

COUNTY OF NELSON, VIRGINIA FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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COUNTY OF NELSON, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS FISCAL YEAR ENDED JUNE 30, 2017

BOARD OF SUPERVISORS

Thomas D. Harvey, Chairman Thomas H. Bruguiere, Jr., Vice-Chairman Constance Brennan, Central District Allen M. Hale, East District Larry D. Saunders, South District

COUNTY SCHOOL BOARD

Debbie Harvey

Janet Turner-Giles, Chairperson David Francis, Vice-Chairperson

> David Parr Ceasar Perkins

COUNTY SOCIAL SERVICES BOARD

Joe Williamson, Chairperson Diane Harvey, Vice-Chairperson

Allen Hale Darlene Smith Joan Giles

Brad Johnson

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

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of the Board of Supervisors County of 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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-13, 88, and 89-94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

Other Matters

Other Information: (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Nelson, Virginia's internal control over financial reporting and compliance.

Arbinson, Famul, Cox Associats Charlottesville, Virginia

January 12, 2018



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, 2017.

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 \$38,631,826. Of this amount, \$25,016,682 is unrestricted, and may be used to meet the government's ongoing obligations to creditors and citizens. Of the total net position, there is \$13,545,765 invested in capital assets net of related debt (an increase of \$1,398,186 from the previous year). The School Board's net position is a deficit of \$3,629,263, of which the unrestricted net position was a deficit of \$19,175,883 (a decrease of \$95,115 from the previous year).

The total net position of the Primary Government increased by \$1,016,078. The School Board's net position increased by \$652,970. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$23,330,902. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2016-17 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$24,962,035 of which \$23,330,902 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 \$38,631,826 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, 2017							
		Governmenta		Business-type	e Activities	Total		
		2017	2016	2017	2016	2017	2016	
Current and other assets	\$	40,050,065 \$	41,666,126 \$	619,107 \$	775,765 \$	40,669,172 \$	42,441,891	
Capital assets		31,401,043	31,271,981	7,957,005	7,929,180	39,358,048	39,201,161	
Total assets	\$	71,451,108 \$	72,938,107 \$	8,576,112 \$	8,704,945 \$	80,027,220 \$	81,643,052	
Deferred Outflows of Resources	\$.	1,020,083 \$	773,620 \$	\$	\$	1,020,083 \$	773,620	
Long-term liabilities	\$	28,896,102 \$	31,424,058 \$	1,055,758 \$	1,072,046 \$	29,951,860 \$	32,496,104	
Other liabilities		1,289,179	1,260,455	58,862	68,745	1,348,041	1,329,200	
Total liabilities	\$	30,185,281 \$	32,684,513 \$	1,114,620 \$	1,140,791 \$	31,299,901 \$	33,825,304	
Deferred Inflows of Resources	\$	11,115,576 \$	10,975,620 \$	\$	\$	11,115,576 \$	10,975,620	
Net Position:								
Invested in capital assets,								
net of related debt	\$	6,644,518 \$	5,597,931 \$	6,901,247 \$	6,857,134 \$	13,545,765 \$	12,455,065	
Restricted for:								
Debt service and bond covenants		-	-	69,379	54,137	69,379	54,137	
Unrestricted		24,525,816	24,453,663	490,866	652,883	25,016,682	25,106,546	
Total net position	\$	31,170,334 \$	30,051,594 \$	7,461,492 \$	7,564,154 \$	38,631,826 \$	37,615,748	

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 35.1 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 (\$69,379) at June 30, 2017. The remaining balance of unrestricted net position, which is \$25,016,682 or 64.76 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 \$6,644,518 in net position invested in capital assets, net of related debt and \$24,525,816 in unrestricted net position. The business-type activities reported positive balances of \$6,901,247 in net position invested in capital assets, net of related debt and \$490,866 in unrestricted net position.

The government's total net position increased by \$1,016,078 during the current fiscal year compared to an increase of \$4,332,964 in FY 2015-2016.

Governmental and Business-type Activities

Ending net position

Governmental activities increased the County's net position by \$1,118,740. Business-type activities decreased the County's net position by \$102,662. Key elements of these changes are as follows:

	County of N	son's Chang ear Ended J			tio	n			
		l Activities	un	Business-ty	ре	Activities	7	ota	al
	2017	2016		2017		2016	2017		2016
Revenues:									
Program Revenues:									
Charges for services	\$ 745,516	\$ 744,739	\$	555,359	\$	474,622 \$	1,300,875	\$	1,219,361
Operating grants & contributions	3,464,684	3,080,455		-		-	3,464,684		3,080,455
Capital grants & contributions	19,985	201,490		-		-	19,985		201,490
General revenues:									
General property taxes	22,941,866	22,900,404		-		-	22,941,866		22,900,404
Other local taxes	4,432,849	4,167,376		-		-	4,432,849		4,167,376
Use of money and property	170,882	166,633		-		-	170,882		166,633
Miscellaneous	90,549	1,858,588		-		_	90,549		1,858,588
Grants and contributions									
not restricted to specific programs	2,406,195	2,398,629		-		_	2,406,195		2,398,629
Transfers	(290,422)	(453,235)		290,422		453,235	-		-
Total revenues	\$ 33,982,104	 35,065,079		845,781	\$_	927,857 \$	34,827,885	\$	35,992,936
Expenses:									
General government	\$ 2,195,124	\$ 1,949,333	\$	\$ -	\$	\$ - \$	2,195,124	\$	1,949,333
Judicial administration	759,914	717,437		-		_	759,914		717,437
Public safety	5,427,281	5,158,634		-		_	5,427,281		5,158,634
Public works	2,131,248	1,982,740		948,443		854,695	3,079,691		2,837,435
Health and welfare	2,961,759	2,684,740		-		-	2,961,759		2,684,740
Education	17,177,335	16,010,197		-		_	17,177,335		16,010,197
Parks, recreation and cultural	587,648	574,628		-		_	587,648		574,628
Community development	818,106	762,775		-		_	818,106		762,775
Interest on long-term debt	804,949	964,793		-		_	804,949		964,793
Total expenses	\$ 32,863,364	\$ 30,805,277	\$	948,443	\$ _	854,695 \$	33,811,807	\$	31,659,972
Increase (decrease) in net assets	1,118,740	4,259,802		(102,662)		73,162	1,016,078		4,332,964
Beginning net position	28,324,394	25,791,792		7,564,154		7,490,992	35,888,548		33,282,784
0 0 1		 –			_	· · · · · · · · · · · · · · · · · · ·			

29,443,134 \$ 30,051,594 \$ 7,461,492 \$ 7,564,154 \$

Governmental and Business-type Activities: (Continued)

- Overall revenues decreased by \$1,165,051. Revenues from Governmental Activities decreased by \$1,082,975. However, Business-type activities had revenues decrease by \$82,076. The increase in revenues from Governmental Activities is primarily due to a significant settlement occurring in Fiscal Year 2015-2016 which resulted in the county receiving property valued at \$1,727,200. This decrease was offset by increased operating grants and contributions for Public Assistance and At-Risk Youth services, asset forfeiture proceeds, general property tax, other local taxes in particular the meals and transient lodging tax. The decrease in revenue from Business-type activities is attributed to a reduced transfer in of governmental activity revenue. The decrease in transfers is primarily attributable to Community Development Block grant funds received by the county in FY2015-2016 and transferred to the Nelson County Broadband Authority for purposes of network expansion. This grant did not recur in FY2016-2017.
- Overall grants and contributions for governmental activities reflect a net increase of \$210,290. Capital grants decreased by \$181,505 primarily attributed to a decrease from the previous year in Community Development Block grant funds for broadband network expansion and federal Transportation Enhancement Act grant funds for the Crozet Tunnel capital project. This decrease was offset by an overall increase of \$391,795 in operating grants and contributions, both categorical and non-categorical. The increase is primarily attributed to an increase in categorical aid from the Commonwealth for Public Assistance and Welfare administration and At Risk Youth programs (Children's Services Act).
- The revenues from general property taxes increased by \$41,462 and revenues from other local taxes increased by \$265,473 primarily attributable to increased meals and transient lodging tax receipts.
- The revenues from charges for services increased by \$81,514. Of this amount, \$777 is attributable to governmental activities and \$80,737 is attributable to business-type activities. Within governmental activities, minor fluctuations in permit and license fees as well as court fines and forfeitures net to an overall increase of \$777. Within business-type activities, revenues from Piney River Water and Sewer charges for services decreased by \$31,758 while Nelson County Broadband Authority receipts from charges for services increased by \$112,495.
- Expenses reflected an overall net increase of \$2,151,835. Of this amount, expense from governmental activities increased by \$2,058,087 and business-type activities increased by \$93,748.
- All areas of expenses for governmental activities reflected increases with the exception of a decrease in interest on long term debt expense in the amount of \$159,844. The most significant categories of increase include general government with an increase of \$245,791, public safety with an increase of \$268,647, health and welfare with an increase of \$277,019, and education with an increase of \$1,167,138.
- The general government function had increased expenditures of \$245,791 of which \$159,390 is reassessment expense which is conducted every four years.
- The public safety function had increased expenditures of \$268,647. Most all areas of public safety had increased expenditures and additionally expenditures for the public safety radio project increased by \$144,548.
- The health and welfare function reported an increase in expenditures of \$277,019 which is mainly attributable to public assistance and at risk youth programs with respective increases of \$91,481 and \$175,365.
- The education function reported an increase of expenditures of \$1,167,138 which is primarily attributable to increased instruction and facilities costs.

Governmental and Business-type Activities: (Continued)

• The business activities reported an increase in operational expenses of \$93,748. Of this amount a decrease of \$30,107 is attributable to the Piney River water and sewer operations and an increase of \$123,855 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 \$24,962,035, a decrease of \$1,799,112 from the prior year. Approximately, 93.4 percent of this total amount constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified to indicate that it is not available for new spending because it is constrained as follows:

- Nonspendable fund balance of \$26,696
- Committed fund balance of \$1,604,437

Details of these classifications can be found in Note 1 (0) of these financial statements.

The general fund is the chief operating fund of the County. As of June 30, 2017, total fund balance of the general fund was \$23,486,708, of which \$23,330,902 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 75.8 percent of total general fund expenditures which includes transfers to the School Board component unit of \$15,767,893. Total fund balance represents 76.3 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$370,334 during the current fiscal year. Key factors in this increase are as follows:

- Overall General Fund revenues increased by \$987,885. Local revenues increased by \$617,565 attributable to increases in general property taxes of \$360,691 and increases in other local taxes of \$265,473. Revenue from the Commonwealth increased by \$315,786 primarily attributable to increased funding for public assistance, at risk youth programs, and asset forfeiture proceeds. Federal revenues also increased by \$54,534 primarily attributed to public assistance.
- However, General Fund expenditures also increased by \$2,371,084. The increased expenditures are attributable primarily to the increase in education expenditures of \$1,199,888. Other significant increases include \$525,102 in capital project expenditures, \$280,608 in health and welfare expenditures, and \$175,183 in increased general government administration expenditures. The increase in capital project expense was primarily relative to contributions to volunteer emergency services agencies allocated specifically for emergency services vehicles.

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

Governmental funds: (Continued)

• Transfers out for debt service and support of business activity funds decreased by \$1,275,766 in FY2016-2017. This decrease is primarily attributable to the transfers for the courthouse renovation project in the amount of \$1,426,225 in FY2015-2016 which did not recur in FY2016-2017.

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 \$107,708. This is a decrease from the prior year of \$15,433.

Unrestricted net position of the Broadband Authority at the end of the fiscal year was \$383,158 as compared to \$529,742 in the prior year, for a decrease of \$146,584. This is primarily attributable to the impact of increased expenditures relative to additional connections resulting from network expansion.

General Fund Budgetary Highlights

The final amended budgeted appropriations for the General Fund were \$1,055,804 more than the original budgeted expenditure appropriations, which is 3.1 percent of the total original budget, and can be briefly summarized as follows:

- A supplemental appropriation was approved for Health and Welfare expenditures in the amount of \$276,757. The appropriation was supported with state and federal revenues with the exception of \$55,757 provided from fund balance to meet funding match requirements.
- A supplemental appropriation of \$205,388 was approved for Asset Forfeiture proceeds to be utilized by the Sheriff and Commonwealth Attorney. The appropriation was supported with state receipts and must be expended in accordance with Virginia Forfeited Asset Sharing Program guidelines.
- A supplemental appropriation of \$456,186 was approved for additional expense for the public safety radio project.
- A supplemental appropriation of \$100,000 was approved for transfer to the Nelson County Broadband Authority.
- The Board approved various other supplemental appropriations. Refer to Schedule 2 for details of the increases and decreases by department.
- Contingency reserves also provided for various transfers within the General Fund appropriated budget.

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)

ernmental Activities	Business-ty	pe activities	101	al	
2016	2017	2016	2017	2016	
94,107 \$ 693,157	\$ 40,000	\$ 40,000 \$	734,107 \$	733,157	
	4,538,911	4,727,013	4,538,911	4,727,013	
58,006 21,717,158	-	-	23,358,006	21,717,158	
94,905 3,794,589	3,378,094	2,854,681	6,972,999	6,649,270	
54,025 5,067,077	-	-	3,754,025	5,067,077	
01,043 \$ 31,271,981	\$ 7,957,005	\$ 7,621,694	39,358,048 \$	38,893,675	
	2016 94,107 \$ 693,157 58,006 21,717,158 94,905 3,794,589 54,025 5,067,077	2017 2016 2017 94,107 \$ 693,157 \$ 40,000 4,538,911 58,006 21,717,158 - 94,905 3,794,589 3,378,094 54,025 5,067,077 -	2017 2016 2017 2016 94,107 \$ 693,157 \$ 40,000 \$ 40,000 \$ 4,538,911 4,727,013 58,006 21,717,158 94,905 3,794,589 3,378,094 2,854,681 54,025 5,067,077	2017 2016 2017 2016 2017 94,107 \$ 693,157 \$ 40,000 \$ 40,000 \$ 734,107 \$ - - 4,538,911 4,727,013 4,538,911 58,006 21,717,158 - - 23,358,006 94,905 3,794,589 3,378,094 2,854,681 6,972,999 54,025 5,067,077 - - 3,754,025	

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, 2017

		Governmenta	I Activities	Business-type	Activities	Tota	tal	
	_	2017	2016	2017	2016	2017	2016	
Lease Revenue Refunding	\$	7,565,000 \$	8,075,000 \$	- \$	- \$	7,565,000 \$	8,075,000	
General Obligation Bonds		6,720,000	7,500,000	-	-	6,720,000	7,500,000	
Revenue Bonds		4,440,000	5,080,000	1,055,758	1,072,046	5,495,758	6,152,046	
Refunding Revenue Bonds		5,100,000	5,655,000	-	-	5,100,000	5,655,000	
Retirement Incentive Loan		65,985	127,777	-	-	65,985	127,777	
Total	\$	23,890,985 \$	26,437,777 \$	1,055,758 \$	1,072,046 \$	24,946,743 \$	27,509,823	

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, <u>Code of Virginia</u>, 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.

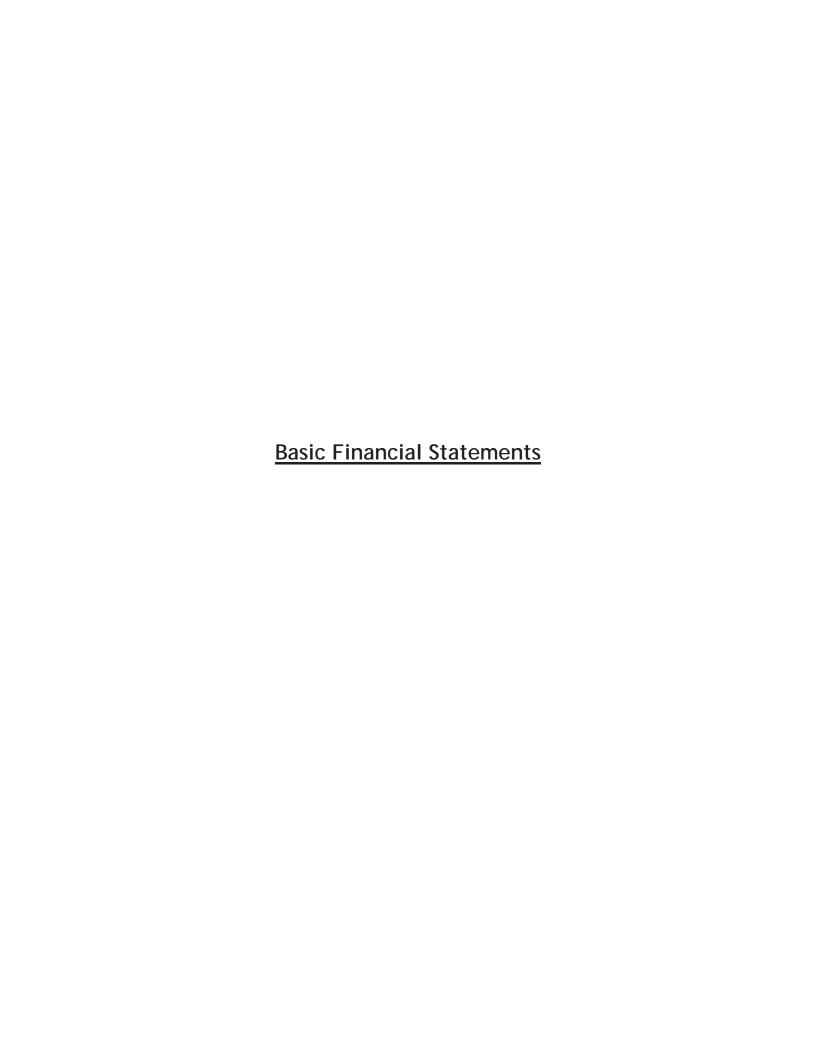
Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County was 3.8 percent (June 2017), which is an increase from the rate of 3.6 percent a year ago (June 2016). The rate still compares favorably to the state's average unemployment rate of 3.9 percent (June 2017) and the national average rate of 4.4 percent (June 2016). These rates were obtained from the Virginia Employment Commission's Labor Market Data.
- Due to current housing market conditions, the County incurred an increase in building permit fees of 4.3% for fiscal year 2016-2017, somewhat less than the 7.4% increase seen in fiscal year 2015-2016, 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, had remained fairly level with the exception of an unusually large transaction in Fiscal Year 2013-2014. However, in fiscal year 2016-2017, the County incurred an increase of 11.1% in recordation taxes.
- The property reassessment effective for 2014 reflected an 18.6% decline in property values with both real estate and personal property tax rates being adjusted to compensate for the decline in value. The reassessment for 2018 is almost completed. Tax years 2015, 2016, and 2017 reflected minimal growth in real property values and it is expected that 2018 real property values will reflect a modest decline.

All of these factors were considered in preparing the County's budget for the 2017-2018 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.









					Compone	nt Units
	Governmental Activities	· -	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS						
Cash and cash equivalents Restricted cash Receivables (not of allowance for upcellectibles):	\$ 22,988,350	\$	190,845 69,379	23,179,195 \$ 69,379	1,616,197 \$ -	38,422
Receivables (net of allowance for uncollectibles): Taxes receivable	12,714,255		-	12,714,255	_	_
Accounts receivable	502,936		81,180	584,116	11,956	85,120
Notes receivable	-		-	-	-	128,000
Connection fees receivable	-		277,703	277,703	-	-
Due from component unit	538,724		-	538,724	- F(0.021	-
Due from other governmental units Inventories	1,551,904		-	1,551,904	569,831 45,400	-
Prepaid items	26,696		-	26,696	21,142	_
Land held for resale	1,727,200		_	1,727,200		_
Capital assets (net of accumulated depreciation):	1,727,200			.,,2,,200		
Land and improvements	694,107		40,000	734,107	851,210	-
Buildings and improvements	23,358,006		-	23,358,006	14,914,065	-
Infrastructure and equipment	-		7,917,005	7,917,005	-	-
Machinery and equipment	3,594,905		-	3,594,905	1,515,663	-
Construction in progress	3,754,025		<u> </u>	3,754,025		
Total assets	\$ 71,451,108	\$	8,576,112 \$	80,027,220 \$	19,545,464_\$	251,542
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding	\$ 241,560	\$	- \$	241,560 \$	- \$	-
Pension deferrals	778,523		<u> </u>	778,523	3,475,974	
Total deferred outflows of resources	\$ 1,020,083	\$	\$	1,020,083 \$	3,475,974 \$	
Total assets and deferred outflows of resources	\$ 72,471,191	\$	8,576,112 \$	81,047,303 \$	23,021,438 \$	251,542
LIABILITIES						
Accounts payable	\$ 792,470	\$	56,066 \$	848,536 \$	71,670 \$	9,366
Accrued liabilities	-		-	-	844,487	-
Amounts held for others	141,837		-	141,837	-	-
Accrued interest payable	344,605		2,796	347,401	-	-
Due to primary government	-		-	-	538,724	-
Unearned revenue	10,267		-	10,267	8,485	-
Long-term liabilities: Due within one year	2,543,493		17,011	2,560,504	159,371	_
Due in more than one year	26,352,609		1,038,747	27,391,356	23,862,774	
Total liabilities	\$ 30,185,281	\$	1,114,620 \$	31,299,901 \$	25,485,511 \$	9,366
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - taxes	\$ 10,699,023	\$	- \$	10,699,023 \$	- \$	-
Items related to measurement of net pension liability	416,553			416,553	1,180,000	
Total deferred inflows of resources	\$ 11,115,576	\$	\$_	11,115,576 \$	1,180,000 \$	
NET POSITION						
Net investment in capital assets Restricted:	\$ 6,644,518	\$	6,901,247 \$	13,545,765 \$	15,546,620 \$	-
Debt service and bond covenants	_		69,379	69,379	_	-
Unrestricted (deficit)	24,525,816		490,866	25,016,682	(19,190,693)	242,176
Total net position	\$ 31,170,334	\$	7,461,492 \$	38,631,826 \$	(3,644,073) \$	242,176
Total liabilities, deferred inflows of resources and net						
position	\$ 72,471,191	\$	8,576,112 \$	81,047,303 \$	23,021,438 \$	251,542

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

			_	Program Revenues						
Functions/Programs		Expenses	- -	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$	2,195,124	\$	-	\$	213,730	\$	-		
Judicial administration		759,914		266,537		491,224		-		
Public safety		5,427,281		233,543		1,052,187		-		
Public works		2,131,248		200,195		6,516		-		
Health and welfare		2,961,759		-		1,662,702		-		
Education		17,177,335		-		-		-		
Parks, recreation, and cultural		587,648		44,810		38,325		-		
Community development		818,106		431		-		19,985		
Interest on long-term debt		804,949		-		-		-		
Total governmental activities	\$	32,863,364	\$	745,516	\$	3,464,684	\$	19,985		
Business-type activities:										
Piney River Water & Sewer		340,573		128,568		-		-		
Nelson County Broadband Authority	_	607,870		426,791		-		-		
Total primary government	\$_	33,811,807	\$	1,300,875	\$	3,464,684	\$	19,985		
COMPONENT UNITS:										
School Board	\$	27,112,002	\$	432,022	\$	10,224,288	\$	-		
Nelson County Economic Development Authority	_	48,149		32,000		-				
Total component units	\$_	27,160,151	\$	464,022	\$	10,224,288	\$			

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

	Pri	imary Governmer	nt			Compor	ner	ent Units				
	Governmental Activities	Business-type Activities	_	Total		School Board		Economic Development Authority				
\$	(1,981,394) \$	-	\$	(1,981,394)								
	(2,153)	-		(2,153)								
	(4,141,551)	-		(4,141,551)								
	(1,924,537)	-		(1,924,537)								
	(1,299,057)	-		(1,299,057)								
	(17,177,335)	-		(17,177,335)								
	(504,513)	-		(504,513)								
	(797,690)	-		(797,690)								
_	(804,949)			(804,949)								
\$	(28,633,179)	-	\$	(28,633,179)								
	-	(212,005)		(212,005)								
	-	(181,079)	_	(181,079)								
\$	(28,633,179) \$	(393,084)	\$	(29,026,263)								
					\$	(16,455,692)	\$	-				
					_	-	_	(16,149)				
					\$_	(16,455,692)	\$_	(16,149)				
\$	22,941,866 \$	· -	\$	22,941,866	\$	_	\$	_				
*	1,187,476	<u>-</u>	*	1,187,476	*	-	*	_				
	440,296	_		440,296		_		_				
	1,058,191	_		1,058,191		_		-				
	578,340	_		578,340		-		_				
	693,735	_		693,735		-		-				
	474,811	_		474,811		-		-				
	-	-		-		16,806,018		3,100				
	170,882	_		170,882		46		9,027				
	90,549	-		90,549		287,788		· -				
	2,406,195	-		2,406,195		-		-				
	(290,422)	290,422		-		-		_				
\$	29,751,919 \$	290,422	\$	30,042,341	\$	17,093,852	\$	12,127				
\$	1,118,740 \$	(102,662)	\$	1,016,078	\$	638,160	\$	(4,022)				
-	30,051,594	7,564,154	_	37,615,748	_	(4,282,233)	_	246,198				
\$	31,170,334 \$	7,461,492	\$	38,631,826	\$_	(3,644,073)	\$_	242,176				







Balance Sheet Governmental Funds At June 30, 2017

	_	General Fund		Debt Service Fund		Capital Projects Fund	G 	Other Sovernmental Fund	_	Total Governmental Funds
Assets										
Cash and cash equivalents Receivables (net of allowance):	\$	21,381,046	\$	245,044	\$	1,362,210	\$	50 \$	\$	22,988,350
Property taxes receivable, net		12,714,255		-		-		-		12,714,255
Accounts receivable		502,936		-		-		-		502,936
Due from component unit		538,724		-		-		-		538,724
Due from other governmental units		1,551,904		-		-		-		1,551,904
Prepaid items		26,696		-	_	-	_		_	26,696
Total assets	\$	36,715,561	\$	245,044	\$	1,362,210	\$_	50	\$_	38,322,865
Liabilities										
Accounts payable	\$	660,493	\$	-	\$	131,977	\$	- 9	\$	792,470
Amounts held for others		141,837		-		-		-		141,837
Unearned revenue		10,267		-		-	_	-	_	10,267
Total liabilities	\$	812,597	\$	-	\$	131,977	\$		\$_	944,574
Deferred Inflows of Resources										
Unavailable revenue - prepaid taxes	\$	288,712	\$	-	\$	-	\$	- 3	\$	288,712
Unavailable revenue - taxes		12,127,544		-		-	_	-	_	12,127,544
Total deferred inflows of resources	\$	12,416,256	\$_	-	\$	-	\$_	- :	\$_	12,416,256
Fund balance										
Nonspendable	\$	26,696	\$	-	\$	-	\$	- (\$	26,696
Committed		129,110		245,044		1,230,233		50		1,604,437
Unassigned	_	23,330,902		-	_	-	_		_	23,330,902
Total fund balances	\$	23,486,708	\$_	245,044	\$	1,230,233	\$_	50	\$_	24,962,035
Total liabilities, deferred inflows of	¢	2/ 745 5/4	φ.	245 044	ф	1 2/2 212	ф	F0 /	rt-	20 222 0/5
resources, and fund balances	\$ <u></u>	36,715,561		245,044	\$ _	1,362,210	* =	50	^ф =	38,322,865

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, 2017

Amounts reported for governmental activities in the statement of net position are different because:								
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	24,962,035						
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	Ψ	3,754,025						
Buildings and improvements, net of depreciation		13,457,132						
Equipment, net of depreciation		3,594,905						
School Board capital assets, net of depreciation		9,900,874		31,401,043				
	_	· ·	•					
Other long-term assets are not available to pay for current-period								
expenditures and, therefore, are unavailable in the funds.								
Unavailable revenue - property taxes	\$	1,717,233						
Land held for resale		1,727,200						
Items related to measurement of net pension liability	_	(416,553)		3,027,880				
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	\$	(344,605)						
Bonds, notes and capital leases payable		(23,825,000)						
Bond premiums		(1,173,085)						
Deferred charge on refunding		241,560						
Early retirement incentive obligation		(65,985)						
Net pension liability		(2,386,377)						
Net OPEB obligation		(41,893)						
Compensated absences		(344,184)						
Accrued landfill remediation costs		(1,059,578)		(28,999,147)				
Deferred outflows pension deferreds				770 500				
Deferred outflows - pension deferrals			-	778,523				
Net position of governmental activities			\$_	31,170,334				

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, 2017

	_	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes Other local taxes	\$	22,965,908 \$ 4,432,849	- \$		\$ -	\$ 22,965,908 4,432,849
Permits, privilege fees, and						
regulatory licenses		225,659	-	-	-	225,659
Fines and forfeitures		247,923	-	-	-	247,923
Revenue from the use of money		1/5 00/		4.007		170 000
and property		165,986	-	4,896	-	170,882
Charges for services		271,934	-	-	-	271,934
Miscellaneous Recovered costs		90,549	-	-	-	90,549
Intergovernmental:		691,451	-	-	-	691,451
Revenue from the Commonwealth		5,104,421	_	_	_	5,104,421
Revenue from the Federal Government		766,458	-	_	19,985	786,443
Revenue from the rederal dovernment	_	700,430			17,703	700,443
Total revenues	\$	34,963,138 \$	\$	4,896	\$ 19,985	\$ 34,988,019
Expenditures						
Current:						
General government administration	\$	1,844,773 \$	- \$	-	\$ -	\$ 1,844,773
Judicial administration		766,410	-	-	-	766,410
Public safety		5,002,511	-	-	-	5,002,511
Public works		1,901,844	-	-	-	1,901,844
Health and welfare		3,060,817	-	-	-	3,060,817
Education		15,770,335	-	-	-	15,770,335
Parks, recreation, and cultural		492,716	-	-	-	492,716
Community development		839,124	-	-	-	839,124
Nondepartmental		66,313	-	-	-	66,313
Capital projects Debt service:		1,026,564	-	2,148,905	-	3,175,469
Principal retirement		_	2,546,792	_	_	2,546,792
Interest and other fiscal charges	_		1,029,605			1,029,605
Total expenditures	\$	30,771,407 \$	3,576,397	2,148,905	\$	\$ 36,496,709
Excess (deficiency) of revenues over						
(under) expenditures	\$	4,191,731 \$	(3,576,397)	(2,144,009)	\$ 19,985	\$ (1,508,690)
Other financing sources (uses)						
Transfers in	\$	- \$	3,581,397	-	\$ -	\$ 3,581,397
Transfers out		(3,821,397)	-	-	(50,422)	(3,871,819)
Total other financing sources (uses)	\$	(3,821,397) \$	3,581,397	-		· ·
Net change in fund balances	\$	370,334 \$	5,000 \$			
Fund balance, beginning of year		23,116,374	240,044	3,374,242	30,487	26,761,147
Fund balance, end of year	\$	23,486,708 \$	245,044			
	=				-	-

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds - Exhibit 5		\$	(1,799,112)
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 capital outlays exceeded depreciation in the current period.			
Capital asset additions Depreciation expense	\$	3,166,339 (1,999,152)	1,167,187
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board			(1,038,125)
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	\$	(24,042)	
(Increase) decrease in deferred inflows related to the measurement of the net pension liability	_	894	(23,148)
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 in landfill liability	\$	(13,597)	
Repayments:	*	(,	
Lease revenue refunding bonds		510,000	
Less: Amortization of deferred charge on refunding		(41,134)	
General obligation school bonds		780,000	
Plus: Amortization of issuance premium Lease revenue bonds		35,138 640,000	
Plus: Amortization of issuance premium		86,417	
Infrastructure revenue bonds		555,000	
Plus: Amortization of issuance premium		106,716	
Early retirement incentive obligation		61,792	
Net adjustment	_	<u> </u>	2,720,332
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.		(4.0.47)	
Compensated absences	\$	(4,347)	
Net OPEB obligation		(18,453)	
Decrease (increase) in net pension liability		(210,710)	
(Decrease) increase in deferred outflows related to pensions		287,597	01 (04
Accrued interest payable	_	37,519	91,606
Change in net position of governmental activities		\$	1,118,740

Statement of Net Position Proprietary Funds At June 30, 2017

		Business-Ty	ре	Activities - En	terp	rise Funds
	•	Piney River		Nelson County		
		Water &		Broadband		
	_	Sewer Fund		Authority	_	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$	87,192	\$	103,653	\$	190,845
Restricted cash		69,379		-		69,379
Accounts receivable, net		30,189		50,991		81,180
Connection fees receivable, current portion	_	-		68,655	_	68,655
Total current assets	\$	186,760	\$	223,299	\$	410,059
Noncurrent assets:						
Capital Assets:						
Land	\$	40,000	\$	-	\$	40,000
Other capital assets, net of accumulated depreciation		4,538,911		3,378,094	_	7,917,005
Total capital assets	\$	4,578,911	\$	3,378,094	\$	7,957,005
Connection fees receivable, net of current portion	\$	-	\$	209,048	\$	209,048
Total noncurrent assets	\$	4,578,911	\$	3,587,142	\$	8,166,053
Total assets	\$	4,765,671	\$	3,810,441	\$_	8,576,112
Liabilities:						
Current liabilities:						
Accounts payable	\$	6,877	\$	49,189	\$	56,066
Accrued interest payable		2,796		-		2,796
Current portion of bonds payable		17,011		-		17,011
Total current liabilities	\$	26,684	\$	49,189	\$	75,873
Long-term liabilities						
Bonds payable, net of current portion	\$	1,038,747	\$	-	\$	1,038,747
Total long-term liabilities		1,038,747		-	_	1,038,747
Total liabilities	\$	1,065,431	\$	49,189	\$_	1,114,620
Net Position:						
Net investment in capital assets	\$	3,523,153	\$	3,378,094	\$	6,901,247
Restricted:						
Debt service and bond covenants		69,379		-		69,379
Unrestricted		107,708		383,158	_	490,866
Total net position	\$	3,700,240	\$	3,761,252	\$_	7,461,492

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2017

		Business-Type Activities - Enterprise Funds					
		Piney River Nelson Coun			/		
		Water &		Broadband			
	-	Sewer Fund	-	Authority	_	Total	
Operating revenues:							
Charges for services, net	\$	128,568	\$	426,791	\$	555,359	
Total operating revenues	\$	128,568	\$	426,791	\$	555,359	
Operating expenses:							
Water & sewer service	\$	38,362	\$	-	\$	38,362	
Maintenance & repairs		30,880		7,451		38,331	
Other charges		36,488		338,067		374,555	
Depreciation expense		188,102		262,352		450,454	
Total operating expenses	\$	293,832	\$	607,870	\$	901,702	
Operating income (loss)	\$_	(165,264)	\$_	(181,079)	\$_	(346,343)	
Nonoperating expense:							
Interest expense	\$	46,741	\$	-	\$	46,741	
Net nonoperating expense	\$	46,741	\$	-	\$	46,741	
Income(loss) before transfers	\$_	(212,005)	\$_	(181,079)	\$_	(393,084)	
Transfers:							
Transfers in	\$	40,000	\$	250,422	\$	290,422	
Total transfers	\$	40,000	\$	250,422	\$	290,422	
Change in net position	\$	(172,005)	\$	69,343	\$	(102,662)	
Net position, beginning of year	_	3,872,245	_	3,691,909	_	7,564,154	
Net position, end of year	\$	3,700,240	\$_	3,761,252	\$_	7,461,492	

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2017

		Business-Typ	эе	Activities - Enterp	orise Funds
		Piney River		Nelson County	
		Water &		Broadband	
		Sewer Fund		Authority	Total
Cash flows from operating activitites					
Receipts from customers	\$	131,870	\$	285,029 \$	416,899
Payments to suppliers		(105,578)		(355,510)	(461,088)
Net cash provided by (used for) operating activities	\$	26,292	\$	(70,481) \$	(44,189)
Cash flows from capital and related financing activities					
Purchases of capital assets	\$	-	\$	(478,279) \$	(478,279)
Principal repayments on bonds payable		(16,288)		-	(16,288)
Interest paid on bonds payable	·	(46,784)		- -	(46,784)
Net cash provided by (used for) capital and related		(()	_	()	(= = . · ·
financing activities	\$	(63,072)	\$	(478,279) \$	(541,351)
Cash flows from noncapital financing activities			_		
Transfers from local government	\$	40,000	\$	250,422 \$	290,422
Net increase (decrease) in cash and cash equivalents	\$	3,220	\$	(298,338) \$	(295,118)
Cash and cash equivalents, beginning of year		153,351		401,991	555,342
Cash and cash equivalents, end of year (including					
restricted cash of \$69,379)	\$	156,571	\$	103,653 \$	260,224
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$	(165,264)	\$	(181,079) \$	(346,343)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense Changes in assets and liabilities:		188,102		262,352	450,454
Accounts receivable		3,302		(141,762)	(138,460)
Accounts payable	ı	152		(9,992)	(9,840)
Net cash provided by (used for) operating activities	\$	26,292	\$	(70,481) \$	(44,189)
Supplemental information:					
Interest paid during year	\$	46,784	\$	- \$	46,784
Change in accrued interest payable	·	(43)			(43)
Interest expense for year	\$	46,741	\$	- \$	46,741

Statement of Fiduciary Net Position - Fiduciary Funds At June 30, 2017

	 Agency Funds
Assets:	
Cash and cash equivalents	\$ 505,164
Total assets	\$ 505,164
Liabilities:	
Amounts held for others	\$ 505,164
Total liabilities	\$ 505,164

Notes to Financial Statements As of June 30, 2017

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, 2017.

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 2017 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 \$285,813 for operations to the Jefferson-Madison Regional Library, \$98,586 to the Region Ten Community Services Board, \$17,741 to the Thomas Jefferson Planning District Commission, \$642,641 to the Albemarle-Charlottesville Regional Jail Authority, and \$96,500 to the Jefferson Area Board for Aging.

In June 2008, the County entered into a Use Agreement with the Region 2000 Services Authority to make use of its facilities. The Region 2000 Services Authority was formed by five participating jurisdictions to operate solid waste disposal landfills. The operating and debt service costs of the Region 2000 Services Authority are funded through the charging of tipping fees. In 2017, the County paid the Region 2000 Services Authority \$291,822 in tipping fees. See Note 19 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*.

<u>Statement of Net Position</u> - 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.

<u>Statement of Activities</u> - 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 2017.

1. Governmental Funds:

a. <u>General Fund</u>: 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.

The following is a brief description of the specific funds used by the County in fiscal year 2017.

- b. <u>Debt Service Fund</u>: 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. <u>Special Revenue Funds:</u> 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.
- d. <u>Capital Projects Fund:</u> 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.

Notes to Financial Statements As of June 30, 2017 (Continued)

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

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

4. Component Units: (Continued)

b. <u>Economic Development Authority:</u> 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 \$69,379 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.

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.

Notes to Financial Statements As of June 30, 2017 (Continued)

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

I. <u>Budgets and Budgetary Accounting: (Continued)</u>

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 Street Lights 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, 2017, 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.

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 \$157,536 at June 30, 2017. The allowance is comprised of property taxes, landfill fees, EMS charges, and sewer charges.

Notes to Financial Statements As of June 30, 2017 (Continued)

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

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.

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.

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.

Notes to Financial Statements As of June 30, 2017 (Continued)

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

N. Long-Term Obligations: (Continued)

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:

<u>Nonspendable fund balance</u> - 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.

<u>Restricted fund balance</u> - 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).

<u>Committed fund balance</u> - 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.

<u>Assigned fund balance</u> - 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.

<u>Unassigned fund balance</u> - 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.

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

O. Fund Equity: (Continued)

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 Inventory	\$ _	26,696 \$ 	-	\$ -	\$ _	-	\$ 26,696 \$ 	21,142 45,400
Total Nonspendable	\$_	26,696 \$	-	\$ -	\$	-	\$ 26,696 \$	66,542
Committed:								
Ryan School Reserve	\$	39,204 \$	-	\$ -	\$	-	\$ 39,204 \$	-
Reassessment		89,906	-	-		-	89,906	-
Debt Service		-	245,044	-		-	245,044	-
Community Development		-	-	-		50	50	
Textbooks		-	-	-		-	-	469,902
Cafeteria		-	-	-		-	-	304,627
Courthouse Construction			-	331,982		-	331,982	-
Capital Projects	_		-	 898,251		-	 898,251	
Total Committed	\$	129,110 \$	245,044	\$ 1,230,233	\$	50	\$ 1,604,437 \$	774,529
Unassigned	\$	23,330,903 \$	-	\$ -	\$	-	\$ 23,330,903 \$	(39,911)
Total Fund Balance	\$	23,486,709 \$	245,044	\$ 1,230,233	\$	50	\$ 24,962,036 \$	801,160

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.

Notes to Financial Statements As of June 30, 2017 (Continued)

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. <u>Deferred Outflows/Inflows of Resources</u>

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 two items that qualifies for reporting in this category. One item is the deferred amount 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. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on the pension item, reference the pension note.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The statement of financial position also reports deferred inflows of resources. The County has two types of items that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of 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. This also includes uncollected property taxes due prior to June 30. Under the accrual basis, 2nd half installments 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 are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on the pension item, reference the pension note.

Notes to Financial Statements As of June 30, 2017 (Continued)

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

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

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.

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, 2017 were held in the County's name by the County's custodial banks.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2017 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								
Local Government								
Rated Debt Investments		Fair Quality Ratings						
	_	AAAm						
Certificates of Deposit Local Government Investment Pool	\$	2,691,869 1,077,144						
Total	\$	3,769,013						
Component Unit Economic Developmen	t A	uthority						
Rated Debt Investments		Fair Quality Ratings						
		AAAm						
Local Government Investment Pool	\$	8,907						

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 Local Government Investment Pool	\$	2,691,869 1,086,051	\$	490,039 1,086,051	\$	2,201,830					
Total	\$	3,777,920	\$	1,576,090	\$	2,201,830					

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools: (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, 2017 consist of the following:

		Primary Gove	rnment		
	_	Governmental			
		Activities		Compone	ent Units
	-	General Fund	Business- Type Activities	School Board	Economic Development Authority
Property taxes	\$	12,862,461 \$	- \$	- \$	-
Penalties		45,760			
Utility taxes		44,096	-	-	-
Recordation taxes and court fees		58,865	-	-	-
Lodging fees		40,957	-	-	-
Meals taxes		104,879	-	-	-
Landfill fees		18,687	-	-	-
EMS revenue recovery		60,913	-	-	-
Note receivable		-	-	-	128,000
E-rate reimbursement		-	-	602	-
Sewer charges		-	37,339	-	-
Broadband charges		-	50,991	-	-
Broadband connection fees		-	277,703	-	-
Reimbursement		88,949	-	-	-
Insurance proceeds		5,696	-	-	-
Other	_	36,314		11,354	85,120
Total receivables	\$	13,367,577 \$	366,033 \$	11,956 \$	213,120
Allowance for uncollectibles	_	(150,386)	(7,150)		
Net receivables	\$_	13,217,191	358,883 \$	11,956 \$	213,120

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 3—RECEIVABLES: (CONTINUED)

A note receivable in the amount of \$128,000 was obtained in connection with the sale of land held by the Economic Development Authority (EDA) in December, 2007. The note and accrued interest were payable in full in June 2017. The note accrues interest at 7% per annum and is secured by a deed of trust. During 2017, the Board of the EDA agreed to extend the maturity date of the note to June 2018.

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	_	Prir	mary Government	<u> </u>	Component Unit
			Governmental	_	
			Activities		
	-		Other	_	
		General	Governmental		School
	_	Fund	Funds	Total	Board
Commonwealth of Virginia:					
Local sales taxes	\$	194,581 \$	- \$	194,581 \$	-
State sales taxes		-	-	-	387,446
Personal property tax relief act		734,930	-	734,930	-
Comprehensive Services Act		158,621	-	158,621	-
Public assistance		32,780	-	32,780	-
Communications tax		73,514	-	73,514	-
Rolling stock tax		98,273	-	98,273	-
Shared expenses and grants		114,290	-	114,290	-
Other		68,824		68,824	-
Federal government:					
Public assistance		54,094	-	54,094	-
Other		21,997	-	21,997	-
Federal pass-through school funds	_		-		182,385
Total	\$	1,551,904 \$	- \$	1,551,904 \$	569,831

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 5—INTERFUND ACTIVITY:

Primary Government: Transfers To/From Other Funds:		(0.504.005)
Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$	(3,581,397)
Transfer to the Broadband Fund		(200,000)
Transfer to the Piney River Water & Sewer fund to support operations		(40,000)
Net transfers from General Fund	\$_	(3,821,397)
Transfer from the General Fund to pay principal and interest on long-term debt	\$_	3,581,397
Net transfers to Debt Service Fund	\$_	3,581,397
Transfer to the Broadband Fund	\$_	(50,422)
Net transfers from the Housing Improvement Fund	\$_	(50,422)
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
Transfer from the Housing Improvment Fund to pay for broadband project		50,422
Net transfers to the Broadband Authority Fund	\$_	250,422

The component unit School Board consists of only one fund.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2017:

Primary Government:

Governmental Activities:

		Balance			Balance
		July 1,			June 30,
	_	2016	Increases	Decreases	2017
Capital assets not being depreciated: Land and land improvements	\$	693,157 \$	950 \$	- \$	694,107
Construction in progress	*	5,067,077	2,758,244	4,071,296	3,754,025
Total capital assets not being	_	<u> </u>	<u> </u>		
depreciated	\$_	5,760,234 \$	2,759,194 \$	4,071,296 \$	4,448,132
Other capital assets:	_				_
Buildings and improvements	\$	14,910,149 \$	3,683,241 \$	- \$	18,593,390
Furniture, equipment and vehicles		7,801,130	795,200	245,321	8,351,009
School buildings, improvements					
and equipment *	_	16,280,000	<u> </u>	1,525,000	14,755,000
Total other capital assets	\$_	38,991,279 \$	4,478,441 \$	1,770,321 \$	41,699,399
Less: Accumulated depreciation for:					
Buildings and improvements	\$	4,500,865 \$	635,393 \$	- \$	5,136,258
Furniture, equipment and vehicles		4,006,541	994,884	245,321	4,756,104
School buildings, improvements		4 072 12/	2/0.075	407.075	4 054 107
and equipment *	_	4,972,126	368,875	486,875	4,854,126
Total accumulated depreciation	\$_	13,479,532 \$	1,999,152 \$	732,196 \$	14,746,488
Other capital assets, net	\$_	25,511,747 \$	2,479,289 \$	1,038,125 \$	26,952,911
Net capital assets	\$_	31,271,981 \$	5,238,483 \$	5,109,421 \$	31,401,043
Depreciation expense was allocated as foll	ows:				
General government administration		\$	402,230		
Public safety			806,170		
Public works			277,446		
Health and welfare			22,060		
Education			368,875		
Parks, recreation and cultural			96,171		
Community development		-	26,200		
Total depreciation expense		\$ _	1,999,152		

^{*} 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, 2016		Increases		Decreases		Balance June 30, 2017
Capital assets not being depreciated: Land and land improvements	\$_	851,210	\$_ _	-	\$	\$	<u> </u>	851,210
Total capital assets not being depreciated	\$_	851,210	\$_	-	\$	\$	<u> </u>	851,210
Other capital assets: Buildings and improvements Furniture, equipment and vehicles School buildings, improvements and equipment allocated to County *	\$	46,412,233 \$ 5,483,695 (16,280,000)	\$	384,456 482,255 1,525,000	\$	- \$ -	5	46,796,689 5,965,950 (14,755,000)
Total other capital assets	\$_	35,615,928	\$_ _	2,391,711	\$	- \$	<u> </u>	38,007,639
Less: Accumulated depreciation for: Buildings and improvements Furniture, equipment and vehicles School buildings, improvements and equipment allocated to County *	\$	20,721,703 \$ 4,067,626 (4,972,126)	\$	1,260,047 382,661 (368,875)		- \$ - (486,875)	3	21,981,750 4,450,287 (4,854,126)
Total accumulated depreciation	\$_	19,817,203	\$_ _	1,273,833	\$	(486,875) \$	<u> </u>	21,577,911
Other capital assets, net	\$_	15,798,725	\$_	1,117,878	\$	486,875 \$	<u> </u>	16,429,728
Net capital assets	\$_	16,649,935	\$_	1,117,878	\$	486,875 \$;	17,280,938
Depreciation expense allocated to educat	ion	\$	\$_	1,273,833	<u>.</u>			

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

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

Net capital assets	\$ 31,401,043
Less: Long-term debt applicable to capital assets at June 30, 2017	 24,756,525
Net position net investment in capital assets	\$ 6,644,518

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Primary Government:								
Business-Type Activities:								
Piney River Water & Sewer		Balance						Balance
		July 1, 2016	_	Increases	_	Decreases		June 30, 2017
Capital assets not being depreciated: Land and land improvements Total capital assets not being	\$_	40,000	\$_	-	\$_	-	\$_	40,000
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	\$	1,838,171	\$	188,102	\$		¢	2,026,273
Total accumulated depreciation	\$ -	1,838,171	\$ -	188,102		-	\$ \$	2,026,273
Other capital assets, net	\$	4,727,013	\$	(188,102)	\$	-	\$	4,538,911
Net capital assets	\$_	4,767,013	\$_	(188,102)	\$	-	\$	4,578,911
Nelson County Broadband Authority								
		Balance July 1, 2016		Increases		Decreases		Balance June 30, 2017
Capital assets not being depreciated: Construction in progress	-		. -	Increases 75,867	\$	Decreases 383,353	. -	
• •	- \$_ \$_	July 1, 2016	\$ -		\$ \$		-	June 30,
Construction in progress Total capital assets not being depreciated Other capital assets:	\$_	July 1, 2016 307,486 307,486	\$	75,867 75,867	\$	383,353	\$	June 30, 2017 - -
Construction in progress Total capital assets not being depreciated		July 1, 2016 307,486	_	75,867	\$ _	383,353	-	June 30,
Construction in progress Total capital assets not being depreciated Other capital assets: Equipment Total other capital assets Less: Accumulated depreciation for:	\$_	July 1, 2016 307,486 307,486 3,593,230 3,593,230	\$ \$	75,867 75,867 785,765 785,765	\$ _	383,353	\$_ \$_	June 30, 2017 - - 4,378,995 4,378,995
Construction in progress Total capital assets not being depreciated Other capital assets: Equipment Total other capital assets Less: Accumulated depreciation for: Equipment	\$_	July 1, 2016 307,486 307,486 3,593,230 3,593,230 738,549	\$ - \$ - \$ - \$	75,867 75,867 785,765 785,765 262,352	\$ \$ \$	383,353	\$ _ \$ _ \$ _	June 30, 2017 - - 4,378,995 4,378,995 1,000,901
Construction in progress Total capital assets not being depreciated Other capital assets: Equipment Total other capital assets Less: Accumulated depreciation for:	\$ - \$ - \$ -	July 1, 2016 307,486 307,486 3,593,230 3,593,230	\$ - \$ - \$ - \$	75,867 75,867 785,765 785,765	\$ \$ \$	383,353	\$ - \$ - \$ -	June 30, 2017 - - 4,378,995 4,378,995
Construction in progress Total capital assets not being depreciated Other capital assets: Equipment Total other capital assets Less: Accumulated depreciation for: Equipment Total accumulated depreciation	\$ _ \$ _ \$ _ \$ _	July 1, 2016 307,486 307,486 3,593,230 3,593,230 738,549 738,549	\$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	75,867 75,867 785,765 785,765 262,352 262,352	\$ \$ \$	383,353	\$ - \$ - \$ - \$ -	June 30, 2017 - - 4,378,995 4,378,995 1,000,901 1,000,901
Construction in progress Total capital assets not being depreciated Other capital assets: Equipment Total other capital assets Less: Accumulated depreciation for: Equipment Total accumulated depreciation Other capital assets, net	\$ - \$ - \$ - \$ - \$ - \$ -	July 1, 2016 307,486 307,486 3,593,230 3,593,230 738,549 738,549 2,854,681 3,162,167	\$ \$ \$ \$ \$ \$ \$	75,867 75,867 785,765 785,765 262,352 262,352 523,413 599,280	\$ \$ \$ \$ \$ \$ \$ \$	383,353 383,353 - - - - - 383,353	\$ 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	June 30, 2017 4,378,995 4,378,995 1,000,901 1,000,901 3,378,094 3,378,094
Construction in progress Total capital assets not being depreciated Other capital assets: Equipment Total other capital assets Less: Accumulated depreciation for: Equipment Total accumulated depreciation Other capital assets, net Net capital assets Reconciliation of primary government (busine) Net capital assets	\$ _ \$ _ \$ _ \$ _ \$ _ \$ _ \$ _	July 1, 2016 307,486 307,486 3,593,230 3,593,230 738,549 738,549 2,854,681 3,162,167 pe activities)	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	75,867 75,867 785,765 785,765 262,352 262,352 523,413 599,280 t position investigation	\$ \$ \$ \$ \$ \$ \$ \$	383,353 383,353 - - - - - 383,353	\$ 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	June 30, 2017 4,378,995 4,378,995 1,000,901 1,000,901 3,378,094 3,378,094 sets. 7,957,005
Construction in progress Total capital assets not being depreciated Other capital assets: Equipment Total other capital assets Less: Accumulated depreciation for: Equipment Total accumulated depreciation Other capital assets, net Net capital assets Reconciliation of primary government (busine)	\$ _ \$ _ \$ _ \$ _ \$ _ \$ _ \$ _	July 1, 2016 307,486 307,486 3,593,230 3,593,230 738,549 738,549 2,854,681 3,162,167 pe activities)	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	75,867 75,867 785,765 785,765 262,352 262,352 523,413 599,280 t position investigation	\$ \$ \$ \$ \$ \$ \$ \$	383,353 383,353 - - - - - 383,353	\$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	June 30, 2017 4,378,995 4,378,995 1,000,901 1,000,901 3,378,094 3,378,094 sets.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

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

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2017:

	_	Balance July 1, 2016	Issuances/ Additions	 Retirements/ Reductions	Balance June 30, 2017
Primary Government:					
Governmental activities:					
Lease revenue refunding bonds	\$	8,075,000 \$	-	\$ 510,000 \$	7,565,000
General obligation bonds:					
School		7,500,000	-	780,000	6,720,000
Premium on issuance		157,534	-	35,138	122,396
Virginia Resource Authority:					
Infrastructure Revenue bonds:					
General		5,080,000	-	640,000	4,440,000
Premium on issuance		570,525	-	86,417	484,108
Refunding Revenue bonds:					
General		5,655,000	-	555,000	5,100,000
Premium on issuance		673,297	-	106,716	566,581
Retirement incentive obligation loan		127,777	-	61,792	65,985
Compensated absences		339,837	38,331	33,984	344,184
Net OPEB obligation		23,440	57,953	39,500	41,893
Net pension liability		2,175,667	1,713,058	1,502,348	2,386,377
Landfill liability	_	1,045,981	13,597	 	1,059,578
Total	\$_	31,424,058 \$	1,822,939	\$ 4,350,895 \$	28,896,102
Reconciliation to Exhibit 1: Long-term liabilities due within one y	ear			 <u> </u>	2,543,493
Long-term liabilities due in more than		e vear		Ψ	26,352,609
13as add	. 0.10	- J - u.		-	
Total				\$	28,896,102

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

	_	Balance Balance July 1, 2016	Issuances/ Additions		Retirements/ Reductions	Balance June 30, 2017
Business-type activities:						
USDA Water Revenue Bond	\$	454,056 \$	-	\$	7,070 \$	446,986
USDA Sewer Revenue Bond	_	617,990	-		9,218	608,772
	\$_	1,072,046 \$	-	_ \$ _	16,288 \$	1,055,758
Reconciliation to Exhibit 1:						
Long-term liabilities due within one	e year				\$	17,011
Long-term liabilities due in more th	nan one	year				1,038,747
Total					\$	1,055,758

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

Year Ending			
June 30,	Principal		Interest
2018	\$ 2,317,996	\$	973,892
2019	2,347,774		867,635
2020	2,208,570		770,354
2021	2,304,402		673,158
2022	2,400,272		574,174
2023-2027	9,930,831		1,466,594
2028-2032	2,734,226		280,397
2033-2037	179,589		135,771
2038-2042	223,632		91,728
2043-2047	278,486		36,874
2048	20,965		363
		•	
Total	\$ 24,946,743	\$	5,870,940

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

<u>Details of Long-term Indebtedness:</u>

		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%	\$	6,720,000	\$	820,000
Unamortized premium on issuance of 2003 School Bonds	_	122,396		30,973
Total general obligation school bonds	\$_	6,842,396	\$	850,973
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%	\$	7,565,000	\$	520,000
Total lease revenue refunding bonds	\$_	7,565,000	\$	520,000
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%.	\$	5,100,000	\$	570,000
Unamortized premium on issuance of 2013 VRA Bonds		566,581	*	97,771
	- \$	5,666,581	\$	667,771

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

<u>Details of Long-term Indebtedness: (Continued)</u>				
		Amount Outstanding		Amount Due in One Year
Governmental activities: (Continued) Virginia Resource Authority Infrastructure Revenue Bonds:	•		<u> </u>	
\$1,555,000 issued May 23, 2012 due in various installments of principal and interest through October 2022, interest payable semi-				
annually ranging from 3.445% to 5.125%.	\$	1,020,000	\$	150,000
Unamortized premium		91,603		27,098
\$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%.		3,420,000		175,000
Unamortized premium		392,505		52,248
Total Virginia Resource Authority Infrastructure Revenue Bonds	\$	4,924,108	\$	404,346
Loan Payable - Early Retirement Incentive Costs:	•		-	
The County School Board adopted the early retirement incentive program. The School Board's share of the liability for those employees who elected to participate totaled \$761,771. This obligation was refinanced with a loan from a bank in August, 1999. This liability is not included in the pension benefit obligation disclosed in Note 9. The loan is payable in annual installments of \$70,468 (including principal and interest) due May 1, 2018, interest				
at 6.79%.	\$	65,985	\$	65,985
Total governmental activities loans and bonds	\$	25,064,070	\$	2,509,075
Compensated absences	\$	344,184	\$_	34,418
Net OPEB obligation	\$	41,893	\$_	
Net pension liability	\$	2,386,377	\$	
Landfill liability	\$	1,059,578	\$_	
Total governmental activities obligations	\$	28,896,102	\$	2,543,493

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)			
Business-type activities:	-	Amount Outstanding	 Amount Due in One Year
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%	\$	446,986	\$ 7,374
\$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%	_	608,772	9,637
Total business-type activities long-term obligations	\$_	1,055,758	\$ 17,011

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 \$69,379 at June 30, 2017. The reserve has been reflected as restricted cash in the accompanying financial statements.

The County paid \$46,741 in interest on the USDA Water and Sewer Bonds in fiscal 2017, 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.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

Federal Arbitrage Regulations: (Continued)

The following is summary of long-term obligations transactions of the School Board for the year ended June 30, 2017:

	-	Balance July 1, 2016	Additions	 Retirements & Other Reductions	_	Balance June 30, 2017
Component Unit - School Board						
Compensated absences	\$	356,590 \$	29,521	\$ 35,659	\$	350,452
Energy improvement lease		1,851,400	-	117,082		1,734,318
Net Pension liability		19,279,073	5,826,256	3,516,455		21,588,874
Net OPEB obligation		323,001	118,300	 92,800		348,501
Total	\$	21,810,064 \$	5,974,077	\$ 3,761,996	\$_	24,022,145
Reconciliation to Exhibit 1:						
Long-term liabilities due within one y	ear				\$	159,371
Long-term liabilities due in more than		e year				23,862,774
Total					\$	24,022,145

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

Year Ending June 30,	Principal	Interest
2018	\$ 124,326	\$ 36,623
2019	131,868	33,910
2020	139,718	31,033
2021	147,888	27,985
2022	156,390	24,760
2022-2026	921,904	68,697
2027-2031	112,224	 1,206
Total	\$ 1,734,318	\$ 224,214

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

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.	\$_	1,734,318	\$_	124,326
Compensated absences	\$_	350,452	\$_	35,045
Net pension liability	\$_	21,588,874	\$_	
Net OPEB obligation	\$_	348,501	\$_	
Total School Board long-term obligations	\$_	24,022,145	\$	159,371

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 up to \$5,000 days of accrued vacation upon termination and ¼ the value of sick leave only at a rate of \$10 per day for sick leave only at retirement. 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, 2016	Net Increase/ (Decrease)	Balance June 30, 2017
Primary Government: Governmental activities	\$ 339,837	\$ 4,347	\$ 344,184
Component Unit School Board	\$ 356,590	\$ (6,138)	\$ 350,452

Notes to Financial Statements As of June 30, 2017 (Continued)

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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.			

NOTE 9-PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit		
		plan at retirement, a member may start receivir distributions from the balance in the defined contribution account, reflecting the contribution investment gains or losses, and any required fees.		
Eligible Members Employees are in Plan 1 if their membership date is before July 1 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.		Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-Apr 30, 2014; the plan's effective date for opt-in members was July 1, 2014.		
The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.		

NOTE 9-PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.		
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.		

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9-PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9-PENSION PLAN: (CONTINUED)

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

RETIREMENT PLAN PROVISIONS (CONTINUED)						
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN				
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) Defined Contributions Component: (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.				
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1				

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

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

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

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9-PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)								
PLAN 1								
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before		Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 optins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.						
becoming eligible for non-work-related disability benefits.	becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.						
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.						

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500. *Employees Covered by Benefit Terms*

As of the June 30, 2015 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	60	45
Inactive members: Vested inactive members	15	7
Non-vested inactive members	13	9
Inactive members active elsewhere in VRS	30	13
Total inactive members	58	29
Active members	92	80
Total covered employees	210	154

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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 contribution rate for the year ended June 30, 2017 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 \$344,144 and \$476,260 for the years ended June 30, 2017 and June 30, 2016, respectively.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Contributions (Continued)

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 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.

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 \$112,018 and \$131,798 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County/City/Town's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.35%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation*

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

^{*} 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.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

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

Inflation 2.5%

Salary increases, including inflation 3.5% - 4.75%

Investment rate of return 7.0%, net of pension plan investment

expense, 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.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9-PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
	*Expected arithme	tic nominal return	8.33%

^{*} Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, 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, 2018 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, 2015	\$	18,366,218	\$_	16,190,551	\$	2,175,667
Changes for the year:						
Service cost	\$	464,883	\$	-	\$	464,883
Interest		1,237,687		-		1,237,687
Differences between expected						
and actual experience		(577,384)		-		(577,384)
Contributions - employer		-		471,492		(471,492)
Contributions - employee		-		193,264		(193,264)
Net investment income		-		260,208		(260,208)
Benefit payments, including refunds						
of employee contributions		(1,369,946)		(1,369,946)		-
Administrative expenses		-		(10,372)		10,372
Other changes		-		(116)		116
Net changes	\$	(244,760)	\$	(455,470)	\$	210,710
Balances at June 30, 2016	\$	18,121,458	\$	15,735,081	\$	2,386,377

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9-PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability: (Continued)

	Component School Board (nonprofessional) Increase (Decrease)					
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$	6,877,456	\$	6,367,383	\$	510,073
Changes for the year:						
Service cost	\$	143,640	\$	-	\$	143,640
Interest		469,771		-		469,771
Differences between expected						
and actual experience		35,814		-		35,814
Contributions - employer		-		129,605		(129,605)
Contributions - employee		-		76,172		(76,172)
Net investment income		-		109,678		(109,678)
Benefit payments, including refunds						
of employee contributions		(332,889)		(332,889)		-
Administrative expenses		-		(3,984)		3,984
Other changes		-		(47)		47
Net changes	\$	316,336	\$	(21,465)	\$	337,801
Balances at June 30, 2016	\$	7,193,792	\$	6,345,918	\$	847,874

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		Current Rate		1% Increase	
	(6.00%)		(7.00%)		(8.00%)	
County Net Pension Liability (Asset)	\$ 4,595,468	\$	2,386,377	\$	537,213	
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 1,663,840	\$	847,874	\$	159,406	

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$261,595 and \$126,828, respectively. At June 30, 2016, 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:

						Component	Unit School		
		Primary Government				Board (nonprofessional)			
	-	Deferred		Deferred		Deferred	Deferred		
		Outflows of		Inflows of	Outflows of		Inflows of		
	_	Resources		Resources		Resources	Resources		
Differences between expected and actual experience	\$	9,068	\$	416,553	\$	42,626	\$ -		
Change in assumptions		-		-		-	-		
Net difference between projected and actual earnings on pension plan investments		425,311		-		165,262	-		
Employer contributions subsequent to the measurement date		344,144		-		112,018			
Total	\$	778,523	\$	416,553	\$	319,906	\$		

\$344,144 and \$112,018 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense information reporting periods as follows:

 Year ended June 30	Primary Government	_	School Board (nonprofessional)
2018	\$ (149,909)	\$	26,685
2019	(152,036)		17,695
2020	150,153		97,219
2021	169,618		66,289
Thereafter	-		-

Notes to Financial Statements As of June 30, 2017 (Continued)

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 <u>Code of Virginia</u>, 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% 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 actuarial rate for the Teacher Retirement Plan was 16.32. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$1,650,068 and \$1,689,453 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$20,741,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .14800% as compared to .14912% at June 30, 2015.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$1,765,000. 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, 2017, 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	\$	-	\$ 672,000
Change in assumptions		-	-
Net difference between projected and actual earnings on pension plan investments		1,185,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions		321,000	508,000
Employer contributions subsequent to the measurement date	_	1,650,068	
Total	\$	3,156,068	\$ 1,180,000

\$1,650,068 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year ended June 30	
2018	\$ (157,000)
2019	(157,000)
2020	444,000
2021	253,000
Thereafter	(57,000)

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.95%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation*

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

^{*} 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.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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 Plan Fiduciary Net Position	\$	44,182,326 30,168,211
Employers' Net Pension Liability (Asset)	\$	14,014,115
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

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.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
	*Expected arithme	tic nominal return	8.33%

^{*} Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 9-PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, 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, 2018 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		Current Rate		1% Increase
	(6.00%)	_	(7.00%)	_	(8.00%)
School division's proportionate					
share of the VRS Teacher					
Employee Retirement Plan					
Net Pension Liability (Asset)	\$ 29,566,000	\$	20,741,000	\$	13,471,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 10-OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE:

A. Plan Descriptions

County

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 200 - 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.

School Board

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

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Local Choice Expanded Benefits --PPO, (b) Local Choice 2000 - PPO, or (c) Local Choice High Deductible - 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 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.

Notes to Financial Statements As of June 30, 2017 (Continued)

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

B. Funding Policies

County

The contribution requirements of plan members and the County are established and may be amended by the County Board of Supervisors. For eligible retirees, 100% of the nominal premium is the responsibility of the retiree. As of January 1, 2017, monthly required premiums were as follows:

		Monthly premium owed by retiree						
	_	Retiree		Retiree and one dependent	Family			
Key Advantage 250 Comprehensive	\$	593	\$	1,097 \$	1,601			
Key Advantage 250 Preventative	\$	580	\$	1,073 \$	1,566			
Key Advantage Expanded Benefits Comprehensive	\$	650	\$	1,203 \$	1,755			
Key Advantage Expanded Benefits Preventative	\$	637	\$	1,178 \$	1,720			
Key Advantage 65	\$	160	\$	320	N/A			

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.

School Board

The contribution requirements of plan members and the School Board are established and may be amended by the School Board. For eligible retirees, 100% of the nominal premium is the responsibility of the retiree. For the year beginning January 1, 2017, monthly required premiums were as follows:

	_	Monthly premium owed by retiree						
		Retiree		Retiree and one dependent		Family		
Key Advantage 500 PPO	\$	539	\$	997	\$	1,455		
Key Advantage 250 PPO	\$	588	\$	1088	\$	1,588		
High Deductible Health Plan PPO	\$	451	\$	834	\$	1218		
Advantage 65 PPO	\$	190	\$	380		N/A		

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.

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

C. Annual OPEB Cost and Net OPEB Obligation

The County and the School Board's annual postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* (ARC) of the employer. The County and the School Board have elected to calculate the ARC as the normal cost plus the amortization of the unfunded portion of the actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and the School Board. The following table presents the components of the County's and the School Board's annual OPEB cost for the year, the estimated contributions to the Plans, and changes in the County's and the School Board's net obligations for the Plans:

	 County	School Board
Annual required contribution Interest on OPEB obligation Adjustment to ARC	\$ 58,000 820 (867)	\$ 124,600 11,300 (17,600)
Annual OPEB cost	\$ 57,953	\$ 118,300
Estimated contributions made	(39,500)	(92,800)
Increase in net OPEB obligation Net OPEB obligation at beginning of year	\$ 18,453 23,440	\$ 25,500 323,001
Net OPEB obligation at end of year	\$ 41,893	\$ 348,501

The County's and the School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2017 and the two preceding years were as follows:

Fiscal Year Ending:	Annual OPEB Cost						Annual Annual OPEB		Net OPEB Obligation
County: June 30, 2015 June 30, 2016 June 30, 2017	\$	58,442 57,050 57,953	98.39% 102.54% 68.16%	\$	24,890 23,440 41,893				
School Board: Non-professional June 30, 2015 June 30, 2016 June 30, 2017	\$	83,100 85,500 118,300	45.37% 56.26% 78.45%	\$	285,601 323,001 348,501				

Notes to Financial Statements As of June 30, 2017 (Continued)

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

D. Funded Status and Funding Progress

At January 1, 2017, the most recent actuarial valuation date, the County Plan was unfunded. The actuarial accrued liability for benefits was \$650,100, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$650,100. The covered payroll (annual payroll of active employees covered by the plan) was \$3,930,700, and the ratio of the UAAL to the covered payroll was \$16.54%.

At January 1, 2017, the most recent actuarial valuation date, the School Board Plan was unfunded. The actuarial accrued liability for benefits was \$1,102,400, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,102,400. The covered payroll (annual payroll of active employees covered by the plan) was \$13,116,400, and the ratio of the UAAL to the covered payroll was 8.40%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

County

In the January 1, 2017, most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return, and an annual healthcare cost trend rate based on the Getzen Trend Model (8.70% graded to 4.00% graded over 75 years). The payroll growth rate was assumed to be 3.00%.

The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at January 1, 2017 was 30 years.

Notes to Financial Statements As of June 30, 2017 (Continued)

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

E. Actuarial Methods and Assumptions: (Continued)

School Board

In the January 1, 2017, most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return, and an annual healthcare cost trend rate based on the Getzen Trend Model (8.90% graded to 4.30% graded over 58 years). The payroll growth rate was assumed to be 0.00%.

The UAAL is being amortized as a level percentage of payroll on a open basis. The remaining amortization period at January 1, 2017 was 30 years.

NOTE 11-VRS HEALTH INSURANCE CREDIT - OTHER POSTEMPLOYMENT BENEFITS:

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$126,828, \$126,828, and \$117,458, respectively and equaled the required contributions for each year.

NOTE 12-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, 2017.

NOTE 13-DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

Primary Government: Deferred/Unavailable tax revenue:	Government-wide Statements Governmental Activities	e - ·	Balance Sheet Governmental Funds
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.	-	\$	1,717,233
Second half installment due after June 30th	10,410,311		10,410,311
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	288,712		288,712
Total primary government	10,699,023	\$	12,416,256

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

NOTE 14—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, 2017, the County had connection fees receivable in the amount of \$277,703. The following is a schedule of the annual repayments.

Year		
Ending		
June 30,		Amount
2018	\$	68,655
2019		60,350
2020		78,492
2021		42,080
2022	_	28,126
	_	_
Total	\$_	277,703

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 15—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 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 16-LITIGATION:

At June 30, 2017, 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 17-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
-		

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 18—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.

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 19—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 \$1,059,578 as of June 30, 2017. 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.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 19—ACCRUED LANDFILL REMEDIATION COST: (CONTINUED)

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 20-RELATED PARTY TRANSACTIONS:

The County had certain transactions with the Nelson County Service Authority during fiscal year 2017. 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 21-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 2017. Eligible employees age 50 and over may defer up to \$24,000 in 2017. 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 22-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

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 23-FAIR VALUE MEASUREMENTS: (CONTINUED)

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

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

The County has the following recurring fair value measurements as of June 30, 2017:

			Fair Value Measurements Using						
		•	Quoted Prices in	Significant	Significant				
			Active Markets or	Other Observable	Unobservable				
			Identical Assets	Inputs	Inputs				
Investment	 6/30/2017		(Level 1)	(Level 2)	(Level 3)				
Certificates of Deposit	\$ 2,691,869	\$	2,691,869		<u> </u>				
	\$ 2,691,869	\$	2,691,869	\$	·				

NOTE 24—RESTATEMENT OF NET POSITION:

Net position at June 30, 2016 was restated as follows:

		Net Position
	_	Governmental Activities
Net Position as reported at June 30, 2016	\$	28,324,394
Land donated during FY 2016		1,727,200
Net Position as restated at June 30, 2016	\$	30,051,594

NOTE 25—Subsequent Event:

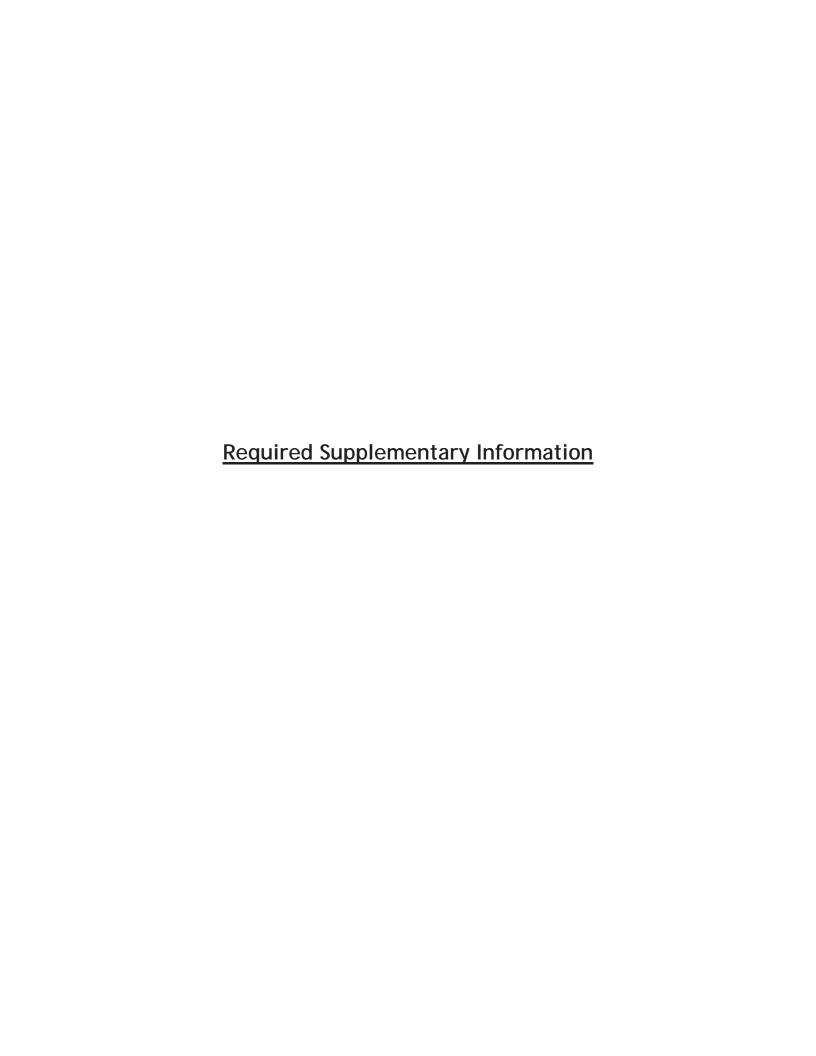
On September 11, 2017 the County sold land and received proceeds in the amount of \$1,727,200.

Notes to Financial Statements As of June 30, 2017 (Continued)

NOTE 26—UPCOMING PRONOUNCEMENTS:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

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



General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2017

	Budgeted A	Amounts		Actual	Variance with Final Budget - Positive
	 Original	Final	-	Amounts	(Negative)
REVENUES General property taxes Other local taxes	\$ 22,560,501 \$ 4,364,508	22,560,501 4,364,508	\$	22,965,908 \$ 4,432,849	
Permits, privilege fees, and regulatory licenses Fines and forfeitures	198,250 365,600	198,250 365,600		225,659 247,923	27,409 (117,677)
Revenue from the use of money and property Charges for services Miscellaneous Recovered costs	50,000 244,750 40,600 669,137	50,000 244,750 49,350 758,087		165,986 271,934 90,549 691,451	115,986 27,184 41,199 (66,636)
Intergovernmental: Commonwealth Federal	4,921,130 2,074,647	5,269,141 2,170,914		5,104,421 766,458	(164,720) (1,404,456)
Total revenues	\$ 35,489,123 \$	36,031,101	\$	34,963,138 \$	(1,067,963)
EXPENDITURES Current:					
General government administration Judicial administration Public safety	\$ 1,950,437 \$ 785,611 5,200,760	2,002,561 909,644 5,527,154	\$	1,844,773 \$ 766,410 5,002,511	5 157,788 143,234 524,643
Public works Health and welfare	2,029,306 2,566,073	2,088,421 2,842,830		1,901,844 3,060,817	186,577 (217,987)
Education Parks, recreation, and cultural Community development	15,738,329 500,260 823,444	15,996,715 509,337 873,031		15,770,335 492,716 839,124	226,380 16,621 33,907
Nondepartmental Capital projects	 1,844,612 2,337,410	1,155,226 2,927,127		66,313 1,026,564	1,088,913 1,900,563
Total expenditures	\$ 33,776,242 \$	34,832,046	\$_	30,771,407	4,060,639
Excess (deficiency) of revenues over (under) expenditures	\$ 1,712,881 \$	1,199,055	\$	4,191,731	2,992,676
OTHER FINANCING SOURCES (USES) Transfers out	\$ (3,546,397) \$	(3,646,396)	\$_	(3,821,397)	(175,001)
Total other financing sources (uses)	\$ (3,546,397) \$	(3,646,396)	\$_	(3,821,397)	(175,001)
Net change in fund balances Fund balances - beginning	\$ (1,833,516) \$ 1,833,516	(2,447,341) 2,447,341	\$	370,334 \$ 23,116,374	2,817,675
Fund balances - ending	\$ - \$	-	\$	23,486,708	23,486,708

Schedule of Changes in Net Pension Liability and Related Ratios Primary Government

For the Years Ended June 30, 2015 through June 30, 2017

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

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

Schedule of Changes in Net Pension Liability and Related Ratios Component Unit School Board (nonprofessional) For the Years Ended June 30, 2015 through June 30, 2017

		2014	_	2015	_	2016
Total pension liability						
Service cost	\$	154,252	\$	154,759	\$	143,640
Interest		424,255		445,743		469,771
Changes of benefit terms		-		-		-
Differences between expected and actual experience		-		45,500		35,814
Changes in assumptions		-		-		-
Benefit payments, including refunds of employee contributions	_	(270,446)	_	(272,613)	_	(332,889)
Net change in total pension liability	\$	308,061	\$	373,389	\$	316,336
Total pension liability - beginning	_	6,196,006	_	6,504,067	_	6,877,456
Total pension liability - ending (a)	\$	6,504,067	\$	6,877,456	\$	7,193,792
Plan fiduciary net position						
Contributions - employer	\$	146,724	\$	128,397	\$	129,605
Contributions - employee	Ф	79,650	φ	76,055	Φ	76,172
Net investment income		844,221		281,345		109,678
Benefit payments, including refunds of employee contributions		(270,446)		(272,613)		(332,889)
Administrative expense		(4,543)		(3,869)		(3,984)
Other		45		(60)		(47)
Net change in plan fiduciary net position	\$	795,651	\$	209,255	\$ -	(21,465)
Plan fiduciary net position - beginning	Ψ	5,362,477	Ψ	6,158,128	Ψ	6,367,383
Plan fiduciary net position - ending (b)	\$ -	6,158,128	\$	6,367,383	\$ -	6,345,918
Figure 1 ductor y fiet position - ending (b)	Ψ =	0,130,120	Ψ =	0,307,303	Ψ=	0,343,710
School Division's net pension liability - ending (a) - (b)	\$	345,939	\$	510,073	\$	847,874
Plan fiduciary net position as a percentage of the total						
pension liability		94.68%		92.58%		88.21%
Covered payroll	\$	1,594,791	\$	1,535,050	\$	1,567,154
School Division's net pension liability as a percentage of						
covered payroll		21.69%		33.23%		54.10%

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, 2017*

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

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

^{*} The amounts presented have a measurement date of the previous fiscal year end.

			С	ontributions in	١				
				Relation to					Contributions
		Contractually		Contractually		Contribution		Employer's	as a % of
		Required		Required		Deficiency		Covered	Covered
Data		Contribution		Contribution		(Excess)		Payroll	Payroll
Date		(1)	_	(2)		(3)		(4)	(5)
Primary Gov			ф	244 144	ф		ф	2 070 000	0.75%
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%
2008		323,958		323,958		-		3,305,692	9.80%
Component	Uni	t School Board (non	professional)					
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%
2008		154,682		154,682		-		1,596,308	9.69%
Component	Uni	t School Board ((prot	fessional)					
2017	\$	1,650,068	\$	1,650,068	\$	-	\$	11,255,580	14.66%
2016		1,689,453		1,689,453		-		12,016,024	14.06%
2015		1,606,740		1,606,740		-		11,080,965	14.50%

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

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

Notes to Required Supplementary Information For the Year Ended June 30, 2017

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, 2016 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

PRIMARY GOVERNMENT:

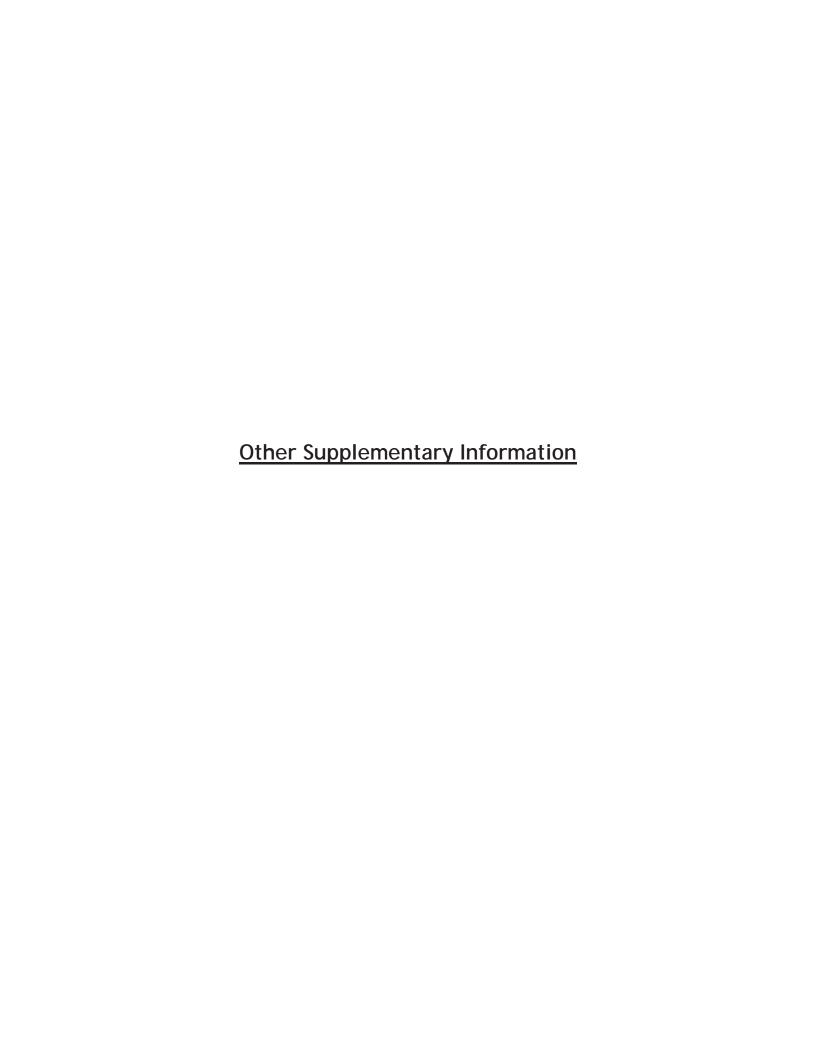
County Retiree Healthcare Plan

			Unfunded			
	Actuarial	Actuarial	Actuarial			UAAL
	Value of	Accrued	Accrued			as a % of
Actuarial	Assets	Liability	Liability	Funded	Covered	Covered
Valuation Date	(AVA)	(AAL)	(UAAL)	Ratio	Payroll	Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
January 1, 2013	\$ -	\$ 545,700 \$	545,700	\$ 0.00% \$	3,270,200	16.69%
January 1, 2015	-	603,500	603,500	0.00%	3,747,800	16.10%
January 1, 2017	-	650,100	650,100	0.00%	3,930,700	16.54%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Retiree Healthcare Plan

			Unfunded			
	Actuarial	Actuarial	Actuarial			UAAL
	Value of	Accrued	Accrued			as a % of
Actuarial	Assets	Liability	Liability	Funded	Covered	Covered
Valuation Date	(AVA)	(AAL)	(UAAL)	Ratio	Payroll	Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
January 1, 2013	\$ -	\$ 1,274,900 \$	1,274,900	0.00% \$	12,329,100	10.34%
January 1, 2015	-	785,400	785,400	0.00%	12,802,200	6.13%
January 1, 2017	-	1,102,400	1,102,400	0.00%	13,116,400	8.40%









Debt Service Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2017

								Variance with Final Budget -
		Budgete	d A	Amounts		Actual		Positive
	_	Original	Final	•	Amounts		(Negative)	
EXPENDITURES			_				_	
Debt service:								
Principal retirement	\$	2,546,792	\$	2,546,792	\$	2,546,792	\$	-
Interest and other fiscal charges	_	1,034,605	_	1,034,605		1,029,605	_	5,000
Total expenditures	\$_	3,581,397	\$_	3,581,397	\$	3,576,397	\$_	5,000
Excess (deficiency) of revenues over (under)								
expenditures	\$_	(3,581,397)	\$_	(3,581,397)	\$_	(3,576,397)	\$	5,000
OTHER FINANCING SOURCES (USES)								
Transfers in	\$_	3,581,397	\$_	3,581,397	\$_	3,581,397	\$	
Total other financing sources (uses)	\$_	3,581,397	\$_	3,581,397	\$	3,581,397	\$	-
Net change in fund balances	\$	-	\$	-	\$	5,000	\$	5,000
Fund balances - beginning	_	-	_			240,044	-	240,044
Fund balances - ending	\$_	-	\$_	-	\$	245,044	\$	245,044

Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

		Budgeted Amounts					Variance with Final Budget -
	_	Original		Final		Actual Amounts	 Positive (Negative)
REVENUES							
Revenue from the use of money and property	\$	100	\$_	100	\$_	4,896	\$ 4,796
Total revenues	\$	100	\$	100	\$	4,896	\$ 4,796
EXPENDITURES							
Capital projects	\$	3,290,322	\$_	3,690,322	\$_	2,148,905	\$ 1,541,417
Total expenditures	\$	3,290,322	\$	3,690,322	\$	2,148,905	\$ 1,541,417
Excess (deficiency) of revenues over (under)							
expenditures	\$	(3,290,222)	\$	(3,690,222)	\$	(2,144,009)	\$ 1,546,213
Net change in fund balances	\$	(3,290,222)	\$	(3,690,222)	\$	(2,144,009)	\$ 1,546,213
Fund balances - beginning	_	3,290,222	_	3,690,222	_	3,374,242	 (315,980)
Fund balances - ending	\$	-	\$	-	\$	1,230,233	\$ 1,230,233

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Nonmajor Special Revenue Fund For the Year Ended June 30, 2017

	Housing Improvement Fund									
		Budgeted	Am	ounts				Variance with Final Budget - Positive		
		Original		Final		Actual		(Negative)		
REVENUES							_			
Intergovernmental:										
Federal	\$	\$	<u> </u>	50,422	\$	19,985	\$	(30,437)		
Total revenues	\$_	\$	<u> </u>	50,422	\$	19,985	\$	(30,437)		
Excess (deficiency) of revenues over (under)										
expenditures	\$	\$	<u> </u>	50,422	\$	19,985	\$	(30,437)		
OTHER FINANCING SOURCES (USES)										
Transfers out	\$	\$	<u> </u>	(50,422)	\$	(50,422)	\$	-		
Total other financing sources (uses)	\$	\$		(50,422)	\$	(50,422)	\$			
Net change in fund balances	\$	- \$	5	-	\$	(30,437)	\$	(30,437)		
Fund balances - beginning				-	_	30,487		30,487		
Fund balances - ending	\$	- \$	S	-	\$	50	\$	50		

Combining Statement of Fiduciary Net Position Fiduciary Funds At June 30, 2017

	Agend				
	 Special		EMS	-	
	 Welfare		Loan Fund		Total
Assets					
Cash and cash equivalents	\$ 55,098	\$_	450,066	\$	505,164
Total assets	\$ 55,098	\$_	450,066	\$	505,164
Liabilities					
Amounts held for others	\$ 55,098	\$_	450,066	\$	505,164
Total liabilities	\$ 55,098	\$	450,066	\$	505,164

Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2017

	 Balance Beginning of Year		Additions		Deletions		Balance End of Year
Special Welfare Fund:							
Assets							
Cash and cash equivalents	\$ 52,223	\$	50,697	\$	47,822	\$	55,098
Other receivables	 921	_	-		921		
Total assets	\$ 53,144	\$	50,697	\$	48,743	\$	55,098
Liabilities							
Amounts held for others	\$ 53,144	\$_	50,697	\$_	48,743	\$_	55,098
EMS Loan Fund:							
Assets							
Cash and cash equivalents	\$ 338,767	\$_	146,299	\$_	35,000	\$	450,066
Liabilities							
Amounts held for others	\$ 338,767	\$_	146,299	\$	35,000	\$	450,066
Total Agency Funds							
Assets							
Cash and cash equivalents	\$ 390,990	\$	196,996	\$	82,822	\$	505,164
Other receivables	921		-		921	·	-
Total assets	391,911		196,996	_	83,743	_	505,164
Liabilities							
Amounts held for others	\$ 391,911	\$_	196,996	\$_	83,743	\$_	505,164

Discretely Presented Component Unit School Board Balance Sheet At June 30, 2017

	_	School Operating Fund
Assets		
Cash and cash equivalents	\$	1,616,197
Receivables:		
Accounts receivable		11,956
Due from other governments		569,831
Inventories		45,400
Prepaid items	_	21,142
Total assets	\$_	2,264,526
Liabilities		
Accounts payable	\$	71,670
Accrued liabilities		844,487
Due to primary government		538,724
Deferred revenue	_	8,485
Total liabilities	\$_	1,463,366
Fund balance		
Nonspendable	\$	66,542
Committed		774,529
Unassigned	_	(39,911)
Total fund balances	\$_	801,160
Total liabilities and fund balance	\$_	2,264,526

Discretely Presented Component Unit School Board Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position At June 30, 2017

At June 30, 2017				
Total fund balance for governmental fund (Exhibit 20)			\$	801,160
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		24,814,939		
Equipment, net of depreciation		1,515,663		
School Board capital assets in primary government, net of depreciation	_	(9,900,874)		17,280,938
Items related to measurement of net pension liability not available to pay for				
current-period expenditures				(1,180,000)
Deferred outflows related to pensions				3,475,974
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	\$	(350,452)		
Energy improvement lease		(1,734,318)		
Net pension liability		(21,588,874)		
Net OPEB obligation		(348,501)	_	(24,022,145)
Total net position of governmental activities (Exhibit 1)			\$_	(3,644,073)

Discretely Presented Component Unit School Board Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund For the Year Ended June 30, 2017

	School Operating Fund
Revenues	
Revenue from the use of money and property \$	46
Charges for services	432,022
Miscellaneous	287,788
Recovered costs	262,351
Intergovernmental:	
Appropriations from primary government	15,767,893
Commonwealth	8,503,805
Federal	1,720,483
Total revenues \$	26,974,388
Expenditures	
Current:	
Education	
Instruction \$	16,992,566
Administration, attendance and health	1,122,066
Transportation	2,506,474
Facilities operations	2,473,147
School food services	1,152,584
Facilities	797,090
Technology	1,615,375
Debt service:	
Principal retirement	117,082
Interest and other fiscal charges	39,179
Total expenditures \$	26,815,563
Excess (deficiency) of revenues over (under)	
expenditures \$	158,825
Fund balance, beginning of year	642,335
Fund balance, end of year \$	801,160

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, 2017

Net change in fund balance - total governmental fund (Exhibit 22)

\$ 158,825

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
Depreciation expense

\$ 866,711

(1,273,833) (407,122)

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

1,038,125

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

886,567

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	
Energy improvement lease	
Decrease (increase) in net pension	n liability
Decrease (increase) in deferred o	utflows related to pensions
Net OPEB obligation	

6,138 117,082 (2,309,801)

1,173,846

\$

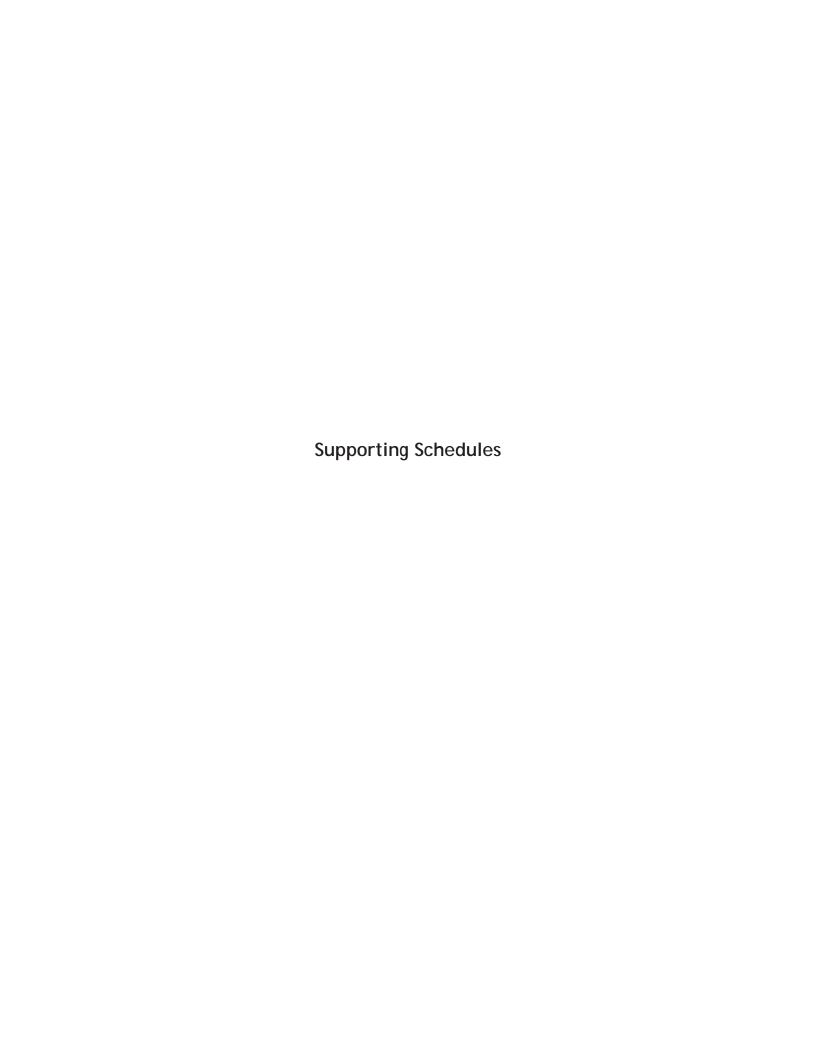
(25,500) (1,038,235)

Change in net position of governmental activities (Exhibit 2)

638,160

Discretely Presented Component Unit School Board Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2017

	School Operating Fund												
								Variance with					
								Final Budget					
	-	Budgete	d A		-	Actual		Positive					
REVENUES	-	Original		Final	-	Actual		(Negative)					
	¢		\$		\$	46	ф	46					
Revenue from the use of money and property Charges for services	\$	484,717	Ф	472,717	Ф	432,022	Φ	(40,695)					
Miscellaneous		270,415		285,069		287,788		2,719					
Recovered costs		320,785		320,785		262,351		(58,434)					
Intergovernmental:		320,703		320,703		202,331		(30,434)					
Local government		15,735,887		15,994,273		15,767,893		(226,380)					
Commonwealth		8,796,761		8,787,532		8,503,805		(283,727)					
Federal		1,718,747		1,725,322		1,720,483		(4,839)					
1000101	_	177107717		177207022		1//20/100		(1/00//					
Total revenues	\$_	27,327,312	\$_	27,585,698	\$_	26,974,388	\$	(611,310)					
EXPENDITURES													
Current:													
Education													
Instruction	\$	17,609,061	\$	17,675,610	\$	16,992,566	\$	683,044					
Administration, attendance and health		1,082,025		1,131,959		1,122,066		9,893					
Transportation		2,586,356		2,637,615		2,506,474		131,141					
Facilities operations		2,776,317		3,273,440		2,473,147		800,293					
School food services		1,061,546		1,061,546		1,152,584		(91,038)					
Facilities		325,000		742,912		797,090		(54,178)					
Technology		1,521,492		1,283,975		1,615,375		(331,400)					
Debt service:													
Principal retirement		117,082		117,082		117,082		-					
Interest and other fiscal charges	_	39,179		39,179		39,179							
Total expenditures	\$_	27,118,058	\$_	27,963,318	\$_	26,815,563	\$	1,147,755					
Excess (deficiency) of revenues over (under)													
expenditures	\$	209,254	\$	(377,620)	\$	158,825	\$	536,445					
Fund balances - beginning	_	-		168,366		642,335		473,969					
Fund balances - ending	\$_	209,254	\$_	(209,254)	\$_	801,160	\$	1,010,414					





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	\$	17,667,996	\$	17,667,996 \$	17,862,654 \$	194,658
Real and personal public service corporation taxes		813,000		813,000	834,046	21,046
Personal property taxes		3,714,505		3,714,505	3,837,921	123,416
Mobile home taxes		30,000		30,000	30,935	935
Machinery and tools taxes		15,000		15,000	46,547	31,547
Penalties		170,000		170,000	206,840	36,840
Interest	_	150,000	_	150,000	146,965	(3,035)
Total general property taxes	\$	22,560,501	\$_	22,560,501 \$	22,965,908 \$	405,407
Other local taxes:						
Local sales and use taxes	\$	1,225,540	\$	1,225,540 \$	1,187,476 \$	(38,064)
Consumers' utility taxes		475,000		475,000	440,296	(34,704)
Business license taxes		30,000		30,000	35,070	5,070
Utility franchise taxes		98,000		98,000	129,829	31,829
Motor vehicle licenses		710,968		710,968	693,735	(17,233)
Bank franchise tax		70,000		70,000	73,416	3,416
Taxes on recordation and wills		225,000		225,000	235,922	10,922
Transient occupancy tax		510,000		510,000	578,340	68,340
Meals tax		1,020,000		1,020,000	1,058,191	38,191
Street light tax		=		<u>-</u>	574	574
Total other local taxes	\$	4,364,508	\$_	4,364,508 \$	4,432,849 \$	68,341
Permits, privilege fees, and regulatory licenses:						
Animal licenses	\$	12,000	\$	12,000 \$	12,276 \$	276
Dog pound fees	•	2,000	•	2,000	2,424	424
Land use application fees		10,000		10,000	11,888	1,888
Transfer fees		750		750	884	134
Zoning & Subdivision fees		10,000		10,000	6,890	(3,110)
Building permits		136,000		136,000	161,387	25,387
Building inspection fees		10,000		10,000	8,086	(1,914)
Well & Septic fees		6,000		6,000	4,700	(1,300)
Land disturbing fees		8,000		8,000	14,140	6,140
Tourism collections		3,500	_	3,500	2,984	(516)
Total permits, privilege fees, and regulatory licenses	\$	198,250	\$_	198,250 \$	225,659 \$	27,409
Fines and forfeitures:						
Court fines and forfeitures	\$	365,600	\$_	365,600 \$	247,923 \$	(117,677)
Total fines and forfeitures	\$	365,600	\$_	365,600 \$	247,923 \$	(117,677)
Revenue from use of money and property:						
Revenue from use of money	\$	50,000	\$	50,000 \$	126,594 \$	76,594
Revenue from use of property	_	- -		<u> </u>	39,392	39,392
Total revenue from use of money and property	\$	50,000	\$	50,000 \$	165,986 \$	115,986
	_					

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 \$	7,884 \$	(116)
Law library fees		3,000		3,000	2,050	(950)
Courthouse maintenance fees		8,000		8,000	8,130	130
Document reproduction fees		3,500		3,500	3,630	130
Excess fees paid to Circuit Court		-		-	30	30
Court appointed attorney fees		1,000		1,000	2,438	1,438
Fingerprint/Report fees		250		250	253	3
Cost of postage - Circuit Court		-		-	804	804
Charges for Commonwealth's Attorney		800		800	1,279	479
Charges for sanitation and waste removal		170,000		170,000	200,195	30,195
Charges for parks and recreation		50,000		50,000	44,810	(5,190)
Sale of literature	_	200		200	431	231
Total charges for services	\$_	244,750	\$	244,750 \$	271,934 \$	27,184
Miscellaneous:						
Expenditure refunds	\$	15,000	\$	15,000 \$	40,462 \$	25,462
Other miscellaneous	_	25,600		34,350	50,087	15,737
Total miscellaneous	\$	40,600	\$	49,350 \$	90,549 \$	41,199
Recovered costs:						
DSS Reimbursement	\$	75,000	\$	75,000 \$	71,581 \$	(3,419)
School Resource officer and other costs		25,000		25,000	11,704	(13,296)
Jaunt Wintergreen		37,952		37,952	43,887	5,935
Colleen water & sewer connection fees		-		-	34,000	34,000
DMV stop fees		25,000		25,000	28,535	3,535
EMS revenue recovery		485,000		485,000	390,688	(94,312)
Forest Service Coop. agreement		5,000		5,000	-	(5,000)
Shared network maintenance fee		16,185		16,185	18,685	2,500
Devils Knob Generator		-		88,950	88,949	(1)
Other recovered costs	_	-	_		3,422	3,422
Total recovered costs	\$	669,137	\$_	758,087 \$	691,451 \$	(66,636)
Total revenue from local sources	\$_	28,493,346	\$	28,591,046 \$	29,092,259 \$	501,213
Intergovernmental: Revenue from the Commonwealth: Payments in lieu of taxes						
Timber sales	\$	-	\$_	\$	2,002 \$	2,002
Total payments in lieu of taxes	\$	-	\$_	- \$	2,002 \$	2,002
Noncategorical aid:						
Motor vehicle carriers' tax	\$	105,000	\$	105,000 \$	101,405 \$	(3,595)
Mobile home titling tax		10,000		10,000	25,878	15,878
Tax on deeds		55,000		55,000	59,566	4,566
Communication sales & use tax		475,000		475,000	447,164	(27,836)
Personal property tax relief funds		1,708,030		1,708,030	1,708,030	-
Total noncategorical aid	\$	2,353,030	\$	2,353,030 \$	2,342,043 \$	(10,987)
·	_	· · · · · · · · · · · · · · · · · · ·				, , ,

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 Sheriff Commissioner of revenue	\$	221,697 \$ 792,285 86,702 93,799	221,697 \$ 792,285 86,702 93,799	218,655 \$ 777,221 84,347	(3,042) (15,064) (2,355)
Treasurer Registrar/electoral board Clerk of the Circuit Court		35,480 203,291	35,480 203,291	92,354 37,029 215,289	(1,445) 1,549 11,998
Total shared expenses	\$	1,433,254 \$	1,433,254 \$	1,424,895 \$	(8,359)
Welfare: Public assistance and welfare administration	\$	351,824 \$	376,824 \$	370,757 \$	(6,067)
Other categorical aid: E911 wireless grant Fire programs Four for life	\$	192,000 \$ 48,000 18,000	192,000 \$ 48,000 18,000	44,414 \$ 48,742 17,595	(147,586) 742 (405)
Litter control grant Victim-witness grant VJCCCA Dept - Juvenile Justice		6,757 22,647 10,364	6,757 81,467 10,364	6,516 13,711 10,364	(241) (67,756)
Comprehensive services act Asset forfeiture proceeds Performance arts grant		463,854 - 5,000	564,604 129,031 5,000	635,021 130,436 5,000	70,417 1,405 -
Library grant Other categorical		16,400	31,410 19,400	33,325 19,600	1,915 200
Total other categorical aid Total categorical aid	\$ \$	783,022 \$ 2,568,100 \$	1,106,033 \$ 2,916,111 \$	964,724 \$ 2,760,376 \$	(141,309) (155,735)
Total revenue from the Commonwealth	\$	4,921,130 \$	5,269,141 \$	5,104,421 \$	(164,720)
Revenue from the federal government: Noncategorical aid:	_				_
Payments in lieu of taxes Categorical aid:	\$	54,000 \$	54,000 \$	62,150 \$	8,150
Public assistance and welfare administration Victim witness program Sheriff's grants	\$	527,737 \$ -	622,737 \$ - 1,267	656,924 \$ 43,569 2,160	34,187 43,569 893
SCAAP (federal prisoners) Sheriff's Byrne Grant		- - -	-	1,083 572	1,083 572
Tunnel Grant (TEA-21) Total categorical aid	\$	1,492,910 2,020,647 \$	1,492,910 2,116,914 \$	704,308 \$	(1,492,910)
Total revenue from the federal government	\$	2,074,647 \$	2,170,914 \$	766,458 \$	(1,404,456)
Total General Fund	\$	35,489,123 \$	36,031,101 \$	34,963,138 \$	(1,067,963)

Fund, Major and Minor Revenue Source		Original Budget		Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: Housing Improvement Fund: Intergovernmental Revenue: Revenue from the Federal Government:						
Categorical aid:	•		•	50.400 A	40.005 4	(00, 407)
Community Development Block Grant Total Housing Improvement Fund	\$_ \$	<u>-</u>	- ^{\$} - \$	50,422 \$ 50,422 \$	19,985 \$ 19,985 \$	(30,437)
	Φ=		= [•] =	JU,422 \$	17,70J ş	(30,437)
Capital Projects Fund: Revenue from local sources: Revenue from use of money and property: Revenue from the use of money Total revenue from use of money and property	\$_	100	_\$_	100 \$	4,896 4,896	4,796 4,796
rotal rotolide from doe of money and property		100			1,070	1,7,70
Total revenue from local sources	\$_	100		100 \$	4,896 \$	4,796
Total Capital Projects Fund	\$	100		100 \$	4,896 \$	4,796
Total Primary Government	\$	35,489,223	\$_	36,081,623 \$	34,988,019 \$	(1,093,604)
Discretely Presented Component Unit - School Board: School Operating Fund: Revenue from local sources: Revenue from use of money and property: Provenue from the use of money.	\$		\$	- \$	46 \$	46
Revenue from the use of money Charges for services: Charges for education	\$ \$	16,000	- ' -	 4,000 \$	4,000 \$	40
Charges for cafeteria	Ψ	468,717	Ψ	468,717	428,022	(40,695)
Total charges for services	\$	484,717	\$	472,717 \$	432,022 \$	(40,695)
Miscellaneous revenue:		070 445		225.0/2.4	007.700 +	0.740
Other miscellaneous Total miscellaneous revenue	\$_ \$	270,415 270,415		285,069 \$ 285,069 \$	287,788 \$ 287,788 \$	2,719
Recovered costs:	Ψ_	270,413	- Ψ_	φ	201,100 φ	2,717
Other recovered costs	\$	320,785	\$_	320,785 \$	262,351 \$	(58,434)
Total recovered costs	\$	320,785	\$_	320,785 \$	262,351 \$	(58,434)
Total revenue from local sources	\$	1,075,917	\$	1,078,571 \$	982,207 \$	(96,364)
Intergovernmental: Revenues from local governments: Contribution from County of Nelson, Virginia	\$	15,735,887	\$	15,994,273 \$	15,767,893 \$	(226,380)
Total revenues from local governments	* <u>-</u> \$	15,735,887		15,994,273 \$	15,767,893 \$	(226,380)
Revenue from the Commonwealth: Categorical aid: Share of state sales tax	\$ \$	2,194,986		2,208,834 \$	2,147,896 \$	(60,938)
Basic school aid Remedial education	Ψ	3,810,080 140,254	Ψ	3,810,080 140,254	3,625,846 134,078	(184,234) (6,176)

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 \$	502,901	\$	502,901 \$	480,755 \$	(22,146)
Vocational standards of quality payments	128,631		128,631	122,967	(5,664)
Fringe benefits	722,194		722,194	690,391	(31,803)
VPSA technology	308,000		308,000	308,000	- (7, 070)
At risk payments	162,746		162,746	155,468	(7,278)
Primary class size	149,666		149,666	140,515	(9,151)
Other state funds	677,303	_	654,226	697,889	43,663
Total categorical aid \$_	8,796,761	_\$_	8,787,532 \$	8,503,805 \$	(283,727)
Total revenue from the Commonwealth \$_	8,796,761	\$_	8,787,532 \$	8,503,805 \$	(283,727)
Revenue from the federal government:					
Categorical aid:					
Forest reserve \$	3,882	\$	3,882 \$	3,516 \$	(366)
Title 1/A grants to LEAs	457,165		457,165	448,226	(8,939)
IDEA 611 flow-through (Title VI-B)	444,528		444,528	446,913	2,385
Rural and safe schools	84,744		84,744	28,834	(55,910)
Title 1 - Carl Perkins vocational	35,883		35,883	27,002	(8,881)
Preschool grants/special ed	12,581		12,581	3,111	(9,470)
Title III language acquisition	15,514		15,514	8,994	(6,520)
Title II part A	89,450		89,450	85,681	(3,769)
Advance placement grant	-		487	487	-
School food	575,000		581,088	599,730	18,642
School food commodities	-	_		67,989	67,989
Total categorical aid \$_	1,718,747	\$	1,725,322 \$	1,720,483 \$	(4,839)
Total School Operating Fund \$	27,327,312	\$	27,585,698 \$	26,974,388 \$	(611,310)

Schedule of Expenditures - Budget and Actual Governmental Funds

For the Year Ended June 30, 2017

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	\$	119,761	\$	119,761	\$	118,256	\$	1,505
General and financial administration: County administrator County attorney Commissioner of revenue Reassessment Treasurer Finance and accounting Technology Land use panel	\$	328,279 90,000 235,171 227,000 304,055 259,853 256,715 4,506	_	334,945 95,000 238,351 227,000 307,768 269,641 259,156 4,506	_	335,278 93,653 237,976 159,390 303,222 252,776 199,183 1,069		(333) 1,347 375 67,610 4,546 16,865 59,973 3,437
Total general and financial administration	\$	1,705,579	\$_	1,736,367	\$_	1,582,547	\$	153,820
Board of elections: Board of elections Registrar	\$	32,810 92,287	\$	48,574 97,859	\$	46,794 97,176	\$	1,780 683
Total board of elections	\$	125,097	\$_	146,433	\$_	143,970	\$	2,463
Total general government administration	\$	1,950,437	\$_	2,002,561	\$_	1,844,773	\$	157,788
Judicial administration: Courts: Circuit court General district court VJCCA Juvenile and domestic relations court Magistrate Clerk of the circuit court	\$	30,292 6,330 40,566 6,734 325 354,971	\$	33,292 6,330 49,558 6,734 325 386,381	\$	31,551 4,910 15,281 3,643 1 339,194	\$	1,741 1,420 34,277 3,091 324 47,187
Total courts	\$	439,218	\$	482,620	\$	394,580	\$	88,040
Commonwealth's attorney: Commonwealth's attorney Total commonwealth's attorney	\$_ \$_	346,393 346,393	_	427,024 427,024	_	371,830 371,830		55,194 55,194
Total judicial administration	\$	785,611	\$_	909,644	\$_	766,410	\$_	143,234
Public safety: Law enforcement and traffic control: Sheriff E-911 Emergency services council Emergency services T.J. EMS Council Fire protection Paid EMS Forestry service	\$	1,551,908 425,229 643,811 434,426 9,473 156,000 785,134 20,821	\$	1,690,912 515,450 649,311 465,632 19,629 156,000 785,134 20,821	\$	1,479,270 459,136 588,974 413,964 19,629 156,000 712,825 20,821	\$	211,642 56,314 60,337 51,668 - - 72,309

Schedule of Expenditures - Budget and Actual Governmental Funds

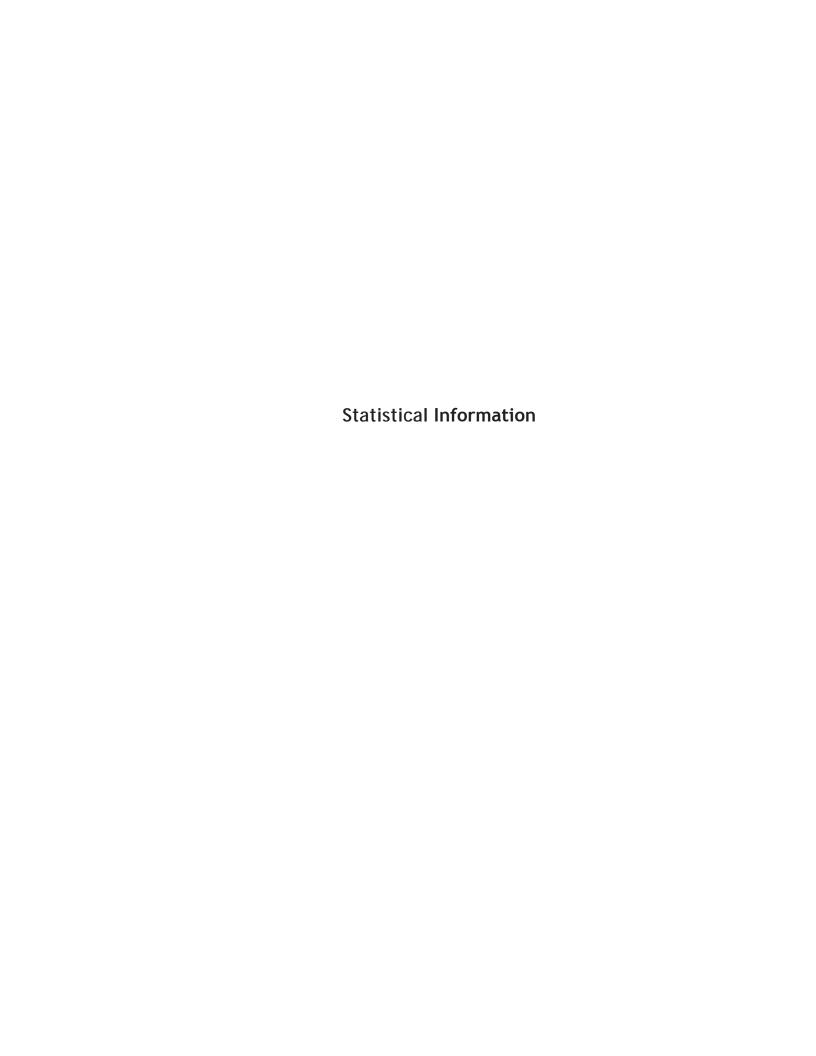
For the Year Ended June 30, 2017

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	\$	651,817	\$	689,900 \$	642,641	\$	47,259
Building inspector	*	289,291	*	296,515	296,197	*	318
Animal control		227,838		227,838	203,102		24,736
Humane Society of Nelson County		-		5,000	5,000		-
OAR/Jefferson Area Community Corrections		4,852		4,852	4,852		-
RVVFD							-
Medical examiner	_	160		160	100	_	60
Total law enforcement and traffic control	\$	5,200,760	\$_	5,527,154 \$	5,002,511	\$_	524,643
Total public safety	\$	5,200,760	\$_	5,527,154 \$	5,002,511	\$_	524,643
Public works: Maintenance of highways, streets, bridges and sidewalks:	¢	254 200	ф	200 042 ф	204 002	¢	02.041
Automotive/motor pool	\$_	256,300	\$_	289,943 \$	206,082	,) _	83,861
Total maintenance of highways, streets, bridges & sidewalks	\$	256,300	\$_	289,943 \$	206,082	\$_	83,861
Sanitation and waste removal: Refuse collection and disposal	\$_	1,061,020	\$_	1,066,953 \$	987,964	\$_	78,989
Total sanitation and waste removal	\$_	1,061,020	\$_	1,066,953 \$	987,964	\$_	78,989
Maintenance of general buildings and grounds: General properties	\$	711,986	\$_	731,525 \$	707,798	\$_	23,727
Total maintenance of general buildings and grounds	\$_	711,986	\$_	731,525 \$	707,798	\$_	23,727
Total public works	\$	2,029,306	\$_	2,088,421 \$	1,901,844	\$_	186,577
Health and welfare: Health:	_		_				
Health department	\$	244,979	- \$ _	244,979 \$	244,979	\$_	
Total health	\$_	244,979	\$_	244,979 \$	244,979	\$_	
Mental health and mental retardation: Region Ten community services board	\$_	98,586	\$_	98,586 \$	98,586	\$_	-
Total mental health and mental retardation	\$	98,586	\$_	98,586 \$	98,586	\$_	

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 MACAA Senior center meals At risk youth program Shelter for help JAUNT JABA Sexual assualt resource agency CASA of Central Virginia Tax relief for the elderly Total welfare Total health and welfare	\$ _ \$_ \$	1,241,610 31,410 22,165 714,135 8,160 104,128 96,500 900 3,500 - 2,222,508 2,566,073	- \$ -	1,363,367 31,410 22,165 869,135 8,160 104,128 96,500 900 3,500 - 2,499,265 2,842,830		1,264,933 31,410 16,621 996,708 8,160 104,128 96,500 900 3,500 194,392 2,717,252 3,060,817		98,434 - 5,544 (127,573) - - - - (194,392) (217,987) (217,987)
Education:	Ψ_	2,000,070	-Ψ_	2,042,030	- Ψ -	3,000,017	-Ψ_	(217,707)
Other instructional costs: Community College Appropriation to public school system	\$	2,442 15,735,887	\$	2,442 15,994,273	\$	2,442 15,767,893	\$	- 226,380
Total education	\$_	15,738,329	\$	15,996,715	\$_	15,770,335	\$_	226,380
Parks, recreation, and cultural: Parks and recreation: Parks and recreation	\$_	204,297		213,374		196,903		16,471
Total parks and recreation Cultural enrichment: Wintergreen Performing Arts	\$_ \$_	204,297	\$_ \$_	213,374	- ^{\$} - _ \$ _	196,903	\$_ \$_	16,471
Total cultural enrichment	\$_	10,000	\$_	10,000	\$_	10,000	\$_	
Library: Regional library	\$_	285,963	\$_	285,963	\$_	285,813	\$_	150
Total library	\$_	285,963	\$_	285,963	\$_	285,813	\$_	150
Total parks, recreation, and cultural	\$_	500,260	\$	509,337	\$_	492,716	\$_	16,621
Community development: Planning and community development: Planning Community development Thomas Jefferson Planning District Commission Virginia Institute of Government Colleen water/sewer subsidy Central Virginia Small Business Development Center Anti-litter program Nelson County Economic Development Authority Central Virginia Partnership for Economic Development Nelson County Community Development Foundation	\$	173,491 301,371 17,741 1,000 162,812 5,000 6,757 3,100 10,000 55,729	\$	184,234 336,367 17,741 1,000 162,812 5,000 6,757 3,100 10,000 55,729	\$	163,709 329,797 17,741 1,000 162,812 5,000 - 3,100 10,000 55,729	\$	20,525 6,570 - - - - - 6,757 - -
Total planning and community development	\$	737,001	- \$	782,740	\$	748,888	\$	33,852
The production of the producti	Ť-	, 00 1	- ´ -	. 32,0	- ´ -		- * -	30,002

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	\$_	53,368	\$	57,216	\$_	57,161	\$_	55
Total cooperative extension program	\$_	53,368	\$	57,216	\$	57,161	\$_	55
Total community development	\$_	823,444	\$	873,031	\$	839,124	\$	33,907
Nondepartmental: Refunds Reserve for contingency Other nondepartmental	\$	48,064 1,674,008 122,540	\$	48,064 1,076,320 30,842	\$	38,021 - 28,292	\$	10,043 1,076,320 2,550
Total nondepartmental	\$_	1,844,612	\$	1,155,226	\$	66,313	\$_	1,088,913
Capital projects: Blue Ridge Tunnel (TEA-21) Callohill maintenance building Emergency services vehicles Public safety radio project E911 equipment Broadband network improvements Other capital projects	\$	1,555,410 71,000 320,000 - 346,000 - 45,000	\$	1,555,410 71,000 389,545 456,186 346,000 35,198 73,788	\$	6,557 86,528 389,545 456,945 - 29,866 57,123	\$	1,548,853 (15,528) - (759) 346,000 5,332 16,665
Total capital projects	\$_	2,337,410	\$	2,927,127	\$	1,026,564	\$_	1,900,563
Total General Fund	\$_	33,776,242	\$	34,832,046	\$_	30,771,407	\$	4,060,639
Debt Service Fund: Debt service: Principal retirement Interest and other fiscal charges	\$	2,546,792 1,034,605	\$	2,546,792 1,034,605	\$	2,546,792 1,029,605	\$	- 5,000
Total Debt Service Fund	\$_	3,581,397	\$	3,581,397	\$	3,576,397	\$	5,000
Capital Projects Fund: Capital projects expenditures: Courthouse construction Contingencies	= \$	2,232,157 1,058,165	\$	2,632,157 1,058,165	\$	2,148,905 -	\$	483,252 1,058,165
Total capital projects	\$	3,290,322	\$	3,690,322	\$	2,148,905	\$	1,541,417
Total Capital Projects Fund	\$	3,290,322	\$	3,690,322	\$	2,148,905	\$	1,541,417
Total Primary Government	\$_	40,647,961	\$	42,103,765	\$	36,496,709	\$	5,607,056

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	\$	17,609,061	\$	17,675,610	\$	16,992,566	\$	683,044
Total instruction costs	*- \$	17,609,061	-	17,675,610		16,992,566		683,044
Operating costs: Administration, attendance and health services Pupil transportation Operation and maintenance of school plant School food Facilities Technology Total operating costs	\$ \$ - \$_	1,082,025 2,586,356 2,776,317 1,061,546 325,000 1,521,492 9,352,736	\$	1,131,959 2,637,615 3,273,440 1,061,546 742,912 1,283,975 10,131,447		1,122,066 2,506,474 2,473,147 1,152,584 797,090 1,615,375 9,666,736		9,893 131,141 800,293 (91,038) (54,178) (331,400) 464,711
Total education Debt service: Principal retirement Interest and other fiscal charges Total debt service	\$_ \$_ \$_	26,961,797 117,082 39,179 156,261	\$	27,807,057 117,082 39,179 156,261	\$	26,659,302 117,082 39,179 156,261	\$	1,147,755 - - -
Total School Operating Fund Total Discretely Presented Component Unit-School Board	\$ * *_	27,118,058 27,118,058	= =	27,963,318 27,963,318	= =	26,815,563 26,815,563	= =	1,147,755 1,147,755





COUNTY OF NELSON, VIRGINIA

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

General				Health		Parks, Recreation,		Interest	
	Judicial Administration	Public Safety	Public Works	and Welfare	Education	and Cultural	Community Development	on Long- Term Debt	Total
\$ 991,62		750,073 \$ 3,633,406 \$	1,980,213 \$	2,274,350 \$	1,980,213 \$ 2,274,350 \$ 12,706,379 \$	983,322 \$	1,260,873 \$	1,535,839 \$ 27,003,621	27,003,621
	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
	691,588	3,374,456	2,448,517	2,586,290	13,861,510	550,664	830,793	1,404,206	27,363,088
	666,374	3,373,814	2,067,363	2,356,458	14,266,695	565,713	724,030	1,472,808	27,431,774
	692,589	4,131,423	2,215,956	2,272,554	15,227,323	599,470	812,186	1,502,603	29,439,461
	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
	760,170	5,037,123	2,121,760	2,506,489	16,169,175	565,861	928,029	968,301	31,080,986
	709,914	5,130,442	2,051,142	2,366,870	15,784,538	568,093	773,915	866,705	30,182,635
	717,437	5,158,634	1,982,740	2,684,740	16,010,197	574,628	762,775	964,793	30,805,277
	759,914	5,427,281	2,131,248	2,961,759	17,177,335	587,648	818, 106	804,949	32,863,364

(1) Primary Government's Governmental Activities only

COUNTY OF NELSON, VIRGINIA

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

	Total	29,803,302	29,669,553	29,862,228	30,324,680	32,505,285	32,148,212	32,705,569	33,548,338	33,791,114	34,272,526
	Grants and Contributions Not Restricted to Specific Programs	1,923,332 \$	1,946,684	1,900,031	2,670,871	2,395,975	2,526,847	2,458,708	2,412,973	2,398,629	2,406,195
S	Miscel- laneous	216,226 \$	136,135	169,732	84,056	066'89	120,335	80,201	71,605	131,388	90,549
GENERAL REVENUES	Use of Money and Property	535,958 \$	264,340	180,395	331,077	154,369	110,011	125,442	59,213	166,633	170,882
GEN	Other Local Taxes	3,776,293 \$	3,612,363	3,867,866	3,496,429	3,610,714	3,912,469	4,022,028	4,256,941	4,167,376	4,432,849
	General Property Taxes	16,116,702 \$	18,681,477	18,800,138	19,270,265	20,120,918	21,421,597	21,779,423	22,191,371	22,900,404	22,941,866
S	Capital Grants and Contributions	3,095,040 \$	1,212,338	931,093	509,872	2,753,439	655,166	431,654	753,001	201,490	19,985
PROGRAM REVENUES	Operating Grants and Contributions	3,301,632 \$	2,978,055	3,183,247	2,979,948	2,659,104	2,721,650	2,924,866	2,868,264	3,080,455	3,464,684
PRO	Charges for Services C	838,119 \$	838,161	829,726	982,162	741,776	680,137	883,247	934,970	744,739	745,516
	Fiscal	2008 \$	2009	2010	2011	2012	2013	2014	2015	2016	2017

(1) Primary Government's Governmental Activities only

COUNTY OF NELSON, VIRGINIA

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

	Total	40,338,756	40,736,287	40,592,338	41,674,148	42,416,166	43,328,845	44,072,620	45,586,189	45,486,503	46,194,514
Inter-	governmental	17,883,642 \$	15,891,311	15,945,385	15,906,458	16,549,968	15,399,851	15,322,742	16,099,840	16,102,394	16,115,152
Recovered	Costs	520,374 \$	789,033	639,925	715,060	640,168	774,339	1,078,722	979,519	834,401	953,802
Miscel-	laneous	442,172 \$	437,519	409,099	341,485	403,542	471,690	321,102	361,098	421,705	378,337
Charges	Services	934,725 \$	838,092	711,513	711,271	677,916	675,143	683,538	709,735	686'869	703,956
Revenues from the Use of Money &	Property	542,196 \$	264,942	180,510	331,246	154,542	110,098	125,478	59,237	166,667	170,928
Fines &	Forfeitures	59,473 \$	179,627	301,608	358,244	237,993	278,688	436,296	367,860	269,649	247,923
Permit Privilege Fees & Regulatory	Licenses	313,533 \$	276,174	171,420	243,522	177,207	176,921	188,116	289,183	220,105	225,659
Other Local	Taxes	3,776,293 \$	3,566,133	3,651,556	3,538,978	3,610,714	3,912,469	4,022,028	4,256,941	4,167,376	4,432,849
General Property	Taxes	2008 \$ 15,866,348 \$ 3,776,293 \$	18,493,456	18,581,322	19,527,884	19,964,116	21,529,646	21,894,598	22,462,776	22,605,217	22,965,908
Fiscal	Year	2008 \$	2009	2010	2011	2012	2013	2014	2015	2016	2017

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

COUNTY OF NELSON, VIRGINIA

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

Total	3,469,550 \$ 42,632,053	40,313,649	42,542,694	41,707,130	42,573,266	42,153,733	44,190,749	43,584,827	46,172,368	47,544,379
Debt Service		3,368,077	3,305,908	3,252,478	4,083,263	3,429,231	3,309,774	3,407,600	3,563,805	3,732,658
Capital Projects	2,765,619 \$	1,705,948	4,775,336	3,805,237	3,011,998	1,463,724	2,593,285	2,368,313	3,700,404	3,175,469
Nondepart- mental	\$		97,360	119,572	62,459	87,166	65,419	84,208	69,951	66,313
Community Develop- ment	1,272,646 \$	1,256,028	734,577	742,872	941,321	1,502,758	789,983	771,534	818,236	839,124
Recreation and Cultural	1,094,156 \$	534,228	428,721	437,357	448,611	465,924	459,772	468,588	474,866	492,716
Education (2)	2008 \$ 1,814,008 \$ 753,803 \$ 3,787,098 \$ 2,030,006 \$ 2,333,862 \$ 23,311,305 \$	23,563,538	22,960,454	23,206,251	23,717,607	23,920,947	25,079,440	25,064,722	25,579,745	26,661,744
Health and Welfare	2,333,862 \$	2,162,372	2,625,881	2,400,582	2,326,951	2,446,824	2,517,465	2,502,319	2,780,209	3,060,817
Public Works	2,030,006 \$	1,859,280	1,580,185	1,512,532	1,701,133	1,766,078	2,057,624	1,835,938	1,809,476	1,901,844
Public Safety	\$ 860'181'8	3,490,000	3,854,484	3,760,748	3,902,854	4,452,145	4,838,651	4,715,943	4,956,762	5,002,511
Judicial Admini- stration	753,803 \$	715,250	705,391	666,374	692,589	733,316	757,806	731,991	749,324	766,410
General Admini- stration	1,814,008 \$	1,658,928	1,474,397	1,803,127	1,684,480	1,885,620	1,721,530	1,633,671	1,669,590	1,844,773
Fiscal Year	2008 \$	2009	2010	2011	2012	2013	2014	2015	2016	2017

(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

Property Tax Levies and Collections Last Ten Fiscal Years

ı	ent (1) x tions	rcent Delinquent (1) F Levy Tax Ilected Collections	Current Percent Delinquent (1) Tax (1) of Levy Tax Collections Collections
€	359,787	95.29% \$ 859,787	
	760,255	95.26% 760,255	
	575,464	95.27% 675,464	
	275,961	96.20% 1,275,961	
	383,820	96.77% 883,820	
	026'096	97.95% 960,970	
	378,931	97.36% 878,931	
	389,526	97.68% 889,526	
	916,054	98.32% 916,054	
	344 757	98 32%	

installment is June 5. The tax levy includes the second half of the prior year Real estate taxes are collected in installments. The due date of the first half and first half of the current year real estate tax levies. (1) Exclusive of penalties and interest.(2) Real estate taxes are collected in in

COUNTY OF NELSON, VIRGINIA

Assessed Value of Taxable Property Last Ten Fiscal Years

	Estate	Property	Mobile Homes	Machinery & Tools	Public Utility	Total
2008 \$	2,845,613,076 \$	123,677,866 \$	5,389,338 \$	1,116,973 \$	42,226,210 \$	3,018,023,463
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

Noto

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

Property Tax Rates (1) Last Ten Fiscal Years

Machinery and Tools	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Mobile Homes	0.55	0.55	0.55	0.55	.55/.60	09.0	0.60/.72	0.72	0.72	0.72
Personal Property	2.95	2.95	2.95	2.95	2.95	2.95	2.95/3.45	3.45	3.45	3.45
Real Estate	0.55	0.55	0.55	0.55	.55/.60	09.0	0.60/.72	0.72	0.72	0.72
Tax Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017

(1) Per \$100 of assessed value

COUNTY OF NELSON, VIRGINIA

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

Net Bonded Debt per Capita	1,982	1,879	1,979	2,084	2,143	2,022	1,939	1,776	1,882	1,695
Ratio of Net General Obligation Debt to Assessed	1.00%	0.92%	%96.0	1.01%	1.04%	%96.0	0.97%	0.97%	1.03%	0.91%
Net Bonded Debt	30,041,693	28,486,506	30,010,227	31,598,761	32,496,317	30,656,196	28,677,466	26,270,402	27,839,133	25,064,070
Less: Debt Service Monies	1,328,085	1,301,739	1,322,904	1,613,157	1	1	ı	ı	1	•
Gross Bonded Debt (3)	31,369,778	29,788,245	31,333,131	33,211,918	32,496,317	30,656,196	28,677,466	26,270,402	27,839,133	25,064,070
Assessed Value	3,018,023,463	3,112,391,609	3,129,845,370	3,130,182,686	3,138,735,840	3,186,785,555	2,954,058,221	2,699,716,814	2,691,916,710	2,742,069,072
Popu-	15,161	15,161	15,161	15,161	15,161	15,161	14,789	14,789	14,789	14,789
Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017

(1) U.S. Bureau of the Census

(2) From Table 6

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

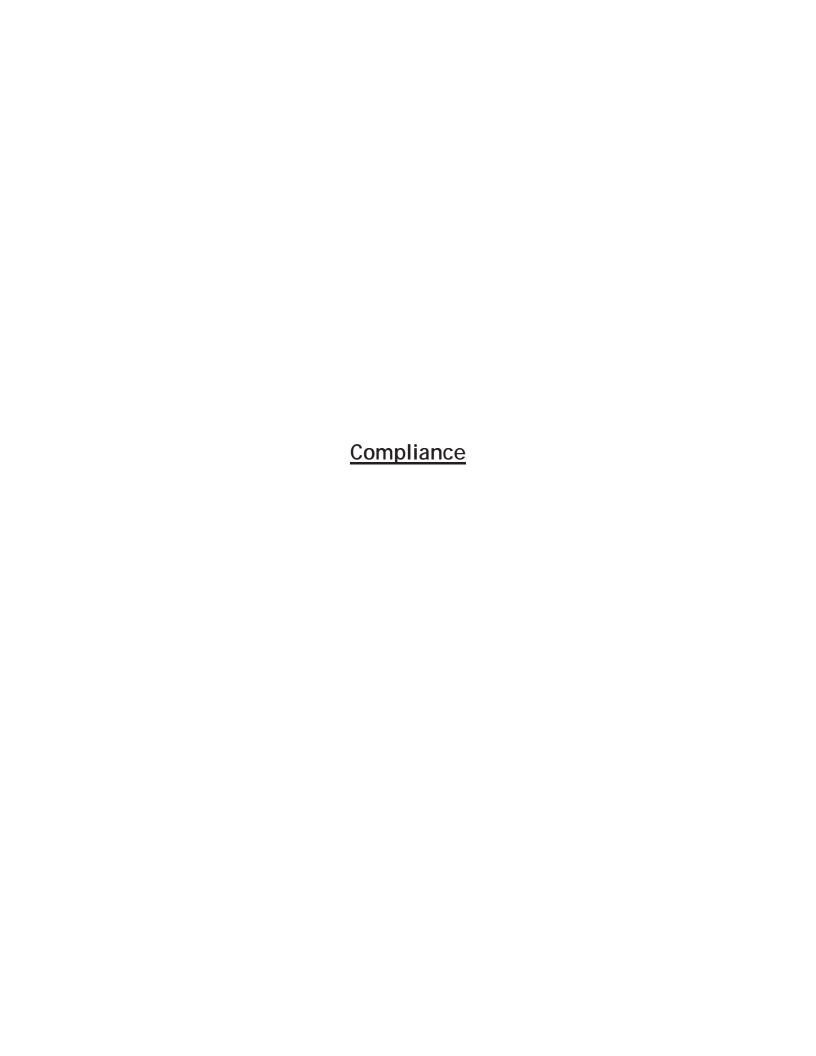
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Fiscal Years

				Ratio of
			Total	Debt Service
		Total	General	to General
(2)	(2)	Debt	Governmental	Governmental
Principal	Interest	Service	Expenditures (1)	Expenditures
1,506,583 \$	1,554,613 \$	3,061,196 \$	42,632,053	7.18%
1,545,000	1,479,738	3,024,738	40,313,649	7.50%
1,644,015	1,435,923	3,079,938	42,542,694	7.24%
1,806,406	1,446,072	3,252,478	41,707,130	7.80%
2,187,022	1,896,241	4,083,263	42,573,266	6.59%
2,037,867	1,391,364	3,429,231	42,153,733	8.14%
2,190,739	1,119,035	3,309,774	44,190,749	7.49%
2,199,184	1,061,125	3,260,309	43,584,827	7.48%
2,387,989	1,175,816	3,563,805	46,172,368	7.72%
2,663,874	1,068,784	3,732,658	47,544,379	7.85%

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

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







ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

To the Honorable Members of the Board of Supervisors County of 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, 2017, 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 January 12, 2018.

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.

Charlottesville, Virginia January 12, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Nelson, Virginia's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of County of Nelson, Virginia's major federal programs for the year ended June 30, 2017. 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, 2017.

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.

Arbiner, Famul, lox Associats Charlottesville, Virginia

January 12, 2018

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Ex	Federal openditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950109/0950110	\$	188
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110		108,586
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110		394
Low Income Home Energy Assistance	93.568	0600409/0600410		13,522
Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund	93.596	0760109/0760110		22,025
Chafee Education and Training Vouchers Program (ETV)	93.599	9160116		178
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110		194
Foster Care - Title IV-E	93.658	1100109/1100110		105.814
	93.659			,
Adoption Assistance	93.667	1120109/1120110 1000109/1000110		36,089
Social Services Block Grant				96,146
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110		693
Children's Health Insurance Program	93.767	0540109/0540110		5,042
Medical Assistance Program	93.778	1200109/1200110		151,893
Total Department of Health and Human Services			\$	540,764
Department of Agriculture: Pass Through Payments: Department of Agriculture: Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	\$	67,989
Department of Education:				
National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941		445,413 513,402
School Breakfast Program (Child Nutrition Cluster) Total Child Nutrition Cluster	10.553	2013IN109941/2014IN109941	\$	154,317 667,719
Schools and Roads - Grants to States	10.665	10.665		3,516
Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110		116,160
Total Department of Agriculture			\$	787,395
Department of Housing and Urban Development Pass Through Payments: Virginia Department of Housing and Community Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Total Department of Housing and Urban Development	14.228	Not Available	\$ \$	19,985 19,985

Schedule of Expenditures of Federal Awards (Continued) For the Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	<u>E</u>	Federal expenditures
Department of Justice:				
Pass Through Payments: Department of Criminal Justice Service:				
Crime Victims Assistance	16.575	10VAGZ0095/11VAGX0001	\$	43,569
Edward Byrne Memorial Justice Assistance Grant Program	16.738			572
State Criminal Alien Assistance Program	16.606	Not Available	_	1,083
Total Department of Justice			\$	45,224
Department of Transportation: Pass Through Payments: Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	154AL1353100	\$	2,160
Total Department of Transportation			\$	2,160
Department of Education: Pass Through Payments: Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A120046/S010A130046	\$	448,226
Special Education Grants to States (Special Education Cluster)	84.027	H027A120107/H027A130107	\$	446,913
Special Education Preschool Grants (Special Education Cluster)	84.173	H173A120112/H173A130112		3,111
Total Special Education Cluster			\$	450,024
Career and Technical Education - Basic Grants to States	84.048	V048A120046/V048A130046		27,002
Rural Education	84.358	Not Available		28,834
English Language Acquisition State Grants	84.365	T365A120046/S365A130046		8,994
Advanced Placement Program	84.330	\$330B130008		487
Supporting Effective Instruction State Grant	84.367	S367A120044/S367A130044		85,681
Total Department of Education			\$	1,049,248
Total Expenditures of Federal Awards			\$	2,444,776

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

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Nelson, Virginia under programs of the federal government for the year ended June 30, 2017. 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 - 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	\$ 766,458
Housing Improvement Fund	 19,985
Total primary government	\$ 786,443
Component Unit School Board:	
School Operating Fund	\$ 1,720,483
Total component unit school board	\$ 1,720,483
Less Payments in Lieu of Taxes not reported on Schedule of Expenditures	
of Federal Awards	\$ (62,150)
Total federal expenditures per basic financial statements	\$ 2,444,776
Total federal expenditures per the Schedule of Expenditures	
of Federal Awards	\$ 2,444,776

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Signficant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

Material weaknesses identified?

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
84.027/84.173	Special Education Cluster
93.667	Social Services Block Grant

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, 2017

There were no findings reported for the year ended June 30, 2016.

