# 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

Thomas H. Bruguiere, 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

David Francis, Chairperson
David Parr, Vice-Chairperson

Janet Turner-Giles
Debbie Harvey
Ceasar Perkins

### COUNTY SOCIAL SERVICES BOARD

Darlene Smith, Chairperson
Diane Harvey, Vice-Chairperson

Allen Hale
Joan Giles
Tanya Stewart
Brad Johnson
Ernie Reed

### OTHER OFFICIALS

| | |
|---|---|
| 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 |

## Independent Auditors' Report

**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, U*niform 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, Farmer, 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 | $ 69,107,643 | $ 71,451,108 | $ 8,717,772 | $ 8,576,112 | $ 77,825,415 | $ 80,027,220 |
| 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 | $ 27,415,704 | $ 30,185,281 | $ 1,078,855 | $ 1,114,620 | $ 28,494,559 | $ 31,299,901 |
| 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 | $ 31,156,149 | $ 31,170,334 | $ 7,638,917 | $ 7,461,492 | $ 38,795,066 | $ 38,631,826 |

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, Lovingston, Virginia 22949.

# Basic Financial Statements

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# Government-wide Financial Statements

Statement of Net Position
At June 30, 2018

| | Governmental Activities | Business-type Activities | Total | Component Units: School Board | Component Units: Economic Development Authority |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| 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 | - | - |
| Total assets | $ 69,107,643 | $ 8,717,772 | $ 77,825,415 | $ 19,981,501 | $ 243,519 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| 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 | - |
| Total deferred outflows of resources | $ 755,057 | $ - | $ 755,057 | $ 2,684,268 | $ - |
| Total assets and deferred outflows of resources | $ 69,862,700 | $ 8,717,772 | $ 78,580,472 | $ 22,665,769 | $ 243,519 |
| **LIABILITIES** | | | | | |
| 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 | - |
| Total liabilities | $ 27,415,704 | $ 1,078,855 | $ 28,494,559 | $ 25,752,431 | $ 1,426 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| 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 | - |
| Total deferred inflows of resources | $ 11,290,847 | $ - | $ 11,290,847 | $ 3,072,271 | $ - |
| **NET POSITION** | | | | | |
| 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 |
| Total net position | $ 31,156,149 | $ 7,638,917 | $ 38,795,066 | $ (6,158,933) | $ 242,093 |
| Total liabilities, deferred inflows of resources and net position | $ 69,862,700 | $ 8,717,772 | $ 78,580,472 | $ 22,665,769 | $ 243,519 |

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

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **PRIMARY GOVERNMENT:** | | | | |
| 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 | $ - |
| **COMPONENT UNITS:** | | | | |
| 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) | | |
| $ (29,367,206) | $ - | $ (29,367,206) | | |
| | | | | |
| - | (198,422) | (198,422) | | |
| - | 135,847 | 135,847 | | |
| | | | | |
| $ (29,367,206) | $ (62,575) | $ (29,429,781) | | |
| | | | | |
| | | | $ (16,095,125) | $ - |
| | | | - | (11,531) |
| | | | | |
| | | | $ (16,095,125) | $ (11,531) |
| | | | | |
| $ 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 | - | - | - |
| $ 30,372,812 | $ 240,000 | $ 30,612,812 | $ 17,336,380 | $ 11,448 |
| $ 1,005,606 | $ 177,425 | $ 1,183,031 | $ 1,241,255 | $ (83) |
| 30,150,543 | 7,461,492 | 37,612,035 | (7,400,188) | 242,176 |
| $ 31,156,149 | $ 7,638,917 | $ 38,795,066 | $ (6,158,933) | $ 242,093 |

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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 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| 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 |
| Total assets | $ 38,877,237 | $ 263,176 | $ 725,943 | $ 50 | $ 39,866,406 |
| **Liabilities** | | | | | |
| Accounts payable | $ 394,748 | $ 49 | $ | $ - | $ 394,797 |
| Amounts held for others | 121,747 | - | - | - | 121,747 |
| Total liabilities | $ 516,495 | $ 49 | $ - | $ - | $ 516,544 |
| **Deferred Inflows of Resources** | | | | | |
| Unavailable revenue - prepaid taxes | $ 378,370 | $ - | $ - | $ - | $ 378,370 |
| Unavailable revenue - taxes | 12,122,539 | - | - | - | 12,122,539 |
| Total deferred inflows of resources | $ 12,500,909 | $ - | $ - | $ - | $ 12,500,909 |
| **Fund balances** | | | | | |
| Nonspendable | $ 112,772 | $ - | $ - | $ - | $ 112,772 |
| Committed | 39,381 | 263,127 | 725,943 | 50 | 1,028,501 |
| Unassigned | 25,707,680 | - | - | - | 25,707,680 |
| Total fund balances | $ 25,859,833 | $ 263,127 | $ 725,943 | $ 50 | $ 26,848,953 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 38,877,237 | $ 263,176 | $ 725,943 | $ 50 | $ 39,866,406 |

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

| | | | | |
|---|---|---|---|---|
| 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 |
| 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 | | 8,541,624 | | 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 | | (521,796) | | 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 | | (824,706) | | (26,696,026) |
| Deferred outflows - OPEB deferrals | | | | 21,351 |
| Deferred outflows - pension deferrals | | | | 530,572 |
| Net position of governmental activities | | | $ | 31,156,149 |

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 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| 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 |
| Total revenues | $ 37,330,392 | $ - | $ - | $ - | $ 37,330,392 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| 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 |
| Total expenditures | $ 31,601,448 | $ 3,215,736 | $ 386,290 | $ - | $ 35,203,474 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ 5,728,944 | $ (3,215,736) | $ (386,290) | $ - | $ 2,126,918 |
| **Other financing sources (uses)** | | | | | |
| Transfers in | $ 168,000 | $ 3,233,819 | $ 50,000 | $ - | $ 3,451,819 |
| Transfers out | (3,523,819) | - | (168,000) | - | (3,691,819) |
| Total other financing sources (uses) | $ (3,355,819) | $ 3,233,819 | $ (118,000) | $ - | $ (240,000) |
| Net change in fund balances | $ 2,373,125 | $ 18,083 | $ (504,290) | $ - | $ 1,886,918 |
| **Fund balance, beginning of year** | 23,486,708 | 245,044 | 1,230,233 | 50 | 24,962,035 |
| **Fund balance, end of year** | $ 25,859,833 | $ 263,127 | $ 725,943 | $ 50 | $ 26,848,953 |

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 |
| 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 | $ | 967,426 | |
| Depreciation expense | | (1,981,029) | (1,013,603) |
| 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. | | | (112,453) |
| Transfer of joint tenancy assets from Primary Government to the Component Unit School Board | | | (1,033,750) |
| The sale of inventory held for resale provides current financial resources to governmental funds, however, has no effect on net position. | | | (1,727,200) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | | |
| Unearned revenue - property taxes | $ | 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 | | (105,243) | (90,618) |
| 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. | | | |
| Debt issued: | | | |
| (Increase) decrease in landfill liability | $ | 234,872 | |
| Repayments: | | | |
| 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 | | 65,985 | |
| Net adjustment | | | 2,705,521 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | | |
| Compensated absences | $ | (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 | | 40,597 | 390,791 |
| Change in net position of governmental activities | | | $ 1,005,606 |

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 |
| **Assets:** | | | |
| 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 | $ 198,332 | $ 441,827 | $ 640,159 |
| 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 | $ 4,390,809 | $ 3,349,550 | $ 7,740,359 |
| Connection fees receivable, net of current portion | $ - | $ 337,254 | $ 337,254 |
| Total noncurrent assets | $ 4,390,809 | $ 3,686,804 | $ 8,077,613 |
| Total assets | $ 4,589,141 | $ 4,128,631 | $ 8,717,772 |
| **Liabilities:** | | | |
| 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 | $ 26,357 | $ 31,532 | $ 57,889 |
| Long-term liabilities | | | |
| Bonds payable, net of current portion | $ 1,020,966 | $ - | $ 1,020,966 |
| Total long-term liabilities | $ 1,020,966 | $ - | $ 1,020,966 |
| Total liabilities | $ 1,047,323 | $ 31,532 | $ 1,078,855 |
| **Net Position:** | | | |
| 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 | $ 3,541,818 | $ 4,097,099 | $ 7,638,917 |

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** |
| **Operating revenues:** | | | |
| Charges for services, net | $ 156,905 | $ 647,371 | $ 804,276 |
| Total operating revenues | $ 156,905 | $ 647,371 | $ 804,276 |
| **Operating expenses:** | | | |
| 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 |
| **Operating income (loss)** | $ (152,413) | $ 135,847 | $ (16,566) |
| **Nonoperating expense:** | | | |
| Interest expense | $ 46,009 | $ - | $ 46,009 |
| Net nonoperating expense | $ 46,009 | $ - | $ 46,009 |
| **Income(loss) before transfers** | $ (198,422) | $ 135,847 | $ (62,575) |
| **Transfers:** | | | |
| Transfers in | $ 40,000 | $ 200,000 | $ 240,000 |
| Total transfers | $ 40,000 | $ 200,000 | $ 240,000 |
| **Change in net position** | $ (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** |
| **Cash flows from operating activitites** | | | |
| 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 |
| **Cash flows from capital and related financing activities** | | | |
| 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) |
| **Cash flows from noncapital financing activities** | | | |
| 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 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | | |
| 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 |
| Supplemental information: | | | |
| 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

| | Agency Funds |
|---|---|
| **Assets:** | |
| Cash and cash equivalents | $ 638,478 |
| Total assets | $ 638,478 |
| **Liabilities:** | |
| Amounts held for others | $ 638,478 |
| Total liabilities | $ 638,478 |

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

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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)

### 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)

### 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)

### 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)

### 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)

### 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)

### 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)

### 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)

### 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 in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables.

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

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

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

## 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 |
|---|---|---|---|---|---|---|
| **Nonspendable:** | | | | | | |
| Prepaid items | $ 112,772 | $ - | $ - | $ - | $ 112,772 | $ 25,278 |
| Inventory | - | - | - | - | - | 45,158 |
| Total Nonspendable | $ 112,772 | $ - | $ - | $ - | $ 112,772 | $ 70,436 |
| **Committed:** | | | | | | |
| 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 | $ 39,381 | $ 263,127 | $ 725,943 | $ 50 | $ 1,028,501 | $ 884,851 |
| **Unassigned** | $ 25,707,680 | $ - | $ - | $ - | $ 25,707,680 | $ (51,763) |
| **Total Fund Balance** | $ 25,859,833 | $ 263,127 | $ 725,943 | $ 50 | $ 26,848,953 | $ 903,524 |

### 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)

### 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

### 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)

### 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:

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.

## 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.

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

**Primary Government**

| Rated Debt Investments | Fair Quality Ratings |
|---|---|
| | AAAm |
| Certificates of Deposit | $ 3,147,515 |
| Local Government Investment Pool | 8,157,947 |
| Total | $ 11,305,462 |

**Component Unit -- Economic Development Authority**

| Rated Debt Investments | Fair Quality Ratings |
|---|---|
| | AAAm |
| Local Government Investment Pool | $ 9,039 |

Investment maturities in years:

**Investment Maturities (in years)**

**Local Government**

| Investment Type | Fair Value | Less than 1 Year | 1 to 5 Years |
|---|---|---|---|
| Certificates of Deposit | $ 3,147,515 | $ 733,440 | $ 2,414,075 |
| Local Government Investment Pool | 8,166,986 | 8,166,986 | - |
| Total | $ 11,314,501 | $ 8,900,426 | $ 2,414,075 |

## 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 | | Component Units | |
|---|---|---|---|---|
| | Governmental Activities | | | |
| | 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 | $ - |

## NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | | | |
| | General Fund | Other Governmental Funds | Total | School Board |
| **Commonwealth of Virginia:** | | | | |
| 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 | - |
| **Federal government:** | | | | |
| Public assistance | 51,994 | - | 51,994 | - |
| Other | 23,829 | - | 23,829 | - |
| Federal pass-through school funds | - | - | - | 172,341 |
| Total | $ 1,583,108 | $ - | $ 1,583,108 | $ 595,661 |

## NOTE 5—INTERFUND ACTIVITY:

**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 | | (40,000) |
| 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.

## 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 | $ 4,448,132 | $ 237,967 | $ 2,535,196 | $ 2,150,903 |
| 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 | $ 41,699,399 | $ 3,264,655 | $ 1,959,133 | $ 43,004,921 |
| 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 | $ 14,746,488 | $ 1,981,029 | $ 812,930 | $ 15,914,587 |
| Other capital assets, net | $ 26,952,911 | $ 1,283,626 | $ 1,146,203 | $ 27,090,334 |
| Net capital assets | $ 31,401,043 | $ 1,521,593 | $ 3,681,399 | $ 29,241,237 |

| 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 | $ 1,981,029 |

* 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.

## 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 | $ 851,210 | $ - | $ - | $ 851,210 |
| 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 | $ 38,007,639 | $ 2,138,912 | $ 111,410 | $ 40,035,141 |
| 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 | $ 21,577,911 | $ 1,326,546 | $ (462,447) | $ 23,366,904 |
| Other capital assets, net | $ 16,429,728 | $ 812,366 | $ 573,857 | $ 16,668,237 |
| Net capital assets | $ 17,280,938 | $ 812,366 | $ 573,857 | $ 17,519,447 |
| Depreciation expense allocated to education | | $ 1,326,546 | | |

* 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 | 22,351,861 |
| Net position net investment in capital assets | $ 6,889,376 |

## 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 |

## 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 |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| **Governmental activities:** | | | | |
| 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 | 1,082,684 | 71,445 | 124,606 | 1,029,523 |
| Net pension liability | 2,386,377 | 1,919,811 | 2,504,047 | 1,802,141 |
| Landfill liability | 1,059,578 | 14,582 | 249,454 | 824,706 |
| Total | $ 29,936,893 | $ 2,079,859 | $ 5,421,600 | $ 26,595,152 |

| | |
|---|---|
| Reconciliation to Exhibit 1: | |
| Long-term liabilities due within one year | $ 2,552,510 |
| Long-term liabilities due in more than one year | 24,042,642 |
| Total | $ 26,595,152 |

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

| | Balance July 1, 2017 | Issuances/ Additions | Retirements/ Reductions | Balance June 30, 2018 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| USDA Water Revenue Bond | $ 446,986 | $ - | $ 7,377 | $ 439,609 |
| USDA Sewer Revenue Bond | 608,772 | - | 9,641 | 599,131 |
| | $ 1,055,758 | $ - | $ 17,018 | $ 1,038,740 |

| | |
|---|---|
| Reconciliation to Exhibit 1: | |
| Long-term liabilities due within one year | $ 17,774 |
| Long-term liabilities due in more than one year | 1,020,966 |
| Total | $ 1,038,740 |

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

| Year Ending June 30, | Principal | Interest |
|---|---|---|
| 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 |
| Total | $ 22,628,740 | $ 4,897,047 |

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

Details of Long-term Indebtedness:

| | | Amount Outstanding | | Amount Due in One Year |
|---|---|---|---|---|
| Governmental activities: | | | | |
| General Obligation School Bonds: | | | | |
| $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 | | 91,423 | | 26,692 |
| Total general obligation school bonds | $ | 5,991,423 | $ | 891,692 |
| Lease Revenue Refunding Bonds: | | | | |
| $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%. | $ | 7,045,000 | $ | 535,000 |
| Total lease revenue refunding bonds | $ | 7,045,000 | $ | 535,000 |
| VRA Refunding Revenue Bonds: | | | | |
| $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 | | 468,810 | | 85,693 |
| Total VRA refunding revenue bonds | $ | 4,998,810 | $ | 670,693 |

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

Details of Long-term Indebtedness: (Continued)

| | | Amount Outstanding | | Amount Due in One Year |
|---|---|---|---|---|
| Governmental activities: (Continued) | | | | |
| Virginia Resource Authority Infrastructure Revenue Bonds: | | | | |
| $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 | $ | 4,519,762 | $ | 416,746 |
| Total governmental activities loans and bonds | $ | 22,554,995 | $ | 2,514,131 |
| Compensated absences | $ | 383,787 | $ | 38,379 |
| Net OPEB liability | $ | 1,029,523 | $ | - |
| Net pension liability | $ | 1,802,141 | $ | - |
| Landfill liability | $ | 824,706 | $ | - |
| Total governmental activities obligations | $ | 26,595,152 | $ | 2,552,510 |
| Business-type activities: | | | | |
| USDA Revenue Bonds: | | | | |
| $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 | $ | 1,038,740 | $ | 17,774 |

## 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 as restated | Additions | Retirements & Other Reductions | Balance June 30, 2018 |
|---|---|---|---|---|
| **Component Unit - School Board** | | | | |
| 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 | $ 4,296,616 | $ 255,202 | $ 516,344 | $ 4,035,474 |
| Total | $ 27,970,260 | $ 3,774,841 | $ 7,551,200 | $ 24,193,901 |
| Reconciliation to Exhibit 1: | | | | |
| Long-term liabilities due within one year | | | | $ 168,232 |
| Long-term liabilities due in more than one year | | | | 24,025,669 |
| Total | | | | $ 24,193,901 |

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

Federal Arbitrage Regulations: (Continued)

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

| Year Ending June 30, | Principal | Interest |
|---|---|---|
| 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 | $ 1,609,992 | $ 187,591 |

Details of Long-term Indebtedness:

| | Amount Outstanding | Amount Due in One Year |
|---|---|---|
| Component Unit - School Board | | |
| Energy Improvement Lease: | | |
| $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 | $ 24,193,901 | $ 168,232 |

## NOTE 8—COMPENSATED ABSENCES:

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.

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

## NOTE 9—PENSION PLAN:

*Plan Description*

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

## 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:

| RETIREMENT PLAN PROVISIONS | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1**<br>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About Plan 2**<br>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About the Hybrid Retirement Plan**<br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• 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.<br>• 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. |

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Eligible Members**<br>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.<br><br>**Hybrid Opt-In Election**<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.<br><br>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. | **Eligible Members**<br>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.<br><br>**Hybrid Opt-In Election**<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.<br><br>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. | **Eligible Members**<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• School division employees<br>• 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.<br><br>***Non-Eligible Members**<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.<br><br>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. |

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. | **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. | **Retirement Contributions**<br>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. |
| **Creditable Service**<br>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. | **Creditable Service**<br>Same as Plan 1. | **Creditable Service**<br>**<u>Defined Benefit Component:</u>**<br>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. |

## 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.)** | **Creditable Service (Cont.)**<br>**<u>Defined Contribution Component:</u>**<br>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan. |
| **Vesting**<br>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.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>**<u>Defined Benefit Component:</u>**<br>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.<br>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.<br><br>**<u>Defined Contribution Component:</u>**<br>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.<br><br>Members are always 100% vested in the contributions that they make. |

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting (Cont.)** | **Vesting (Cont.)** | **Vesting (Cont.)**<br>**<u>Defined Contribution Component:</u> (Cont.)**<br>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.<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70½. |
| **Calculating the Benefit**<br>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. | **Calculating the Benefit**<br>See definition under Plan 1. | **Calculating the Benefit**<br>**<u>Defined Benefit Component:</u>**<br>See definition under Plan 1. |

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Normal Retirement Age<br>VRS: Age 65.<br><br>Political subdivisions hazardous duty employees: Age 60.</td><td>Normal Retirement Age<br>VRS: Normal Social Security retirement age.<br><br>Political subdivisions hazardous duty employees: Same as Plan 1.</td><td>Normal Retirement Age<br><u>Defined Benefit Component:</u><br>VRS: Same as Plan 2.<br><br>Political subdivisions hazardous duty employees: Not applicable.<br><br><u>Defined Contribution Component:</u><br>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>Earliest Unreduced Retirement Eligibility<br>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.<br><br>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</td><td>Earliest Unreduced Retirement Eligibility<br>VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.<br><br>Political subdivisions hazardous duty employees: Same as Plan 1.</td><td>Earliest Unreduced Retirement Eligibility<br><u>Defined Benefit Component:</u><br>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.<br><br>Political subdivisions hazardous duty employees: Not applicable.<br><br><u>Defined Contribution Component:</u><br>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>Earliest Reduced Retirement Eligibility<br>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</td><td>Earliest Reduced Retirement Eligibility<br>VRS: Age 60 with at least five years (60 months) of creditable service.</td><td>Earliest Reduced Retirement Eligibility<br><u>Defined Benefit Component:</u><br>VRS: Age 60 with at least five years (60 months) of creditable service.</td></tr>
</table>

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service. | **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>**Eligibility:**<br>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.<br><br>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>**Eligibility:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>**Defined Benefit Component:**<br>Same as Plan 2.<br><br>**Defined Contribution Component:**<br>Not applicable.<br><br>**Eligibility:**<br>Same as Plan 1 and Plan 2. |

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

## NOTE 9—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

*Pension Plan Data*

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

## NOTE 9—PENSION PLAN: (CONTINUED)

*Employees Covered by Benefit Terms*

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

| | Primary Government | Component Unit School Board Nonprofessional |
|---|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 67 | 54 |
| Inactive members: | | |
| Vested inactive members | 16 | 8 |
| Non-vested inactive members | 13 | 10 |
| Inactive members active elsewhere in VRS | 31 | 11 |
| Total inactive members | 60 | 29 |
| Active members | 91 | 78 |
| Total covered employees | 218 | 161 |

*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.

## NOTE 9—PENSION PLAN: (CONTINUED)

*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.

## 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% |

## 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.

## NOTE 9—PENSION PLAN: (CONTINUED)

*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% |

## 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%.

## 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 |

## 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 | $ 179,428 | $ 583,511 | $ (404,083) |
| Balances at June 30, 2017 | $ 7,373,220 | $ 6,929,429 | $ 443,791 |

*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) |

## 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 | $ 530,572 | $ 521,796 | $ 130,118 | $ 155,111 |

$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)

### Component Unit School Board (professional)

*Plan Description*

Al 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.

## 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 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 | 1,889,150 | - |
| Total | $ 2,341,150 | $ 2,691,000 |

$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:

| Year ended June 30 | |
|---|---|
| 2019 | $ (800,000) |
| 2020 | (216,000) |
| 2021 | (403,000) |
| 2022 | (703,000) |
| Thereafter | (117,000) |

## NOTE 9—PENSION PLAN: (CONTINUED)

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

*Actuarial Assumptions*

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

## 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):

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

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

## 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:

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

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

## NOTE 9—PENSION PLAN: (CONTINUED)

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

*Discount Rate*

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

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

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

| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| 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.

## NOTE 10—OTHER POSTEMPLOYMENT BENEFITS–HEALTH INSURANCE:

**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 | 17 |
| Total | 109 |

*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.

## 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*

| | | Primary Government Total OPEB Liability |
|---|---|---|
| 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 | | (1,161) |
| Balances at June 30, 2018 | $ | 704,523 |

## 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 Resouces | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumptions | $ - | $ 19,570 |
| Total | $ - | $ 19,570 |

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

**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:

| Year Ended June 30 | | |
|---|---|---|
| 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.

## 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 | 21 |
| Total | 348 |

*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.

## 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*

| | | Component Unit School Board Total OPEB Liability |
|---|---|---|
| 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 | | (13,142) |
| Balances at June 30, 2018 | $ | 1,154,474 |

*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%) |
| $ 1,238,440 | $ 1,154,474 | $ 1,076,447 |

## 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 Resouces | 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:

| TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br><br>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.<br><br>Eligible employees are enrolled automatically upon employment. They include:<br>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS. |
| **Benefit Amounts**<br><br>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:<br>• **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.<br>• **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<br>o $4.00 per month, multiplied by twice the amount of service credit, or<br>o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. |
| **Health Insurance Credit Program Notes:**<br><br>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.<br>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. |

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

*Contributions*

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

## 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 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 | 143,762 | - |
| Total | $ 143,762 | $ 67,000 |

$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:

| Year Ended June 30 | |
|---|---|
| 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)

*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.

## 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):

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

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

## 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:

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

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

*Discount Rate*

The discount rate used to measure the total Teacher 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.

## 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

**Eligible Employees**

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

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

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

**Benefit Amounts**

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

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

**Reduction in Benefit Amounts**

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

**Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

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

*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.

## 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 |
|---|---|---|
| **Primary Government** | | |
| 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 | - |
| **Total Primary Government** | $ 21,351 | $ 36,000 |
| **Component Unit School Board (nonprofessional)** | | |
| 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 | - |
| **Total Component Unit School Board (nonprofessional)** | $ 8,460 | $ 14,000 |
| **Component Unit School Board (professional)** | | |
| 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 | - |
| **Total Component Unit School Board (professional)** | $ 60,778 | $ 122,000 |

## 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.

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

*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% |

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

*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% |

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

*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% |

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates – JRS Employees**

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

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

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

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

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

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

*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% |

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

*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.

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

*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.

## 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):

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

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

## NOTE 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.

## 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** | **Current Discount** | **1% Increase** |
| | **(6.00%)** | **(7.00%)** | **(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.

## 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:

| | Government-wide Statements Governmental Activities | Balance Sheet Governmental Funds |
|---|---|---|
| **Primary Government:** | | |
| 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 | $ 10,713,481 | $ 12,500,909 |

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

## NOTE 15—CONNECTION FEES RECEIVABLE:

When customers connect to the broadband network, the customer is charged a connection fee. The County agreed to collect a portion of these fees over a period up to five years. At June 30, 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:

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:

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.

## NOTE 18—SURETY BONDS:

| | | Amount |
|---|---|---|
| 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. Bruguiere, 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:

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.

## NOTE 19—RISK MANAGEMENT: (CONTINUED)

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:

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 unto 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:

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.

## 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:

| | | **Fair Value Measurements Using** | | |
|---|---|---|---|---|
| Investment | 6/30/2018 | 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 | $ - | $ - |

## 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)

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 | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | **Original** | **Final** | **Amounts** | **(Negative)** |
| **REVENUES** | | | | |
| 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) |
| **EXPENDITURES** | | | | |
| 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 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| 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 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| 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) |
| **Net change in total pension liability** | $ 784,361 | $ 829,424 | $ (244,760) | $ 532,586 |
| **Total pension liability - beginning** | 16,752,433 | 17,536,794 | 18,366,218 | 18,121,458 |
| **Total pension liability - ending (a)** | $ 17,536,794 | $ 18,366,218 | $ 18,121,458 | $ 18,654,044 |
| | | | | |
| **Plan fiduciary net position** | | | | |
| 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) |
| **Net change in plan fiduciary net position** | $ 2,011,784 | $ 508,502 | $ (455,470) | $ 1,116,822 |
| **Plan fiduciary net position - beginning** | 13,670,265 | 15,682,049 | 16,190,551 | 15,735,081 |
| **Plan fiduciary net position - ending (b)** | $ 15,682,049 | $ 16,190,551 | $ 15,735,081 | $ 16,851,903 |
| | | | | |
| **County's net pension liability - ending (a) - (b)** | $ 1,854,745 | $ 2,175,667 | $ 2,386,377 | $ 1,802,141 |
| | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 89.42% | 88.15% | 86.83% | 90.34% |
| | | | | |
| **Covered payroll** | $ 3,738,547 | $ 3,774,065 | $ 3,868,886 | $ 3,978,899 |
| | | | | |
| **County's net pension liability as a percentage of covered payroll** | 49.61% | 57.65% | 61.68% | 45.29% |

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 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| 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) |
| **Net change in total pension liability** | $ 308,061 | $ 373,389 | $ 316,336 | $ 179,428 |
| **Total pension liability - beginning** | 6,196,006 | 6,504,067 | 6,877,456 | 7,193,792 |
| **Total pension liability - ending (a)** | $ 6,504,067 | $ 6,877,456 | $ 7,193,792 | $ 7,373,220 |
| | | | | |
| **Plan fiduciary net position** | | | | |
| 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) |
| **Net change in plan fiduciary net position** | $ 795,651 | $ 209,255 | $ (21,465) | $ 583,511 |
| **Plan fiduciary net position - beginning** | 5,362,477 | 6,158,128 | 6,367,383 | 6,345,918 |
| **Plan fiduciary net position - ending (b)** | $ 6,158,128 | $ 6,367,383 | $ 6,345,918 | $ 6,929,429 |
| | | | | |
| **School Division's net pension liability - ending (a) - (b)** | $ 345,939 | $ 510,073 | $ 847,874 | $ 443,791 |
| | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 94.68% | 92.58% | 88.21% | 93.98% |
| | | | | |
| **Covered payroll** | $ 1,594,791 | $ 1,535,050 | $ 1,567,154 | $ 1,587,580 |
| | | | | |
| **School Division's net pension liability as a percentage of covered payroll** | 21.69% | 33.23% | 54.10% | 27.95% |

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 Yeard 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) |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| 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% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 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% |
| **Component Unit School Board (professional)** | | | | | |
| 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.

**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 |
| 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

| | | 2018 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 41,058 |
| Interest | | 25,387 |
| Changes in assumptions | | (24,463) |
| Benefit payments | | (43,143) |
| **Net change in total OPEB liability** | $ | (1,161) |
| **Total OPEB liability - beginning** | | 705,684 |
| **Total OPEB liability - ending** | $ | 704,523 |
| | | |
| **Covered payroll** | $ | 3,930,700 |
| | | |
| **County's total OPEB liability (asset) as a percentage of covered payroll** | | 17.92% |

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

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

| | | 2018 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 65,600 |
| Interest | | 41,602 |
| Changes in assumptions | | (30,397) |
| Benefit payments | | (89,947) |
| **Net change in total OPEB liability** | $ | (13,142) |
| **Total OPEB liability - beginning** | | 1,167,616 |
| **Total OPEB liability - ending** | $ | 1,154,474 |
| **Covered payroll** | $ | 13,116,400 |
| **School Board's total OPEB liability (asset) as a percentage of covered payroll** | | 8.80% |

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

**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

| 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

**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) |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| 2017 | 0.02157% | $ 325,000 | $ 3,978,899 | 8.17% | 48.86% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 2017 | 0.00861% | $ 129,000 | $ 1,587,580 | 8.13% | 48.86% |
| **Component Unit School Board (professional)** | | | | | |
| 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

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| 2018 | $ 21,351 | $ 21,351 | $ - | $ 4,105,970 | 0.52% |
| 2017 | 20,690 | 20,690 | - | 3,978,899 | 0.52% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 2018 | $ 8,460 | $ 8,460 | $ - | $ 1,626,878 | 0.52% |
| 2017 | 8,255 | 8,255 | - | 1,587,580 | 0.52% |
| **Component Unit School Board (professional)** | | | | | |
| 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

**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

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

| | Budgeted Amounts | | | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | (Negative) |
| **EXPENDITURES** | | | | |
| 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 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| 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 | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **EXPENDITURES** | | | | |
| 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 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| 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 | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget - Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Federal | $ - | $ - | $ - | $ - |
| Total revenues | $ - | $ - | $ - | $ - |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ - | $ - |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| 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

| | Agency Funds | | |
|---|---|---|---|
| | Special Welfare Fund | EMS Loan Fund | Total |
| **Assets** | | | |
| Cash and cash equivalents | $ 84,284 | $ 554,194 | $ 638,478 |
| Total assets | $ 84,284 | $ 554,194 | $ 638,478 |
| **Liabilities** | | | |
| Amounts held for others | $ 84,284 | $ 554,194 | $ 638,478 |
| Total liabilities | $ 84,284 | $ 554,194 | $ 638,478 |

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 |
|---|---|---|---|---|
| **Special Welfare Fund:** | | | | |
| **Assets** | | | | |
| Cash and cash equivalents | $ 55,098 | $ 33,546 | $ 4,360 | $ 84,284 |
| Total assets | $ 55,098 | $ 33,546 | $ 4,360 | $ 84,284 |
| **Liabilities** | | | | |
| Amounts held for others | $ 55,098 | $ 33,546 | $ 4,360 | $ 84,284 |
| **EMS Loan Fund:** | | | | |
| **Assets** | | | | |
| Cash and cash equivalents | $ 450,066 | $ 149,128 | $ 45,000 | $ 554,194 |
| **Liabilities** | | | | |
| Amounts held for others | $ 450,066 | $ 149,128 | $ 45,000 | $ 554,194 |
| **Total Agency Funds** | | | | |
| **Assets** | | | | |
| Cash and cash equivalents | $ 505,164 | $ 182,674 | $ 49,360 | $ 638,478 |
| Total assets | 505,164 | 182,674 | 49,360 | 638,478 |
| **Liabilities** | | | | |
| Amounts held for others | $ 505,164 | $ 182,674 | $ 49,360 | $ 638,478 |

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

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

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

| | | | | |
|---|---|---|---|---|
| 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 | | (8,541,624) | | 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 | | (4,035,474) | | (24,193,901) |
| Total net position of governmental activities (Exhibit 1) | | | $ | (6,158,933) |

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

| | | School Operating Fund |
|---|---|---|
| **Revenues** | | |
| 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 | | 1,691,146 |
| Total revenues | $ | 27,079,713 |
| **Expenditures** | | |
| 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 | | 36,623 |
| Total expenditures | $ | 26,977,349 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ | 102,364 |
| **Fund balance, beginning of year** | | 801,160 |
| **Fund balance, end of year** | $ | 903,524 |

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

| | | | | |
|---|---|---|---|---|
| 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 | | (1,326,546) | | (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 | | 261,142 | | 2,792,653 |
| 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 | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| 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 | $ 27,487,342 | $ 27,487,342 | $ 27,079,713 | $ (407,629) |
| **EXPENDITURES** | | | | |
| 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 | $ 27,954,130 | $ 27,954,130 | $ 26,977,349 | $ 976,781 |
| 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 | $ - | $ - | $ 903,524 | $ 903,524 |

# Supporting Schedules

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) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| 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 | $ 22,676,656 | $ 22,676,656 | $ 23,016,862 | $ 340,206 |
| 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 | $ 4,418,262 | $ 4,418,262 | $ 4,827,998 | $ 409,736 |
| 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 | $ 221,750 | $ 221,750 | $ 216,790 | $ (4,960) |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | $ 221,750 | $ 221,750 | $ 181,025 | $ (40,725) |
| Total fines and forfeitures | $ 221,750 | $ 221,750 | $ 181,025 | $ (40,725) |
| 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 | $ 100,000 | $ 100,000 | $ 2,021,301 | $ 1,921,301 |

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) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| 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 | $ 257,900 | $ 257,900 | $ 269,269 | $ 11,369 |
| Miscellaneous: | | | | |
| Expenditure refunds | $ 15,000 | $ 15,000 | $ 47,513 | $ 32,513 |
| Other miscellaneous | 34,550 | 35,037 | 70,877 | 35,840 |
| Total miscellaneous | $ 49,550 | $ 50,037 | $ 118,390 | $ 68,353 |
| 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 | $ 660,045 | $ 661,245 | $ 660,409 | $ (836) |
| Total revenue from local sources | $ 28,605,913 | $ 28,607,600 | $ 31,312,044 | $ 2,704,444 |
| 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 | $ 2,340,030 | $ 2,340,030 | $ 2,217,726 | $ (122,304) |

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) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| 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 | $ 1,447,156 | $ 1,447,156 | $ 1,453,455 | $ 6,299 |
| 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 | $ 833,853 | $ 1,521,148 | $ 1,145,023 | $ (376,125) |
| Total categorical aid | $ 2,681,098 | $ 3,368,393 | $ 2,993,582 | $ (374,811) |
| Total revenue from the Commonwealth | $ 5,021,128 | $ 5,708,423 | $ 5,211,308 | $ (497,115) |
| 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 | $ 3,391,861 | $ 3,405,330 | $ 739,500 | $ (2,665,830) |
| Total revenue from the federal government | $ 3,445,861 | $ 3,459,330 | $ 807,040 | $ (2,652,290) |
| Total General Fund | $ 37,072,902 | $ 37,775,353 | $ 37,330,392 | $ (444,961) |

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) |
| **Discretely Presented Component Unit - School Board:** | | | | |
| **School Operating Fund:** | | | | |
| 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) |
|---|---|---|---|---|
| **Discretely Presented Component Unit - School Board: (Continued)** | | | | |
| **School Operating Fund: (Continued)** | | | | |
| 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 | $ 8,547,351 | $ 8,547,351 | $ 8,417,436 | $ (129,915) |
| Total revenue from the Commonwealth | $ 8,547,351 | $ 8,547,351 | $ 8,417,436 | $ (129,915) |
| 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 | $ 1,663,933 | $ 1,663,933 | $ 1,691,146 | $ 27,213 |
| Total School Operating Fund | $ 27,487,342 | $ 27,487,342 | $ 27,079,713 | $ (407,629) |

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) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| 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) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| 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 | $ 5,350,960 | $ 5,579,717 | $ 5,051,737 | $ 527,980 |
| Total public safety | $ 5,350,960 | $ 5,579,717 | $ 5,051,737 | $ 527,980 |
| 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 | $ 342,092 | $ 348,306 | $ 310,311 | $ 37,995 |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | $ 1,066,803 | $ 1,068,659 | $ 1,005,900 | $ 62,759 |
| Total sanitation and waste removal | $ 1,066,803 | $ 1,068,659 | $ 1,005,900 | $ 62,759 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | $ 715,499 | $ 720,524 | $ 700,453 | $ 20,071 |
| Total maintenance of general buildings and grounds | $ 715,499 | $ 720,524 | $ 700,453 | $ 20,071 |
| Total public works | $ 2,124,394 | $ 2,137,489 | $ 2,016,664 | $ 120,825 |
| Health and welfare: | | | | |
| Health: | | | | |
| Health department | $ 248,979 | $ 248,979 | $ 248,979 | $ - |
| Total health | $ 248,979 | $ 248,979 | $ 248,979 | $ - |
| Mental health and mental retardation: | | | | |
| Region Ten community services board | $ 100,586 | $ 100,586 | $ 100,586 | $ - |
| Total mental health and mental retardation | $ 100,586 | $ 100,586 | $ 100,586 | $ - |

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) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| 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 | $ 2,341,016 | $ 3,282,033 | $ 3,255,380 | $ 26,653 |
| Total health and welfare | $ 2,690,581 | $ 3,631,598 | $ 3,604,945 | $ 26,653 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Community College | $ 14,817 | $ 14,817 | $ 14,817 | $ - |
| Appropriation to public school system | 16,232,887 | 16,232,887 | 16,048,728 | 184,159 |
| Total education | $ 16,247,704 | $ 16,247,704 | $ 16,063,545 | $ 184,159 |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Parks and recreation | $ 206,427 | $ 230,852 | $ 221,097 | $ 9,755 |
| Total parks and recreation | $ 206,427 | $ 230,852 | $ 221,097 | $ 9,755 |
| Cultural enrichment: | | | | |
| Wintergreen Performing Arts | $ 10,000 | $ 10,000 | $ 9,000 | $ 1,000 |
| Total cultural enrichment | $ 10,000 | $ 10,000 | $ 9,000 | $ 1,000 |
| Library: | | | | |
| Regional library | $ 293,545 | $ 293,545 | $ 293,485 | $ 60 |
| Total library | $ 293,545 | $ 293,545 | $ 293,485 | $ 60 |
| Total parks, recreation, and cultural | $ 509,972 | $ 534,397 | $ 523,582 | $ 10,815 |
| 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 | $ 706,484 | $ 733,976 | $ 697,104 | $ 36,872 |

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) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Community development: (Continued) | | | | |
| Environmental management: | | | | |
| Contribution to soil and water district | $ 33,075 | $ 33,075 | $ 33,075 | $ - |
| Total environmental management | $ 33,075 | $ 33,075 | $ 33,075 | $ - |
| Cooperative extension program: | | | | |
| Extension office | $ 58,585 | $ 58,585 | $ 45,310 | $ 13,275 |
| Total cooperative extension program | $ 58,585 | $ 58,585 | $ 45,310 | $ 13,275 |
| Total community development | $ 798,144 | $ 825,636 | $ 775,489 | $ 50,147 |
| Nondepartmental: | | | | |
| Refunds | $ 48,064 | $ 48,064 | $ 36,230 | $ 11,834 |
| Reserve for contingency | 726,301 | 294,353 | - | 294,353 |
| Other nondepartmental | 132,207 | 35,079 | 35,048 | 31 |
| Total nondepartmental | $ 906,572 | $ 377,496 | $ 71,278 | $ 306,218 |
| 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 | - | 18,722 | 24,971 | (6,249) |
| Total capital projects | $ 3,951,277 | $ 4,312,898 | $ 736,845 | $ 3,576,053 |
| Total General Fund | $ 35,380,181 | $ 36,651,824 | $ 31,601,448 | $ 5,050,376 |
| **Debt Service Fund:** | | | | |
| 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 Debt Service Fund | $ 3,233,819 | $ 3,233,819 | $ 3,215,736 | $ 18,083 |
| **Capital Projects Fund:** | | | | |
| Capital projects: | | | | |
| Courthouse construction | $ 406,270 | $ 538,959 | $ 386,290 | $ 152,669 |
| Contingencies | 705,251 | 705,251 | - | 705,251 |
| Total capital projects | $ 1,111,521 | $ 1,244,210 | $ 386,290 | $ 857,920 |
| Total Capital Projects Fund | $ 1,111,521 | $ 1,244,210 | $ 386,290 | $ 857,920 |
| Total Primary Government | $ 39,725,521 | $ 41,129,853 | $ 35,203,474 | $ 5,926,379 |

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) |
|---|---|---|---|---|
| **Discretely Presented Component Unit - School Board:** | | | | |
| **School Operating Fund:** | | | | |
| Education: | | | | |
| Instruction costs: | | | | |
| Instructional costs | $ 18,450,340 | $ 18,032,958 | $ 17,520,841 | $ 512,117 |
| Total instruction costs | $ 18,450,340 | $ 18,032,958 | $ 17,520,841 | $ 512,117 |
| 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 | $ 9,342,841 | $ 9,562,163 | $ 9,295,559 | $ 266,604 |
| Total education | $ 27,793,181 | $ 27,595,121 | $ 26,816,400 | $ 778,721 |
| 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 | $ 160,949 | $ 359,009 | $ 160,949 | $ 198,060 |
| Total School Operating Fund | $ 27,954,130 | $ 27,954,130 | $ 26,977,349 | $ 976,781 |
| Total Discretely Presented Component Unit-School Board | $ 27,954,130 | $ 27,954,130 | $ 26,977,349 | $ 976,781 |

# **Statistical** Information

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**COUNTY OF NELSON, VIRGINIA** **Table 1**

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 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)

| | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Use of Money and Property | Miscel- laneous | Grants and Contributions Not Restricted to Specific Programs | Total |
| 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 | Miscel-laneous | Recovered Costs | Inter-governmental | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 (2) | 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 Admini-stration | Judicial Admini-stration | Public Safety | Public Works | Health and Welfare | Education (2) | Recreation and Cultural | Community Develop-ment | Nondepart-mental | 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 Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1) | Percent of Delinquent Taxes to Tax Levy |
|---|---|---|---|---|---|---|---|---|
| 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: Debt Service Monies Available | Net Bonded Debt | Ratio of Net General Obligation Debt to Assessed Value | Net Bonded Debt per Capita |
|---|---|---|---|---|---|---|---|
| 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

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

**To the Honorable Members of the Board of Supervisors**
**County of 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, Farmer, Cox Associates

Charlottesville, Virginia
February 20, 2019

## 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, Farmer, 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 | | 128,910 |
| Total Department of Health and Human Services | | | $ | 559,220 |
| 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 | | 459,501 |
| | | | | 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 | | 12,850 |
| 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 | | 125,315 |
| Total Department of Agriculture | | | $ | 826,875 |

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 |
| 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 | | | $ | 2,430,646 |

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

## 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

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

*Financial Statements*

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Signficant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

*Federal Awards*

| | |
|---|---|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Signficant 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.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

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