For the Year Ended June 30, 2018

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)
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 Health Insurance Credit Program (HIC)  
 For the Years Ended June 30, 2017 through June 30, 2018

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 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 Health Insurance Credit Program (HIC)  
 For the Year Ended June 30, 2018

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

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (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>					
2017	0.02157%	\$ 325,000	\$ 3,978,899	8.17%	48.86%
<b>Component Unit School Board (nonprofessional)</b>					
2017	0.00861%	\$ 129,000	\$ 1,587,580	8.13%	48.86%
<b>Component Unit School Board (professional)</b>					
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 Program  
 For the Years Ended June 30, 2017 through June 30, 2018

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
<b>Primary Government</b>					
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>					
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>					
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 Program  
 For the Year Ended June 30, 2018

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

**General State Employees**

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

**Teachers**

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

**SPORS Employees**

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

**ValORS Employees**

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

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

**JRS Employees**

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

**Largest Ten Locality Employers - General Employees**

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

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

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

## Other Supplementary Information

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

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Debt Service Fund

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 2,319,603	\$ 2,319,603	\$ 2,300,985	\$ 18,618
Interest and other fiscal charges	914,216	914,216	914,751	(535)
Total expenditures	\$ 3,233,819	\$ 3,233,819	\$ 3,215,736	\$ 18,083
Excess (deficiency) of revenues over (under) expenditures	\$ (3,233,819)	\$ (3,233,819)	\$ (3,215,736)	\$ 18,083
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,233,819	\$ 3,233,819	\$ 3,233,819	\$ -
Total other financing sources (uses)	\$ 3,233,819	\$ 3,233,819	\$ 3,233,819	\$ -
Net change in fund balances	\$ -	\$ -	\$ 18,083	\$ 18,083
Fund balances - beginning	-	-	245,044	245,044
Fund balances - ending	\$ -	\$ -	\$ 263,127	\$ 263,127

Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Capital projects	\$ 1,111,521	\$ 1,244,210	\$ 386,290	\$ 857,920
Total expenditures	\$ 1,111,521	\$ 1,244,210	\$ 386,290	\$ 857,920
Excess (deficiency) of revenues over (under) expenditures	\$ (1,111,521)	\$ (1,244,210)	\$ (386,290)	\$ 857,920
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 50,000	\$ 50,000	\$ -
Transfers out	(168,000)	(168,000)	(168,000)	-
Total other financing sources (uses)	\$ (168,000)	\$ (118,000)	\$ (118,000)	\$ -
Net change in fund balances	\$ (1,279,521)	\$ (1,362,210)	\$ (504,290)	\$ 857,920
Fund balances - beginning	1,279,521	1,362,210	1,230,233	(131,977)
Fund balances - ending	\$ -	\$ -	\$ 725,943	\$ 725,943



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

	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, 2018

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	<u>Agency Funds</u>		
	<u>Special</u>	<u>EMS</u>	
	<u>Welfare Fund</u>	<u>Loan Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 84,284	\$ 554,194	\$ 638,478
Total assets	<u>\$ 84,284</u>	<u>\$ 554,194</u>	<u>\$ 638,478</u>
<b>Liabilities</b>			
Amounts held for others	\$ 84,284	\$ 554,194	\$ 638,478
Total liabilities	<u>\$ 84,284</u>	<u>\$ 554,194</u>	<u>\$ 638,478</u>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 55,098	\$ 33,546	\$ 4,360	\$ 84,284
Total assets	<u>\$ 55,098</u>	<u>\$ 33,546</u>	<u>\$ 4,360</u>	<u>\$ 84,284</u>
<b>Liabilities</b>				
Amounts held for others	<u>\$ 55,098</u>	<u>\$ 33,546</u>	<u>\$ 4,360</u>	<u>\$ 84,284</u>
<b>EMS Loan Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 450,066	\$ 149,128	\$ 45,000	\$ 554,194
Total assets	<u>\$ 450,066</u>	<u>\$ 149,128</u>	<u>\$ 45,000</u>	<u>\$ 554,194</u>
<b>Liabilities</b>				
Amounts held for others	<u>\$ 450,066</u>	<u>\$ 149,128</u>	<u>\$ 45,000</u>	<u>\$ 554,194</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 505,164	\$ 182,674	\$ 49,360	\$ 638,478
Total assets	<u>\$ 505,164</u>	<u>\$ 182,674</u>	<u>\$ 49,360</u>	<u>\$ 638,478</u>
<b>Liabilities</b>				
Amounts held for others	<u>\$ 505,164</u>	<u>\$ 182,674</u>	<u>\$ 49,360</u>	<u>\$ 638,478</u>

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

	<u>School Operating Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,785,903
Receivables:	
Accounts receivable	10,054
Due from other governments	595,661
Inventories	45,158
Prepaid items	<u>25,278</u>
Total assets	<u>\$ 2,462,054</u>
<b>Liabilities</b>	
Accounts payable	\$ 61,910
Accrued liabilities	901,716
Due to primary government	586,632
Deferred revenue	<u>8,272</u>
Total liabilities	<u>\$ 1,558,530</u>
<b>Fund balances</b>	
Nonspendable	\$ 70,436
Committed	884,851
Unassigned	<u>(51,763)</u>
Total fund balances	<u>\$ 903,524</u>
Total liabilities and fund balances	<u>\$ 2,462,054</u>

Discretely Presented Component Unit School Board  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
 At June 30, 2018

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Total fund balance for governmental fund (Exhibit 31)	\$	903,524
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		23,629,831
Equipment, net of depreciation		1,580,030
School Board capital assets in primary government, net of depreciation		<u>(8,541,624)</u>
		17,519,447
Items related to measurement of net pension and OPEB liability not available to pay for current-period expenditures		
Deferred inflows related to pensions		(2,846,111)
Deferred inflows related to OPEB		(226,160)
Deferred outflows related to pensions		2,471,268
Deferred outflows related to OPEB		213,000
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	\$	(363,644)
Energy improvement lease		(1,609,992)
Net pension liability		(18,184,791)
Net OPEB liability		<u>(4,035,474)</u>
		(24,193,901)
Total net position of governmental activities (Exhibit 1)	\$	<u><u>(6,158,933)</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, 2018

	<u>School Operating Fund</u>
<b>Revenues</b>	
Revenue from the use of money and property	\$ 52
Charges for services	397,210
Miscellaneous	253,850
Recovered costs	271,291
Intergovernmental:	
Appropriations from primary government	16,048,728
Commonwealth	8,417,436
Federal	<u>1,691,146</u>
Total revenues	<u>\$ 27,079,713</u>
<b>Expenditures</b>	
Current:	
Education	
Instruction	\$ 17,520,841
Administration, attendance and health	1,201,725
Transportation	2,865,950
Facilities operations	2,675,507
School food services	1,144,831
Facilities	20,052
Technology	1,387,494
Debt service:	
Principal retirement	124,326
Interest and other fiscal charges	<u>36,623</u>
Total expenditures	<u>\$ 26,977,349</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 102,364</b>
<b>Fund balance, beginning of year</b>	<u>801,160</u>
<b>Fund balance, end of year</b>	<u><u>\$ 903,524</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, 2018

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Net change in fund balance - total governmental fund (Exhibit 33) \$ 102,364

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	\$ 563,912	
Depreciation expense	<u>(1,326,546)</u>	(762,634)

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. (32,607)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board 1,033,750

(Increase) decrease in deferred inflows related to the measurement of the net pension liability/asset (1,666,111)

(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability/asset (226,160)

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	\$ (13,192)	
Energy improvement lease	124,326	
Decrease (increase) in net pension liability	3,404,083	
Decrease (increase) in deferred outflows related to pensions	(1,004,706)	
Decrease (increase) in deferred outflows related to OPEB	21,000	
Net OPEB liability	<u>261,142</u>	<u>2,792,653</u>

Change in net position of governmental activities (Exhibit 2) \$ 1,241,255

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

	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	\$ 75	\$ 75	\$ 52	\$ (23)
Charges for services	521,792	521,792	397,210	(124,582)
Miscellaneous	250,013	250,013	253,850	3,837
Recovered costs	271,291	271,291	271,291	-
Intergovernmental:				
Local government	16,232,887	16,232,887	16,048,728	(184,159)
Commonwealth	8,547,351	8,547,351	8,417,436	(129,915)
Federal	1,663,933	1,663,933	1,691,146	27,213
Total revenues	<u>\$ 27,487,342</u>	<u>\$ 27,487,342</u>	<u>\$ 27,079,713</u>	<u>\$ (407,629)</u>
<b>EXPENDITURES</b>				
Current:				
Education				
Instruction	\$ 18,450,340	\$ 18,032,958	\$ 17,520,841	\$ 512,117
Administration, attendance and health	1,118,533	1,149,204	1,201,725	(52,521)
Transportation	2,509,791	2,558,050	2,865,950	(307,900)
Facilities operations	2,812,702	2,828,947	2,675,507	153,440
School food services	1,099,895	1,099,395	1,144,831	(45,436)
Facilities	400,000	378,191	20,052	358,139
Technology	1,401,920	1,548,376	1,387,494	160,882
Debt service:				
Principal retirement	124,326	277,319	124,326	152,993
Interest and other fiscal charges	36,623	81,690	36,623	45,067
Total expenditures	<u>\$ 27,954,130</u>	<u>\$ 27,954,130</u>	<u>\$ 26,977,349</u>	<u>\$ 976,781</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (466,788)	\$ (466,788)	\$ 102,364	\$ 569,152
Net change in fund balances	(466,788)	(466,788)	102,364	569,152
Fund balances - beginning	466,788	466,788	801,160	334,372
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,524</u>	<u>\$ 903,524</u>



## Supporting Schedules

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

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	\$ 17,750,602	\$ 17,750,602	\$ 17,777,896	\$ 27,294
Real and personal public service corporation taxes	850,000	850,000	841,700	(8,300)
Personal property taxes	3,696,054	3,696,054	3,920,731	224,677
Mobile home taxes	30,000	30,000	31,279	1,279
Machinery and tools taxes	30,000	30,000	84,490	54,490
Penalties	170,000	170,000	201,325	31,325
Interest	150,000	150,000	159,441	9,441
Total general property taxes	<u>\$ 22,676,656</u>	<u>\$ 22,676,656</u>	<u>\$ 23,016,862</u>	<u>\$ 340,206</u>
Other local taxes:				
Local sales and use taxes	\$ 1,225,040	\$ 1,225,040	\$ 1,538,481	\$ 313,441
Consumers' utility taxes	475,000	475,000	485,942	10,942
Business license taxes	35,000	35,000	34,903	(97)
Utility franchise taxes	100,000	100,000	91,301	(8,699)
Motor vehicle licenses	718,222	718,222	713,387	(4,835)
Bank franchise tax	80,000	80,000	112,741	32,741
Taxes on recordation and wills	225,000	225,000	229,700	4,700
Transient occupancy tax	540,000	540,000	551,992	11,992
Meals tax	1,020,000	1,020,000	1,069,551	49,551
Total other local taxes	<u>\$ 4,418,262</u>	<u>\$ 4,418,262</u>	<u>\$ 4,827,998</u>	<u>\$ 409,736</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 12,000	\$ 12,000	\$ 14,732	\$ 2,732
Dog pound fees	2,000	2,000	2,560	560
Land use application fees	18,000	18,000	10,023	(7,977)
Transfer fees	750	750	893	143
Zoning & Subdivision fees	7,500	7,500	8,620	1,120
Building permits	154,000	154,000	149,731	(4,269)
Building inspection fees	10,000	10,000	6,310	(3,690)
Well & Septic fees	6,000	6,000	11,125	5,125
Land disturbing fees	8,000	8,000	10,230	2,230
Tourism collections	3,500	3,500	2,566	(934)
Total permits, privilege fees, and regulatory licenses	<u>\$ 221,750</u>	<u>\$ 221,750</u>	<u>\$ 216,790</u>	<u>\$ (4,960)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 221,750	\$ 221,750	\$ 181,025	\$ (40,725)
Total fines and forfeitures	<u>\$ 221,750</u>	<u>\$ 221,750</u>	<u>\$ 181,025</u>	<u>\$ (40,725)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 80,000	\$ 80,000	\$ 240,181	\$ 160,181
Revenue from use of property	20,000	20,000	1,781,120	1,761,120
Total revenue from use of money and property	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 2,021,301</u>	<u>\$ 1,921,301</u>

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

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	\$ 11,907	\$ 3,907
Law library fees	3,000	3,000	2,442	(558)
Courthouse maintenance fees	8,000	8,000	7,545	(455)
Document reproduction fees	3,500	3,500	3,633	133
Excess fees paid to Circuit Court	-	-	34	34
Court appointed attorney fees	1,000	1,000	2,672	1,672
Fingerprint/Report fees	250	250	270	20
Cost of postage - Circuit Court	-	-	(451)	(451)
Charges for Commonwealth's Attorney	800	800	1,483	683
Charges for sanitation and waste removal	180,000	180,000	196,755	16,755
Charges for parks and recreation	53,000	53,000	42,850	(10,150)
Sale of literature	350	350	129	(221)
Total charges for services	<u>\$ 257,900</u>	<u>\$ 257,900</u>	<u>\$ 269,269</u>	<u>\$ 11,369</u>
Miscellaneous:				
Expenditure refunds	\$ 15,000	\$ 15,000	\$ 47,513	\$ 32,513
Other miscellaneous	34,550	35,037	70,877	35,840
Total miscellaneous	<u>\$ 49,550</u>	<u>\$ 50,037</u>	<u>\$ 118,390</u>	<u>\$ 68,353</u>
Recovered costs:				
DSS Reimbursement	\$ 75,000	\$ 75,000	\$ 77,454	\$ 2,454
School Resource officer and other costs	25,000	25,000	10,786	(14,214)
Jaunt Wintergreen	41,960	41,960	41,960	-
DMV stop fees	30,000	31,200	34,648	3,448
EMS revenue recovery	465,000	465,000	470,632	5,632
Forest Service Coop. agreement	4,400	4,400	5,418	1,018
Shared network maintenance fee	18,685	18,685	8,292	(10,393)
Recycling	-	-	7,382	7,382
Other recovered costs	-	-	3,837	3,837
Total recovered costs	<u>\$ 660,045</u>	<u>\$ 661,245</u>	<u>\$ 660,409</u>	<u>\$ (836)</u>
Total revenue from local sources	<u>\$ 28,605,913</u>	<u>\$ 28,607,600</u>	<u>\$ 31,312,044</u>	<u>\$ 2,704,444</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 105,000	\$ 105,000	\$ 2,745	\$ (102,255)
Mobile home titling tax	12,000	12,000	15,276	3,276
Tax on deeds	55,000	55,000	58,490	3,490
Communication sales & use tax	460,000	460,000	433,185	(26,815)
Personal property tax relief funds	1,708,030	1,708,030	1,708,030	-
Total noncategorical aid	<u>\$ 2,340,030</u>	<u>\$ 2,340,030</u>	<u>\$ 2,217,726</u>	<u>\$ (122,304)</u>

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

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	\$ 224,080	\$ 224,080	\$ 223,953	\$ (127)
Sheriff	799,829	799,829	789,596	(10,233)
Commissioner of revenue	87,604	87,604	87,013	(591)
Treasurer	94,662	94,662	102,567	7,905
Registrar/electoral board	36,000	36,000	37,399	1,399
Clerk of the Circuit Court	204,981	204,981	212,927	7,946
Total shared expenses	<u>\$ 1,447,156</u>	<u>\$ 1,447,156</u>	<u>\$ 1,453,455</u>	<u>\$ 6,299</u>
Welfare:				
Public assistance and welfare administration	\$ 400,089	\$ 400,089	\$ 395,104	\$ (4,985)
Other categorical aid:				
E911 wireless grant	\$ 192,000	\$ 192,000	\$ 46,224	\$ (145,776)
Fire programs	48,000	48,000	50,214	2,214
Four for life	18,000	18,000	-	(18,000)
Litter control grant	6,516	6,516	6,354	(162)
Victim-witness grant	81,467	81,541	14,513	(67,028)
Comprehensive services act	463,854	1,110,509	962,667	(147,842)
Asset forfeiture proceeds	-	30,636	39,040	8,404
Performance arts grant	5,000	5,000	4,500	(500)
Library grant	8,252	18,182	9,930	(8,252)
Other categorical	10,764	10,764	11,581	817
Total other categorical aid	<u>\$ 833,853</u>	<u>\$ 1,521,148</u>	<u>\$ 1,145,023</u>	<u>\$ (376,125)</u>
Total categorical aid	<u>\$ 2,681,098</u>	<u>\$ 3,368,393</u>	<u>\$ 2,993,582</u>	<u>\$ (374,811)</u>
Total revenue from the Commonwealth	<u>\$ 5,021,128</u>	<u>\$ 5,708,423</u>	<u>\$ 5,211,308</u>	<u>\$ (497,115)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 54,000	\$ 54,000	\$ 67,540	\$ 13,540
Categorical aid:				
Public assistance and welfare administration	\$ 600,133	\$ 600,133	\$ 684,535	\$ 84,402
Victim witness program	-	-	43,540	43,540
Sheriff's grants	-	11,650	8,819	(2,831)
Asset forfeiture	-	825	825	-
FEMA disaster relief	-	-	787	787
Sheriff's Byrne Grant	-	994	994	-
Recreational trails program	250,000	250,000	-	(250,000)
Tunnel Grant (TEA-21)	2,541,728	2,541,728	-	(2,541,728)
Total categorical aid	<u>\$ 3,391,861</u>	<u>\$ 3,405,330</u>	<u>\$ 739,500</u>	<u>\$ (2,665,830)</u>
Total revenue from the federal government	<u>\$ 3,445,861</u>	<u>\$ 3,459,330</u>	<u>\$ 807,040</u>	<u>\$ (2,652,290)</u>
Total General Fund	<u>\$ 37,072,902</u>	<u>\$ 37,775,353</u>	<u>\$ 37,330,392</u>	<u>\$ (444,961)</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Total Primary Government	\$ 37,072,902	\$ 37,775,353	\$ 37,330,392	\$ (444,961)
<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	\$ 75	\$ 75	\$ 52	\$ (23)
Charges for services:				
Charges for education	\$ 16,000	\$ 16,000	\$ -	\$ (16,000)
Charges for cafeteria	505,792	505,792	397,210	(108,582)
Total charges for services	\$ 521,792	\$ 521,792	\$ 397,210	\$ (124,582)
Miscellaneous revenue:				
Other miscellaneous	\$ 250,013	\$ 250,013	\$ 253,850	\$ 3,837
Total miscellaneous revenue	\$ 250,013	\$ 250,013	\$ 253,850	\$ 3,837
Recovered costs:				
Other recovered costs	\$ 271,291	\$ 271,291	\$ 271,291	\$ -
Total recovered costs	\$ 271,291	\$ 271,291	\$ 271,291	\$ -
Total revenue from local sources	\$ 1,043,171	\$ 1,043,171	\$ 922,403	\$ (120,768)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 16,232,887	\$ 16,232,887	\$ 16,048,728	\$ (184,159)
Total revenues from local governments	\$ 16,232,887	\$ 16,232,887	\$ 16,048,728	\$ (184,159)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,161,187	\$ 2,161,187	\$ 2,051,321	\$ (109,866)
Basic school aid	3,580,031	3,580,030	3,549,645	(30,385)
Remedial education	132,808	132,808	132,093	(715)

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

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	\$ 476,202	\$ 476,202	\$ 473,637	\$ (2,565)
Vocational standards of quality payments	121,802	121,802	121,146	(656)
Fringe benefits	734,482	734,482	730,525	(3,957)
VPSA technology	154,000	154,000	154,000	-
At risk payments	154,178	154,178	157,180	3,002
Primary class size	140,569	140,569	137,416	(3,153)
Other state funds	892,092	892,093	910,473	18,380
Total categorical aid	<u>\$ 8,547,351</u>	<u>\$ 8,547,351</u>	<u>\$ 8,417,436</u>	<u>\$ (129,915)</u>
Total revenue from the Commonwealth	<u>\$ 8,547,351</u>	<u>\$ 8,547,351</u>	<u>\$ 8,417,436</u>	<u>\$ (129,915)</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 5,500	\$ 5,500	\$ 4,161	\$ (1,339)
Title 1/A grants to LEAs	462,214	462,214	456,973	(5,241)
IDEA 611 flow-through (Title VI-B)	492,397	464,708	389,643	(75,065)
Rural and safe schools	-	5,000	15,364	10,364
Title 1 - Carl Perkins vocational	33,279	33,279	44,021	10,742
Preschool grants/special ed	-	22,689	5,936	(16,753)
Title III language acquisition	8,266	8,266	3,243	(5,023)
Title II part A	87,277	87,277	74,406	(12,871)
School food	575,000	575,000	629,053	54,053
School food commodities	-	-	68,346	68,346
Total revenue from the federal government	<u>\$ 1,663,933</u>	<u>\$ 1,663,933</u>	<u>\$ 1,691,146</u>	<u>\$ 27,213</u>
Total School Operating Fund	<u><u>\$ 27,487,342</u></u>	<u><u>\$ 27,487,342</u></u>	<u><u>\$ 27,079,713</u></u>	<u><u>\$ (407,629)</u></u>

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

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	\$ 125,491	\$ 125,491	\$ 121,176	\$ 4,315
General and financial administration:				
County administrator	\$ 326,936	\$ 334,175	\$ 333,378	\$ 797
County attorney	90,000	90,000	84,503	5,497
Commissioner of revenue	235,449	255,385	233,793	21,592
Reassessment	145,800	175,800	152,465	23,335
Board of equalization	6,480	6,480	4,360	2,120
Treasurer	312,776	328,251	328,542	(291)
Finance and accounting	301,365	325,982	315,106	10,876
Technology	340,946	343,470	264,618	78,852
Land use panel	6,121	6,121	1,159	4,962
Total general and financial administration	\$ 1,765,873	\$ 1,865,664	\$ 1,717,924	\$ 147,740
Board of elections:				
Board of elections	\$ 35,963	\$ 50,663	\$ 45,035	\$ 5,628
Registrar	92,331	99,676	99,734	(58)
Total board of elections	\$ 128,294	\$ 150,339	\$ 144,769	\$ 5,570
Total general government administration	\$ 2,019,658	\$ 2,141,494	\$ 1,983,869	\$ 157,625
Judicial administration:				
Courts:				
Circuit court	\$ 30,292	\$ 36,482	\$ 36,475	\$ 7
General district court	6,330	6,330	6,115	215
VJCCA	35,566	44,592	20,244	24,348
Juvenile and domestic relations court	6,740	6,740	3,332	3,408
Magistrate	325	325	1	324
Clerk of the circuit court	325,825	335,755	309,108	26,647
Total courts	\$ 405,078	\$ 430,224	\$ 375,275	\$ 54,949
Commonwealth's attorney:				
Commonwealth's attorney	\$ 375,841	\$ 433,171	\$ 398,219	\$ 34,952
Total commonwealth's attorney	\$ 375,841	\$ 433,171	\$ 398,219	\$ 34,952
Total judicial administration	\$ 780,919	\$ 863,395	\$ 773,494	\$ 89,901
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,601,222	\$ 1,756,086	\$ 1,483,169	\$ 272,917
E-911	472,705	474,215	355,673	118,542
Emergency services council	621,585	679,085	679,156	(71)
Emergency services	445,447	458,231	457,050	1,181
T.J. EMS Council	19,629	19,629	19,629	-
Fire protection	156,000	156,000	156,000	-
Paid EMS	800,175	800,175	739,476	60,699
Forestry service	20,821	20,821	20,821	-



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

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	\$ 668,783	\$ 668,783	\$ 662,873	\$ 5,910
Building inspector	290,859	290,859	243,796	47,063
Animal control	240,472	242,571	220,852	21,719
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	160	140	20
Total law enforcement and traffic control	<u>\$ 5,350,960</u>	<u>\$ 5,579,717</u>	<u>\$ 5,051,737</u>	<u>\$ 527,980</u>
Total public safety	<u>\$ 5,350,960</u>	<u>\$ 5,579,717</u>	<u>\$ 5,051,737</u>	<u>\$ 527,980</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 342,092	\$ 348,306	\$ 310,311	\$ 37,995
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 342,092</u>	<u>\$ 348,306</u>	<u>\$ 310,311</u>	<u>\$ 37,995</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,066,803	\$ 1,068,659	\$ 1,005,900	\$ 62,759
Total sanitation and waste removal	<u>\$ 1,066,803</u>	<u>\$ 1,068,659</u>	<u>\$ 1,005,900</u>	<u>\$ 62,759</u>
Maintenance of general buildings and grounds:				
General properties	\$ 715,499	\$ 720,524	\$ 700,453	\$ 20,071
Total maintenance of general buildings and grounds	<u>\$ 715,499</u>	<u>\$ 720,524</u>	<u>\$ 700,453</u>	<u>\$ 20,071</u>
Total public works	<u>\$ 2,124,394</u>	<u>\$ 2,137,489</u>	<u>\$ 2,016,664</u>	<u>\$ 120,825</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, 2018

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	\$ 1,357,529	\$ 1,357,529	\$ 1,268,977	\$ 88,552
MACAA	31,410	31,410	31,410	-
Senior center meals	16,621	20,621	20,621	-
At risk youth program	713,700	1,650,717	1,519,533	131,184
Shelter for help	8,320	8,320	8,320	-
JAUNT	109,136	109,136	109,136	-
JABA	98,000	98,000	98,000	-
Sexual assault resource agency	1,000	1,000	1,000	-
CASA of Central Virginia	3,500	3,500	3,500	-
TJ area crisis intervention team	1,800	1,800	450	1,350
Tax relief for the elderly	-	-	194,433	(194,433)
Total welfare	<u>\$ 2,341,016</u>	<u>\$ 3,282,033</u>	<u>\$ 3,255,380</u>	<u>\$ 26,653</u>
Total health and welfare	<u>\$ 2,690,581</u>	<u>\$ 3,631,598</u>	<u>\$ 3,604,945</u>	<u>\$ 26,653</u>
Education:				
Other instructional costs:				
Community College	\$ 14,817	\$ 14,817	\$ 14,817	\$ -
Appropriation to public school system	<u>16,232,887</u>	<u>16,232,887</u>	<u>16,048,728</u>	<u>184,159</u>
Total education	<u>\$ 16,247,704</u>	<u>\$ 16,247,704</u>	<u>\$ 16,063,545</u>	<u>\$ 184,159</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 206,427	\$ 230,852	\$ 221,097	\$ 9,755
Total parks and recreation	<u>\$ 206,427</u>	<u>\$ 230,852</u>	<u>\$ 221,097</u>	<u>\$ 9,755</u>
Cultural enrichment:				
Wintergreen Performing Arts	\$ 10,000	\$ 10,000	\$ 9,000	\$ 1,000
Total cultural enrichment	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 9,000</u>	<u>\$ 1,000</u>
Library:				
Regional library	\$ 293,545	\$ 293,545	\$ 293,485	\$ 60
Total library	<u>\$ 293,545</u>	<u>\$ 293,545</u>	<u>\$ 293,485</u>	<u>\$ 60</u>
Total parks, recreation, and cultural	<u>\$ 509,972</u>	<u>\$ 534,397</u>	<u>\$ 523,582</u>	<u>\$ 10,815</u>
Community development:				
Planning and community development:				
Planning	\$ 152,763	\$ 177,288	\$ 163,053	\$ 14,235
Community development	291,968	294,935	278,814	16,121
Thomas Jefferson Planning District Commission	17,596	17,596	17,596	-
Virginia Institute of Government	1,000	1,000	1,000	-
Colleen water/sewer subsidy	162,812	162,812	162,812	-
Central Virginia Small Business Development Center	5,000	5,000	5,000	-
Anti-litter program	6,516	6,516	-	6,516
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>\$ 706,484</u>	<u>\$ 733,976</u>	<u>\$ 697,104</u>	<u>\$ 36,872</u>

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

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	\$ 58,585	\$ 58,585	\$ 45,310	\$ 13,275
Total cooperative extension program	<u>\$ 58,585</u>	<u>\$ 58,585</u>	<u>\$ 45,310</u>	<u>\$ 13,275</u>
Total community development	<u>\$ 798,144</u>	<u>\$ 825,636</u>	<u>\$ 775,489</u>	<u>\$ 50,147</u>
Nondepartmental:				
Refunds	\$ 48,064	\$ 48,064	\$ 36,230	\$ 11,834
Reserve for contingency	726,301	294,353	-	294,353
Other nondepartmental	<u>132,207</u>	<u>35,079</u>	<u>35,048</u>	<u>31</u>
Total nondepartmental	<u>\$ 906,572</u>	<u>\$ 377,496</u>	<u>\$ 71,278</u>	<u>\$ 306,218</u>
Capital projects:				
Blue Ridge Tunnel (TEA-21)	\$ 2,870,933	\$ 2,870,933	\$ 43,840	\$ 2,827,093
Emergency services vehicles	393,000	393,000	113,330	279,670
Public safety radio project	114,047	456,946	114,498	342,448
E911 equipment	346,000	346,000	285,573	60,427
Broadband network improvements	-	-	1,700	(1,700)
Transfer station excavator	100,000	100,000	120,250	(20,250)
Library renovations	127,297	127,297	32,683	94,614
Other capital projects	<u>-</u>	<u>18,722</u>	<u>24,971</u>	<u>(6,249)</u>
Total capital projects	<u>\$ 3,951,277</u>	<u>\$ 4,312,898</u>	<u>\$ 736,845</u>	<u>\$ 3,576,053</u>
Total General Fund	<u>\$ 35,380,181</u>	<u>\$ 36,651,824</u>	<u>\$ 31,601,448</u>	<u>\$ 5,050,376</u>
<b>Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 2,319,603	\$ 2,319,603	\$ 2,300,985	\$ 18,618
Interest and other fiscal charges	<u>914,216</u>	<u>914,216</u>	<u>914,751</u>	<u>(535)</u>
Total Debt Service Fund	<u>\$ 3,233,819</u>	<u>\$ 3,233,819</u>	<u>\$ 3,215,736</u>	<u>\$ 18,083</u>
<b>Capital Projects Fund:</b>				
Capital projects:				
Courthouse construction	\$ 406,270	\$ 538,959	\$ 386,290	\$ 152,669
Contingencies	<u>705,251</u>	<u>705,251</u>	<u>-</u>	<u>705,251</u>
Total capital projects	<u>\$ 1,111,521</u>	<u>\$ 1,244,210</u>	<u>\$ 386,290</u>	<u>\$ 857,920</u>
Total Capital Projects Fund	<u>\$ 1,111,521</u>	<u>\$ 1,244,210</u>	<u>\$ 386,290</u>	<u>\$ 857,920</u>
Total Primary Government	<u>\$ 39,725,521</u>	<u>\$ 41,129,853</u>	<u>\$ 35,203,474</u>	<u>\$ 5,926,379</u>

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

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	\$ 18,450,340	\$ 18,032,958	\$ 17,520,841	\$ 512,117
Total instruction costs	<u>\$ 18,450,340</u>	<u>\$ 18,032,958</u>	<u>\$ 17,520,841</u>	<u>\$ 512,117</u>
Operating costs:				
Administration, attendance and health services	\$ 1,118,533	\$ 1,149,204	\$ 1,201,725	\$ (52,521)
Pupil transportation	2,509,791	2,558,050	2,865,950	(307,900)
Operation and maintenance of school plant	2,812,702	2,828,947	2,675,507	153,440
School food	1,099,895	1,099,395	1,144,831	(45,436)
Facilities	400,000	378,191	20,052	358,139
Technology	1,401,920	1,548,376	1,387,494	160,882
Total operating costs	<u>\$ 9,342,841</u>	<u>\$ 9,562,163</u>	<u>\$ 9,295,559</u>	<u>\$ 266,604</u>
Total education	<u>\$ 27,793,181</u>	<u>\$ 27,595,121</u>	<u>\$ 26,816,400</u>	<u>\$ 778,721</u>
Debt service:				
Principal retirement	\$ 124,326	\$ 277,319	\$ 124,326	\$ 152,993
Interest and other fiscal charges	36,623	81,690	36,623	45,067
Total debt service	<u>\$ 160,949</u>	<u>\$ 359,009</u>	<u>\$ 160,949</u>	<u>\$ 198,060</u>
Total School Operating Fund	<u><u>\$ 27,954,130</u></u>	<u><u>\$ 27,954,130</u></u>	<u><u>\$ 26,977,349</u></u>	<u><u>\$ 976,781</u></u>
Total Discretely Presented Component Unit-School Board	<u><u>\$ 27,954,130</u></u>	<u><u>\$ 27,954,130</u></u>	<u><u>\$ 26,977,349</u></u>	<u><u>\$ 976,781</u></u>

## Statistical Information

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COUNTY OF NELSON, VIRGINIA

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
					Wellfare	Education		Recreation, and Cultural	Community Development			
2009	\$ 1,777,787	\$ 714,904	\$ 3,136,604	\$ 2,112,615	\$ 2,055,329	\$ 13,777,084	\$ 548,156	\$ 1,235,328	\$ 1,492,985	\$ 26,850,792		
2010	1,615,064	691,588	3,374,456	2,448,517	2,586,290	13,861,510	550,664	830,793	1,404,206	27,363,088		
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		

(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	
2009	\$ 838,161	\$ 2,978,055	\$ 1,212,338	\$	\$ 18,681,477	\$ 3,612,363	\$ 264,340	\$ 136,135	\$ 1,946,684	\$ 29,669,553
2010	829,726	3,183,247	931,093		18,800,138	3,867,866	180,395	169,732	1,900,031	29,862,228
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

(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
	General Property Taxes	Other Local Taxes	Charges for Services	Recovered Costs									
2009	\$ 18,493,456	\$ 3,566,133	\$ 276,174	\$ 179,627	\$ 264,942	\$ 838,092	\$ 437,519	\$ 789,033	\$ 15,891,311	\$ 40,736,287			
2010	18,581,322	3,651,556	171,420	301,608	180,510	711,513	409,099	639,925	15,945,385	40,592,338			
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	666,479	372,240	931,700	16,126,930	48,361,377			

(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
2009	\$ 1,658,928	\$ 715,250	\$ 3,490,000	\$ 1,859,280	\$ 2,162,372	\$ 23,563,538	\$ 534,228	\$ 1,256,028	\$ -	\$ 1,705,948	\$ 3,368,077	\$ 40,313,649
2010	1,474,397	705,391	3,854,484	1,580,185	2,625,881	22,960,454	428,721	734,577	97,360	4,775,336	3,305,908	42,542,694
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

(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) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1) Tax Collections	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Delinquent Taxes (1)		
2009	\$ 18,330,136	\$ 17,460,606	95.26%	\$ 760,255	\$ 18,220,861	99.40%	\$ 2,055,591	11.21%	
2010	20,346,994	19,384,220	95.27%	675,464	20,059,684	98.59%	2,340,974	11.51%	
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%	

(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.

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
2009	\$ 2,892,345,140	\$ 124,217,409	\$ 5,383,546	\$ 405,780	\$ 90,039,734	\$ 3,112,391,609
2010	2,897,808,640	131,092,255	5,375,658	429,315	95,139,502	3,129,845,370
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

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	
2009	0.55			2.95		0.55		1.25	
2010	0.55			2.95		0.55		1.25	
2011	0.55			2.95		0.55		1.25	
2012	.55/.60			2.95		.55/.60		1.25	
2013	0.60			2.95		0.60		1.25	
2014	0.60/.72			2.95/3.45		0.60/.72		1.25	
2015	0.72			3.45		0.72		1.25	
2016	0.72			3.45		0.72		1.25	
2017	0.72			3.45		0.72		1.25	
2018	0.72			3.45		0.72		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
				Debt Service Monies Available					
2009	15,161	\$ 3,112,391,609	\$ 29,788,245	\$ 1,301,739	\$ 28,486,506	0.92%	\$ 1,879		
2010	15,161	3,129,845,370	31,333,131	1,322,904	30,010,227	0.96%	1,979		
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		

(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
2009	\$ 1,545,000	\$ 1,479,738	\$ 3,024,738	\$ 40,313,649	7.50%
2010	1,644,015	1,435,923	3,079,938	42,542,694	7.24%
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%

(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.

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## Compliance

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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To the Honorable Members of the Board of Supervisors  
County of 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, 2018 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 dated February 20, 2019.

### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

February 20, 2019

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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, 2018. 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, 2018.

## 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  
February 20, 2019

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

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:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 523
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	110,911
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	171
Low Income Home Energy Assistance	93.568	0600409/0600410	16,093
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	18,802
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	382
Foster Care - Title IV-E	93.658	1100109/1100110	124,843
Adoption Assistance	93.659	1120109/1120110	44,283
Social Services Block Grant	93.667	1000109/1000110	107,126
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110	1,740
Children's Health Insurance Program	93.767	0540109/0540110	5,436
Medical Assistance Program	93.778	1200109/1200110	<u>128,910</u>
Total Department of Health and Human Services			<u>\$ 559,220</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	\$ 68,346
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	<u>459,501</u> 527,847
School Breakfast Program (Child Nutrition Cluster)	10.553	201717N109941/201818N109941	156,702
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	201818N109941	<u>12,850</u>
Total Child Nutrition Cluster			\$ 697,399
Schools and Roads - Grants to States	10.665	10.665	4,161
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	<u>125,315</u>
Total Department of Agriculture			<u>\$ 826,875</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victims Assistance	16.575	10VAGZ0095/11VAGX0001	\$ 43,540
Asset forfeiture	16.000	N/A	825
Edward Byrne Memorial Justice Assistance Grant Program	16.738		994
			<u>45,359</u>
Total Department of Justice			\$ 45,359
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL1353100	\$ 8,819
Total Department of Transportation			\$ 8,819
Department of Homeland Security:			
Pass-through payments:			
Department of Emergency Services:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	\$ 787
Total Department of Homeland Security			\$ 787
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A120046/S010A130046	\$ 456,973
Special Education -- Grants to States (Special Education Cluster)	84.027	H027A120107/H027A130107	\$ 389,643
Special Education -- Preschool Grants (Special Education Cluster)	84.173	H173A120112/H173A130112	5,936
Total Special Education Cluster			\$ 395,579
Career and Technical Education - Basic Grants to States	84.048	V048A120046/V048A130046	44,021
Rural Education	84.358	Not Available	15,364
English Language Acquisition State Grants	84.365	T365A120046/S365A130046	3,243
Supporting Effective Instruction State Grant	84.367	S367A120044/S367A130044	74,406
Total Department of Education			\$ 989,586
Total Expenditures of Federal Awards			\$ <u>2,430,646</u>

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, 2018

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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, 2018. 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 \$ 807,040

Total primary government \$ 807,040

Component Unit School Board:

School Operating Fund \$ 1,691,146

Total component unit school board \$ 1,691,146

Less Payments in Lieu of Taxes not reported on Schedule of Expenditures of Federal Awards \$ (67,540)

Total federal expenditures per basic financial statements \$ 2,430,646

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 2,430,646

COUNTY OF NELSON, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

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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:

CFDA #	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

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, 2018

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There were no findings reported for the year ended June 30, 2017.

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