

COUNTY OF NELSON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF NELSON, VIRGINIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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COUNTY OF NELSON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2015

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

COUNTY SOCIAL SERVICES BOARD

	Joan Giles, Chairperson Cliff Savell, Vice-Chairperson	
Connie Brennan Joe Williamson		Pauline Page Diane Harvey

OTHER OFFICIALS

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

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-13, 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 December 30, 2016, 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.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

December 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the County of Nelson, Virginia for the fiscal year ended June 30, 2016.

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 \$35,888,548. Of this amount, \$23,096,652 is unrestricted, and may be used to meet the government's ongoing obligations to creditors and citizens. Of the total net position, there is \$12,737,759 invested in capital assets net of related debt (an increase of \$1,373,246 from the previous year). The School Board's net position is a deficit of \$4,282,233, of which the unrestricted net position was a deficit of \$19,080,768 (an increase of \$763,280 from the previous year).

The total net position of the Primary Government increased by \$2,605,764. The School Board's net position increased by \$1,021,250. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$22,801,750. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2015-16 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26,761,147 of which \$22,801,750 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.

Overview of the Financial Statements: (Continued)

Government-wide Financial Statements: (Continued)

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.

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 \$35,888,548 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, 2016

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 39,938,926	\$ 36,595,383	\$ 775,765	\$ 755,748	\$ 40,714,691	\$ 37,351,131
Capital assets	31,271,981	30,407,581	7,929,180	7,846,636	39,201,161	38,254,217
Total assets	<u>\$ 71,210,907</u>	<u>\$ 67,002,964</u>	<u>\$ 8,704,945</u>	<u>\$ 8,602,384</u>	<u>\$ 79,915,852</u>	<u>\$ 75,605,348</u>
Deferred Outflows of Resources	\$ 773,620	\$ 790,542	\$ -	\$ -	\$ 773,620	\$ 790,542
Long-term liabilities	\$ 31,424,058	\$ 29,502,784	\$ 1,072,046	\$ 1,087,636	\$ 32,496,104	\$ 30,590,420
Other liabilities	1,260,455	1,003,753	68,745	23,756	1,329,200	1,027,509
Total liabilities	<u>\$ 32,684,513</u>	<u>\$ 30,506,537</u>	<u>\$ 1,140,791</u>	<u>\$ 1,111,392</u>	<u>\$ 33,825,304</u>	<u>\$ 31,617,929</u>
Deferred Inflows of Resources	\$ 10,975,620	\$ 11,495,177	\$ -	\$ -	\$ 10,975,620	\$ 11,495,177
Net Position:						
Invested in capital assets, net of related debt	\$ 5,597,931	\$ 4,322,819	\$ 6,857,134	\$ 6,759,000	\$ 12,455,065	\$ 11,081,819
Restricted for:						
Debt service and bond covenants	-	-	54,137	41,522	54,137	41,522
Unrestricted	22,726,463	21,468,973	652,883	690,470	23,379,346	22,159,443
Total net position	<u>\$ 28,324,394</u>	<u>\$ 25,791,792</u>	<u>\$ 7,564,154</u>	<u>\$ 7,490,992</u>	<u>\$ 35,888,548</u>	<u>\$ 33,282,784</u>

For the County, investment in capital assets (i.e., land, buildings, machinery and equipment), net of related debt used to acquire those assets that is still outstanding, represents 34.7 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 (\$54,137) at June 30, 2016. The remaining balance of unrestricted net position, which is \$23,379,346 or 65.7 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

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 \$5,880,625 in net position invested in capital assets, net of related debt and \$22,443,769 in unrestricted net position. The business-type activities reported positive balances of \$6,857,134 in net position invested in capital assets, net of related debt and \$652,883 in unrestricted net position.

The government's total net position increased by \$2,298,278 during the current fiscal year compared to an increase of \$3,182,564 in FY 2014-2015.

Governmental and Business-type Activities

Governmental activities increased the County's net position by \$2,532,602. Business-type activities increased the County's net position by \$73,162. Key elements of these changes are as follows:

County of Nelson's Changes in Net Position For the Year Ended June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 744,739	\$ 934,970	\$ 474,622	\$ 500,091	\$ 1,219,361	\$ 1,435,061
Operating grants & contributions	3,080,455	2,868,264	-	-	3,080,455	2,868,264
Capital grants & contributions	201,490	753,001	-	-	201,490	753,001
General revenues:						
General property taxes	22,900,404	22,191,371	-	-	22,900,404	22,191,371
Other local taxes	4,167,376	4,256,941	-	-	4,167,376	4,256,941
Use of money and property	166,633	59,213	-	-	166,633	59,213
Miscellaneous	131,388	71,605	-	-	131,388	71,605
Grants and contributions not restricted to specific programs	2,398,629	2,412,973	-	-	2,398,629	2,412,973
Transfers	(453,235)	(140,000)	453,235	140,000	-	-
Total revenues	\$ 33,337,879	\$ 33,408,338	\$ 927,857	\$ 640,091	\$ 34,265,736	\$ 34,048,429
Expenses:						
General government	\$ 1,949,333	\$ 1,931,016	\$ -	\$ -	\$ 1,949,333	\$ 1,931,016
Judicial administration	717,437	709,914	-	-	717,437	709,914
Public safety	5,158,634	5,130,442	-	-	5,158,634	5,130,442
Public works	1,982,740	2,051,142	854,695	683,230	2,837,435	2,734,372
Health and welfare	2,684,740	2,366,870	-	-	2,684,740	2,366,870
Education	16,010,197	15,784,538	-	-	16,010,197	15,784,538
Parks, recreation and cultural	574,628	568,093	-	-	574,628	568,093
Community development	762,775	773,915	-	-	762,775	773,915
Interest on long-term debt	964,793	866,705	-	-	964,793	866,705
Total expenses	\$ 30,805,277	\$ 30,182,635	\$ 854,695	\$ 683,230	\$ 31,659,972	\$ 30,865,865
Increase (decrease) in net assets	\$ 2,532,602	\$ 3,225,703	\$ 73,162	\$ (43,139)	\$ 2,605,764	\$ 3,182,564
Beginning net position	25,791,792	22,566,089	7,490,992	7,534,131	33,282,784	30,100,220
Ending net position	\$ 28,324,394	\$ 25,791,792	\$ 7,564,154	\$ 7,490,992	\$ 35,888,548	\$ 33,282,784

- Overall revenues increased by \$217,307. Revenues from Governmental Activities decreased by \$70,459. However, Business-type activities had increased revenues of \$287,767. The decrease in revenues from Governmental Activities is primarily due to fluctuations in certain grants and contributions and an increase in the transfer of revenue to Business-type activities. The increase in revenue from Business-type activities is also attributed to the transfer in of governmental activity revenue. The increase in transfers is primarily attributable to Community Development Block grant funds received by the county and transferred to the Nelson County Broadband Authority for purposes of network expansion.

Governmental and Business-type Activities: (Continued)

- Overall grants and contributions for governmental activities reflect a net decrease of \$353,664. The most significant factor in this decrease is the County received \$674,866 less in federal Transportation Enhancement Act grant funds for the Crozet Tunnel capital project in FY16 than it did in FY15. This decrease was offset by an overall increase of \$173,512 in categorical aid from the Commonwealth and an increase of \$65,345 in categorical aid from the federal government for Public Assistance and Welfare Administration.
- The revenues from general property taxes increased by \$709,033 inclusive of uncollected property taxes.
- The revenues from other local taxes decreased by \$89,565. This is due to decreases in motor vehicle license fees of \$36,542. Additionally, revenue from meals tax decreased by \$10,820 and transient occupancy tax decreased by \$39,053.
- The revenues from charges for services decreased by \$215,700. Of this amount, \$190,231 is attributable to governmental activities and \$25,469 is attributable to business-type activities. Within governmental activities, the most significant factors are the decrease of \$98,211 in court fines and forfeitures and the decrease of \$69,078 in permits, privilege fees, and regulatory licenses (in particular, land use application fees decreased by \$73,065) and a decrease of \$22,942 in other charges for services, in particular charges for sanitation and waste removal. Within business-type activities, the most significant factor is a decrease of \$28,134 in water and sewer revenues from the Piney River system.
- Expenses reflected an overall net increase of \$1,101,593. Of this amount, expense from governmental activities increased by \$622,642 and business-type activities increased by \$478,951.
- All areas of expenses for governmental activities reflected increases with the exception of public safety, public works, and community development with respective decreases of \$28,192, \$68,402 and \$11,140. The most significant categories of increase include Health and Welfare with an increase of \$317,870, education with an increase of \$225,659 and an increase of interest on long term debt expense in the amount of \$98,088.
- The health and welfare function reported an increase in expenditures of \$317,870 which is mainly attributable to public assistance and at risk youth programs with respective increases of \$133,539 and \$127,464
- The education function reported an increase of expenditures of \$225,659 which is attributable to instruction costs.
- The business activities reported an increase in operational expenses of \$171,465. Of this amount an increase of \$24,069 is attributable to the Piney River water and sewer operations and an increase of \$147,396 is attributable to broadband network operations.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$26,761,147, an increase of \$2,772,463 from the prior year. Approximately, 85.2 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 \$30,678
- Restricted fund balance of \$2,045,572
- Committed fund balance of \$1,883,147

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

The general fund is the chief operating fund of the County. As of June 30, 2016, total fund balance of the general fund was \$23,116,374, of which \$22,801,750 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 80.2 percent of total general fund expenditures which includes transfers to the School Board component unit of \$14,570,447. Total fund balance represents 81.3 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$477,767 during the current fiscal year. Key factors in this increase are as follows:

- Overall General Fund revenues decreased by \$554,086. Local revenues decreased by \$20,407 attributable to decreases in fees from permits and licenses (\$69,078), fines and forfeitures (\$98,211), and other local taxes (\$89,565). These decreases were offset by increases in general property taxes in the amount of \$142,441 and increases in revenue from the use of property in the amount of \$98,996 primarily attributable to unclaimed surplus from the sale of delinquent real estate. Federal revenues also decreased by \$681,588. The most significant factor in this decrease is the County received \$554,086 less in federal Transportation Enhancement Act grant funds for the Crozet Tunnel project in FY16 than it did in FY15 due to the completion of Phase 1 of the project. These decreases are offset by increased state revenues in the amount of \$147,909.
- However, General Fund expenditures also decreased by \$591,685. The decreased expenditures are attributable primarily to the decrease in capital project expenditures of \$1,448,315. This significant decrease was offset by increases in every other category of governmental activity. The most significant increases are in public safety, health and welfare, and education with respective increases of \$240,819, \$277,890, and \$272,408.

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

Governmental funds: (Continued)

- Transfers out for debt service and capital projects increased by \$1,690,603 in FY2015-2016. Transfers for the courthouse renovation project in the amount of \$1,426,225, grant match funding for the Broadband Network expansion in the amount of \$100,000, and an additional transfer of \$100,721 to the Debt Service fund relative to the Courthouse renovation project were all contributing factors to this increase in other financing sources.

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 \$123,141. This is a decrease from the prior year of \$10,457.

Unrestricted net position of the Broadband Authority at the end of the fiscal year was \$529,742 as compared to \$556,872 in the prior year, for a decrease of \$27,130. This is primarily attributable to the impact of increased expenditures relative to the network expansion project.

General Fund Budgetary Highlights

The final amended budgeted appropriations for the General Fund were \$721,748 more than the original budgeted expenditure appropriations, which is 2.3 percent of the total original budget, and can be briefly summarized as follows:

- A supplemental appropriation was approved for a transfer to the School Fund in the amount of \$338,889. The appropriation was supported with unexpended balances returned to the General Fund at the end of the prior fiscal year (FY2014-2015).
- A supplemental appropriation for the County's radio project were approved in the amount of \$290,647. The appropriation was supported with unexpended fund balance that had been allocated to the project in the prior fiscal year.
- Supplemental appropriations were approved for several grants as follows: 1) Highway Safety grant-\$14,394 2) Library of Virginia grant-\$13,032 and 3) "Drive Tourism" grant -\$10,000.
- 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, 2016 is \$31,271,981 (net of accumulated depreciation and is an increase of \$864,400 from the previous fiscal year). This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 693,157	\$ 693,157	\$ 40,000	\$ 40,000	\$ 733,157	\$ 733,157
Infrastructure	-	-	4,727,013	4,915,115	4,727,013	4,915,115
Buildings and improvements	21,717,158	23,655,167	-	-	21,717,158	23,655,167
Machinery and equipment	3,794,589	4,215,422	2,854,681	2,891,521	6,649,270	7,106,943
Construction in progress	5,067,077	1,843,835	307,486	-	5,374,563	1,843,835
Total	<u>\$ 31,271,981</u>	<u>\$ 30,407,581</u>	<u>\$ 7,929,180</u>	<u>\$ 7,846,636</u>	<u>\$ 39,201,161</u>	<u>\$ 38,254,217</u>

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

Long-term debt

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

County of Nelson's Outstanding Debt For the Year Ended June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Lease Revenue Refunding	\$ 8,075,000	\$ 8,565,000	\$ -	\$ -	\$ 8,075,000	\$ 8,565,000
General Obligation Bonds	7,500,000	8,240,000	-	-	7,500,000	8,240,000
Revenue Bonds	5,080,000	1,935,000	1,072,046	1,087,636	6,152,046	3,022,636
Refunding Revenue Bonds	5,655,000	6,200,000	-	-	5,655,000	6,200,000
Retirement Incentive Loan	127,777	185,640	-	-	127,777	185,640
Total	<u>\$ 26,437,777</u>	<u>\$ 25,125,640</u>	<u>\$ 1,072,046</u>	<u>\$ 1,087,636</u>	<u>\$ 27,509,823</u>	<u>\$ 26,213,276</u>

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

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County was 3.6 percent (June 2016), which is a decrease from the rate of 4.5 percent a year ago (June 2015). This compares favorably to the state's average unemployment rate of 4.0 percent (June 2016) and the national average rate of 4.9 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 7.4% for fiscal year 2015-2016, somewhat less than the 34% increase seen in fiscal year 2014-2015, but reflective of 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 2015-2016, the County incurred a modest decrease of 6.4% in recordation taxes.
- The County was not impacted by reductions in state aid to localities in fiscal year 2015-2016 as in previous years. The reduction in Fiscal Year 2014-2015 was \$29,697. Categorical aid from the Commonwealth increased by 3.1% in fiscal year 2015-2016. The impact of state funding reductions going forward will be monitored in the upcoming budgetary process.
- 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 expected to begin in late 2016. Tax years 2015 and 2016 reflected minimal growth in real property values and it is expected that 2017 and 2018 real property values will likely follow a similar trend.

All of these factors were considered in preparing the County's budget for the 2016-2017 fiscal year.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position

At June 30, 2016

	Component Units				
	Governmental	Business-type	Total	School	Economic
	Activities	Activities		Board	Development
					Authority
ASSETS					
Cash and cash equivalents	\$ 24,824,739	\$ 501,205	25,325,944	\$ 1,441,512	\$ 42,038
Restricted cash	-	54,137	54,137	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,474,450	-	12,474,450	-	-
Accounts receivable	493,740	67,518	561,258	49,559	76,160
Notes receivable	-	-	-	-	128,000
Connection fees receivable	-	152,905	152,905	-	-
Due from component unit	553,334	-	553,334	-	-
Due from other governmental units	1,561,985	-	1,561,985	568,591	-
Inventories	-	-	-	43,946	-
Prepaid items	30,678	-	30,678	24,543	-
Capital assets (net of accumulated depreciation):					
Land and improvements	693,157	40,000	733,157	851,210	-
Buildings and improvements	21,717,158	-	21,717,158	14,382,656	-
Infrastructure and equipment	-	7,581,694	7,581,694	-	-
Machinery and equipment	3,794,589	-	3,794,589	1,416,069	-
Construction in progress	5,067,077	307,486	5,374,563	-	-
Total assets	\$ 71,210,907	\$ 8,704,945	\$ 79,915,852	\$ 18,778,086	\$ 246,198
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	\$ 282,694	\$ -	\$ 282,694	\$ -	\$ -
Items related to measurement of net pension liability	490,926	-	490,926	2,302,128	-
Total deferred outflows of resources	\$ 773,620	\$ -	\$ 773,620	\$ 2,302,128	\$ -
Total assets and deferred outflows of resources	\$ 71,984,527	\$ 8,704,945	\$ 80,689,472	\$ 21,080,214	\$ 246,198
LIABILITIES					
Accounts payable	\$ 766,905	\$ 65,906	\$ 832,811	\$ 100,194	\$ -
Accrued liabilities	-	-	-	832,288	-
Amounts held for others	85,759	-	85,759	-	-
Accrued interest payable	382,124	2,839	384,963	-	-
Due to primary government	-	-	-	553,334	-
Unearned revenue	25,667	-	25,667	-	-
Long-term liabilities:					
Due within one year	2,809,047	16,282	2,825,329	152,741	-
Due in more than one year	28,615,011	1,055,764	29,670,775	21,657,323	-
Total liabilities	\$ 32,684,513	\$ 1,140,791	\$ 33,825,304	\$ 23,295,880	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - taxes	\$ 10,558,173	\$ -	\$ 10,558,173	\$ -	\$ -
Items related to measurement of net pension liability	417,447	-	417,447	2,066,567	-
Total deferred inflows of resources	\$ 10,975,620	\$ -	\$ 10,975,620	\$ 2,066,567	\$ -
NET POSITION					
Net investment in capital assets	\$ 5,880,625	\$ 6,857,134	\$ 12,737,759	\$ 14,798,535	\$ -
Restricted:					
Debt service and bond covenants	-	54,137	54,137	-	-
Unrestricted (deficit)	22,443,769	652,883	23,096,652	(19,080,768)	246,198
Total net position	\$ 28,324,394	\$ 7,564,154	\$ 35,888,548	\$ (4,282,233)	\$ 246,198
Total liabilities, deferred inflows of resources and net position	\$ 71,984,527	\$ 8,704,945	\$ 80,689,472	\$ 21,080,214	\$ 246,198

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

COUNTY OF NELSON, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,949,333	\$ -	\$ 222,806	\$ -
Judicial administration	717,437	287,500	442,508	-
Public safety	5,158,634	230,416	1,003,741	-
Public works	1,982,740	173,217	7,200	-
Health and welfare	2,684,740	-	1,399,200	-
Education	16,010,197	-	-	-
Parks, recreation, and cultural	574,628	53,191	5,000	-
Community development	762,775	415	-	201,490
Interest on long-term debt	964,793	-	-	-
Total governmental activities	\$ 30,805,277	\$ 744,739	\$ 3,080,455	\$ 201,490
Business-type activities:				
Piney River Water & Sewer	370,680	160,326	-	-
Nelson County Broadband Authority	484,015	314,296	-	-
Total primary government	\$ 31,659,972	\$ 1,219,361	\$ 3,080,455	\$ 201,490
COMPONENT UNITS:				
School Board	\$ 26,023,609	\$ 444,004	\$ 10,709,820	\$ -
Nelson County Economic Development Authority	2,517	17,462	-	-
Total component units	\$ 26,026,126	\$ 461,466	\$ 10,709,820	\$ -
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				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (1,726,527)	\$ -	\$ (1,726,527)		
12,571	-	12,571		
(3,924,477)	-	(3,924,477)		
(1,802,323)	-	(1,802,323)		
(1,285,540)	-	(1,285,540)		
(16,010,197)	-	(16,010,197)		
(516,437)	-	(516,437)		
(560,870)	-	(560,870)		
(964,793)	-	(964,793)		
<u>\$ (26,778,593)</u>	<u>\$ -</u>	<u>\$ (26,778,593)</u>		
-	(210,354)	(210,354)		
<u>-</u>	<u>(169,719)</u>	<u>(169,719)</u>		
<u>\$ (26,778,593)</u>	<u>\$ (380,073)</u>	<u>\$ (27,158,666)</u>		
			\$ (14,869,785)	\$ -
			<u>-</u>	<u>14,945</u>
			<u>\$ (14,869,785)</u>	<u>\$ 14,945</u>
\$ 22,900,404	\$ -	\$ 22,900,404	\$ -	\$ -
1,143,128	-	1,143,128	-	-
481,596	-	481,596	-	-
965,670	-	965,670	-	-
475,526	-	475,526	-	-
680,088	-	680,088	-	-
421,368	-	421,368	-	-
-	-	-	15,600,684	-
166,633	-	166,633	34	8,988
131,388	-	131,388	290,317	-
2,398,629	-	2,398,629	-	-
(453,235)	453,235	-	-	-
<u>\$ 29,311,195</u>	<u>\$ 453,235</u>	<u>\$ 29,764,430</u>	<u>\$ 15,891,035</u>	<u>\$ 8,988</u>
\$ 2,532,602	\$ 73,162	\$ 2,605,764	\$ 1,021,250	\$ 23,933
<u>25,791,792</u>	<u>7,490,992</u>	<u>33,282,784</u>	<u>(5,303,483)</u>	<u>222,265</u>
<u>\$ 28,324,394</u>	<u>\$ 7,564,154</u>	<u>\$ 35,888,548</u>	<u>\$ (4,282,233)</u>	<u>\$ 246,198</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 20,743,809	\$ 240,044	\$ 3,840,836	\$ 50	\$ 24,824,739
Receivables (net of allowance):					
Property taxes receivable, net	12,474,450	-	-	-	12,474,450
Accounts receivable	493,740	-	-	-	493,740
Due from component unit	553,334	-	-	-	553,334
Due from other governmental units	1,531,548	-	-	30,437	1,561,985
Prepaid items	30,678	-	-	-	30,678
Total assets	<u>\$ 35,827,559</u>	<u>\$ 240,044</u>	<u>\$ 3,840,836</u>	<u>\$ 30,487</u>	<u>\$ 39,938,926</u>
Liabilities					
Accounts payable	\$ 300,311	\$ -	\$ 466,594	\$ -	\$ 766,905
Amounts held for others	85,759	-	-	-	85,759
Unearned revenue	25,667	-	-	-	25,667
Total liabilities	<u>\$ 411,737</u>	<u>\$ -</u>	<u>\$ 466,594</u>	<u>\$ -</u>	<u>\$ 878,331</u>
Deferred Inflows of Resources					
Unavailable revenue - prepaid taxes	\$ 236,490	\$ -	\$ -	\$ -	\$ 236,490
Unavailable revenue - taxes	12,062,958	-	-	-	12,062,958
Total deferred inflows of resources	<u>\$ 12,299,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,299,448</u>
Fund balance					
Nonspendable	\$ 30,678	\$ -	\$ -	\$ -	\$ 30,678
Restricted	-	8,266	2,037,306	-	2,045,572
Committed	283,946	231,778	1,336,936	30,487	1,883,147
Unassigned	22,801,750	-	-	-	22,801,750
Total fund balances	<u>\$ 23,116,374</u>	<u>\$ 240,044</u>	<u>\$ 3,374,242</u>	<u>\$ 30,487</u>	<u>\$ 26,761,147</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,827,559</u>	<u>\$ 240,044</u>	<u>\$ 3,840,836</u>	<u>\$ 30,487</u>	<u>\$ 39,938,926</u>

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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 26,761,147
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and improvements	\$ 693,157	
Construction in progress	5,067,077	
Buildings and improvements, net of depreciation	10,409,284	
Equipment, net of depreciation	3,794,589	
School Board capital assets, net of depreciation	<u>11,307,874</u>	31,271,981

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

Unavailable revenue - property taxes	\$ 1,741,275	
Items related to measurement of net pension liability	<u>(417,447)</u>	1,323,828

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	\$ (382,124)	
Bonds, notes and capital leases payable	(26,310,000)	
Bond premiums	(1,401,356)	
Deferred charge on refunding	282,694	
Early retirement incentive obligation	(127,777)	
Net pension liability	(2,175,667)	
Net OPEB obligation	(23,440)	
Compensated absences	(339,837)	
Accrued landfill remediation costs	<u>(1,045,981)</u>	(31,523,488)

Pension contributions subsequent to the measurement date and differences between actual and expected experience will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

490,926

Net position of governmental activities	<u><u>\$ 28,324,394</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 22,605,217	\$ -	\$ -	\$ -	\$ 22,605,217
Other local taxes	4,167,376	-	-	-	4,167,376
Permits, privilege fees, and regulatory licenses	220,105	-	-	-	220,105
Fines and forfeitures	269,649	-	-	-	269,649
Revenue from the use of money and property	158,155	-	8,478	-	166,633
Charges for services	254,985	-	-	-	254,985
Miscellaneous	120,554	-	10,834	-	131,388
Recovered costs	678,653	-	-	-	678,653
Intergovernmental:					
Revenue from the Commonwealth	4,788,635	-	-	-	4,788,635
Revenue from the Federal Government	711,924	-	-	180,015	891,939
Total revenues	\$ 33,975,253	\$ -	\$ 19,312	\$ 180,015	\$ 34,174,580
Expenditures					
Current:					
General government administration	\$ 1,669,590	\$ -	\$ -	\$ -	\$ 1,669,590
Judicial administration	749,324	-	-	-	749,324
Public safety	4,956,762	-	-	-	4,956,762
Public works	1,809,476	-	-	-	1,809,476
Health and welfare	2,780,209	-	-	-	2,780,209
Education	14,570,447	-	-	-	14,570,447
Parks, recreation, and cultural	474,866	-	-	-	474,866
Community development	818,236	-	-	-	818,236
Nondepartmental	69,951	-	-	-	69,951
Capital projects	501,462	-	3,198,942	-	3,700,404
Debt service:					
Principal retirement	-	2,277,863	-	-	2,277,863
Interest and other fiscal charges	-	1,040,860	93,372	-	1,134,232
Total expenditures	\$ 28,400,323	\$ 3,318,723	\$ 3,292,314	\$ -	\$ 35,011,360
Excess (deficiency) of revenues over (under) expenditures	\$ 5,574,930	\$ (3,318,723)	\$ (3,273,002)	\$ 180,015	\$ (836,780)
Other financing sources (uses)					
Transfers in	\$ -	\$ 3,367,281	\$ 1,426,225	\$ 100,000	\$ 4,893,506
Transfers out	(5,097,163)	-	-	(249,578)	(5,346,741)
Issuance of long-term debt	-	-	3,590,000	-	3,590,000
Bond premium	-	-	472,478	-	472,478
Total other financing sources (uses)	\$ (5,097,163)	\$ 3,367,281	\$ 5,488,703	\$ (149,578)	\$ 3,609,243
Net change in fund balances	\$ 477,767	\$ 48,558	\$ 2,215,701	\$ 30,437	\$ 2,772,463
Fund balance, beginning of year	22,638,607	191,486	1,158,541	50	23,988,684
Fund balance, end of year	\$ 23,116,374	\$ 240,044	\$ 3,374,242	\$ 30,487	\$ 26,761,147

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

Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ 2,772,463

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	\$ 3,714,180	
Depreciation expense	(1,809,318)	1,904,862

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

(7,712)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board (1,032,750)

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	\$ 295,187	
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(Increase) decrease in deferred inflows related to the measurement of the net pension liability	541,428	836,615
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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:		
Issuance of Lease revenue bond	\$ (3,590,000)	
Bond premium	(472,478)	
Increase in landfill liability	(9,330)	
Repayments:		
Lease revenue refunding bonds	490,000	
Less: Amortization of deferred charge on refunding	(43,765)	
General obligation school bonds	740,000	
Plus: Amortization of issuance premium	39,005	
Lease revenue bonds	445,000	
Plus: Amortization of issuance premium	62,371	
Infrastructure revenue bonds	545,000	
Plus: Amortization of issuance premium	114,508	
Early retirement incentive obligation	57,863	
Net adjustment		(1,621,826)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$ (23,741)	
Net OPEB obligation	1,450	
Decrease (increase) in net pension liability	(320,922)	
(Decrease) increase in deferred outflows related to pension payments subsequent to the measurement date	12,177	
(Decrease) increase in deferred outflows related to differences between actual and expected experience	14,666	
Accrued interest payable	(2,680)	(319,050)

Change in net position of governmental activities	\$	2,532,602
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 At June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 99,214	\$ 401,991	\$ 501,205
Restricted cash	54,137	-	54,137
Accounts receivable, net	33,491	34,027	67,518
Connection fees receivable, current portion	-	35,995	35,995
Total current assets	<u>\$ 186,842</u>	<u>\$ 472,013</u>	<u>\$ 658,855</u>
Noncurrent assets:			
Capital Assets:			
Land	\$ 40,000	\$ -	\$ 40,000
Construction in progress	-	307,486	307,486
Other capital assets, net of accumulated depreciation	4,727,013	2,854,681	7,581,694
Total capital assets	<u>\$ 4,767,013</u>	<u>\$ 3,162,167</u>	<u>\$ 7,929,180</u>
Connection fees receivable, net of current portion	\$ -	\$ 116,910	\$ 116,910
Total noncurrent assets	<u>\$ 4,767,013</u>	<u>\$ 3,279,077</u>	<u>\$ 8,046,090</u>
Total assets	<u>\$ 4,953,855</u>	<u>\$ 3,751,090</u>	<u>\$ 8,704,945</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 6,725	\$ 59,181	\$ 65,906
Accrued interest payable	2,839	-	2,839
Current portion of bonds payable	16,282	-	16,282
Total current liabilities	<u>\$ 25,846</u>	<u>\$ 59,181</u>	<u>\$ 85,027</u>
Long-term liabilities			
Bonds payable, net of current portion	\$ 1,055,764	\$ -	\$ 1,055,764
Total long-term liabilities	<u>1,055,764</u>	<u>-</u>	<u>1,055,764</u>
Total liabilities	<u>\$ 1,081,610</u>	<u>\$ 59,181</u>	<u>\$ 1,140,791</u>
Net Position:			
Net investment in capital assets	\$ 3,694,967	\$ 3,162,167	\$ 6,857,134
Restricted:			
Debt service and bond covenants	54,137	-	54,137
Unrestricted	123,141	529,742	652,883
Total net position	<u>\$ 3,872,245</u>	<u>\$ 3,691,909</u>	<u>\$ 7,564,154</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
Operating revenues:			
Charges for services, net	\$ 160,326	\$ 314,296	\$ 474,622
Total operating revenues	\$ 160,326	\$ 314,296	\$ 474,622
Operating expenses:			
Water & sewer service	\$ 42,495	\$ -	\$ 42,495
Maintenance & repairs	42,382	4,653	47,035
Other charges	50,260	276,418	326,678
Depreciation expense	188,102	202,944	391,046
Total operating expenses	\$ 323,239	\$ 484,015	\$ 807,254
Operating income (loss)	\$ (162,913)	\$ (169,719)	\$ (332,632)
Nonoperating expense:			
Interest expense	\$ 47,441	\$ -	\$ 47,441
Net nonoperating expense	\$ 47,441	\$ -	\$ 47,441
Income(loss) before transfers	\$ (210,354)	\$ (169,719)	\$ (380,073)
Transfers:			
Transfers in	\$ 40,000	\$ 413,235	\$ 453,235
Total transfers	\$ 40,000	\$ 413,235	\$ 453,235
Change in net position	\$ (170,354)	\$ 243,516	\$ 73,162
Net position, beginning of year	4,042,599	3,448,393	7,490,992
Net position, end of year	\$ 3,872,245	\$ 3,691,909	\$ 7,564,154

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

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Nelson County Broadband Authority	Total
Cash flows from operating activities			
Receipts from customers	\$ 166,625	\$ 249,464	\$ 416,089
Payments to suppliers	(138,825)	(232,352)	(371,177)
Net cash provided by (used for) operating activities	\$ 27,800	\$ 17,112	\$ 44,912
Cash flows from capital and related financing activities			
Purchases of capital assets	\$ -	\$ (473,590)	\$ (473,590)
Principal repayments on bonds payable	(15,590)	-	(15,590)
Interest paid on bonds payable	(47,483)	-	(47,483)
Net cash provided by (used for) capital and related financing activities	\$ (63,073)	\$ (473,590)	\$ (536,663)
Cash flows from noncapital financing activities			
Transfers from local government	\$ 40,000	\$ 413,235	\$ 453,235
Net increase (decrease) in cash and cash equivalents	\$ 4,727	\$ (43,243)	\$ (38,516)
Cash and cash equivalents, beginning of year	148,624	445,234	593,858
Cash and cash equivalents, end of year (including restricted cash of \$54,137)	<u>\$ 153,351</u>	<u>\$ 401,991</u>	<u>\$ 555,342</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (162,913)	\$ (169,719)	\$ (332,632)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	188,102	202,944	391,046
Changes in assets and liabilities:			
Accounts receivable	6,299	(64,832)	(58,533)
Accounts payable	(3,688)	48,719	45,031
Net cash provided by (used for) operating activities	<u>\$ 27,800</u>	<u>\$ 17,112</u>	<u>\$ 44,912</u>
Supplemental information:			
Interest paid during year	\$ 47,483	\$ -	\$ 47,483
Change in accrued interest payable	(42)	-	(42)
Interest expense for year	<u>\$ 47,441</u>	<u>\$ -</u>	<u>\$ 47,441</u>

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2016

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 390,990
Other receivables	<u>921</u>
Total assets	<u>\$ 391,911</u>
Liabilities:	
Amounts held for others	<u>\$ 391,911</u>
Total liabilities	<u>\$ 391,911</u>

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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. 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, 2016.

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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 2016 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 \$265,184 for operations to the Jefferson-Madison Regional Library, \$98,586 to the Region Ten Community Services Board, \$17,492 to the Thomas Jefferson Planning District Commission, \$533,152 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 2016, the County paid the Region 2000 Services Authority \$283,062 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*.

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

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

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

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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 2016.

1. Governmental Funds:

- a. General Fund: The General Fund is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in another fund. The General Fund is considered a major fund for financial reporting purposes.

The following is a brief description of the specific funds used by the County in fiscal year 2016.

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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. Economic Development Authority: The Economic Development Authority operates on a proprietary fund basis where revenues and expenditures are recognized on the accrual basis of accounting, where the measurement focus is on the determination of net income, financial position, and changes in financial position. The Economic Development Authority is an enterprise fund. Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services.

E. Cash and Cash Equivalents

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

F. Investments

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

G. Restricted Cash:

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

The Piney River Water and Sewer Fund has recorded \$54,137 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.

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

I. Budgets and Budgetary Accounting: (Continued)

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, 2016, 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 \$112,129 at June 30, 2016. The allowance is comprised of property taxes, landfill fees, EMS charges, and sewer charges.

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.

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:

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

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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

O. Fund Equity: (Continued)

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

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

Category	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government	Component Unit School Board
Nonspendable:						
Prepaid items	\$ 30,678	\$ -	\$ -	\$ -	\$ 30,678	\$ 24,543
Inventory	-	-	-	-	-	43,946
Total Nonspendable	<u>\$ 30,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,678</u>	<u>\$ 68,489</u>
Restricted:						
Unexpended Bond Proceeds	\$ -	\$ 8,266	\$ 2,037,306	\$ -	\$ 2,045,572	-
Total Restricted	<u>\$ -</u>	<u>\$ 8,266</u>	<u>\$ 2,037,306</u>	<u>\$ -</u>	<u>\$ 2,045,572</u>	<u>\$ -</u>
Committed:						
Ryan School Reserve	\$ 39,165	\$ -	\$ -	\$ -	\$ 39,165	\$ -
Reassessment	244,781	-	-	-	244,781	-
Debt Service	-	231,778	-	-	231,778	-
Community Development	-	-	-	30,487	30,487	-
Textbooks	-	-	-	-	-	377,499
Cafeteria	-	-	-	-	-	241,615
Courthouse Construction	-	-	438,776	-	438,776	-
Capital Projects	-	-	898,160	-	898,160	-
Total Committed	<u>\$ 283,946</u>	<u>\$ 231,778</u>	<u>\$ 1,336,936</u>	<u>\$ 30,487</u>	<u>\$ 1,883,147</u>	<u>\$ 619,114</u>
Unassigned	<u>\$ 22,801,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,801,750</u>	<u>\$ (45,268)</u>
Total Fund Balance	<u>\$ 23,116,374</u>	<u>\$ 240,044</u>	<u>\$ 3,374,242</u>	<u>\$ 30,487</u>	<u>\$ 26,761,147</u>	<u>\$ 642,335</u>

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

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.

R. Net Position Flow Assumption

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

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has 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 and 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 these items, reference the pension note.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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

S. Deferred Outflows/Inflows of Resources: (Continued)

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 these items, reference the pension note.

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

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

Custodial Credit Risk (Investments)

The County’s investments at June 30, 2016 were held in the County’s name by the County’s custodial banks.

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2016 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
Money Market Mutual Fund	\$ 8,266
Money Market Mutual Fund (SNAP)	2,485,490
Certificates of Deposit	1,726,474
Local Government Investment Pool	48,646
Total	\$ 4,268,876
Component Unit -- Economic Development Authority	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 8,840

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment maturities in years:

Investment Maturities (in years)			
Local Government			
Investment Type	Fair Value	Less than 1 Year	1 to 5 Years
Money Market Mutual Fund	\$ 8,266	\$ 8,266	\$ -
Money Market Mutual Fund (SNAP)	2,485,490	2,485,490	-
Certificates of Deposit	1,726,474	735,649	990,825
Local Government Investment Pool	57,486	57,486	-
Total	<u>\$ 4,277,716</u>	<u>\$ 3,286,891</u>	<u>\$ 990,825</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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 and SNAP are amortized cost basis portfolios under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 3—RECEIVABLES:

Receivables at June 30, 2016 consist of the following:

	Primary Government		Component Units	
	Governmental			
	Activities	Business-	School	Economic
	General	Type	Board	Development
	Fund	Activities		Authority
Property taxes	\$ 12,578,627	\$ -	\$ -	\$ -
Penalties	28,452			
Utility taxes	43,190	-	-	-
Recordation taxes and court fees	35,959	-	-	-
Lodging fees	32,508	-	-	-
Meals taxes	87,037	-	-	-
Landfill fees	14,297	-	-	-
EMS revenue recovery	79,712	-	-	-
Note receivable	-	-	-	128,000
E-rate reimbursement	-	-	29,991	-
Sewer charges	-	41,443	-	-
Broadband charges	-	34,027	-	-
Broadband connection fees	-	152,905	-	-
Surplus sale proceeds	86,761	-	-	-
Insurance proceeds	31,541	-	-	-
Other	54,283	-	19,568	76,160
Total receivables	\$ 13,072,367	\$ 228,375	\$ 49,559	\$ 204,160
Allowance for uncollectibles	(104,177)	(7,952)	-	-
Net receivables	\$ 12,968,190	\$ 220,423	\$ 49,559	\$ 204,160

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 2016. The note accrues interest at 7% per annum and is secured by a deed of trust. During 2016, the Board of the EDA agreed to extend the maturity date of the note to June 2017.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Component
	Governmental			Unit
	Activities			
	Other			
	General	Governmental		School
	Fund	Funds	Total	Board
Commonwealth of Virginia:				
Local sales taxes	\$ 198,714	\$ -	\$ 198,714	\$ -
State sales taxes	-	-	-	377,242
Personal property tax relief act	734,930	-	734,930	-
Comprehensive Services Act	167,130	-	167,130	-
Public assistance	30,240	-	30,240	-
Communications tax	74,881	-	74,881	-
Rolling stock tax	96,691	-	96,691	-
Shared expenses and grants	124,779	-	124,779	-
Other	25,974	-	25,974	-
Federal government:				
Public assistance	50,948	-	50,948	-
TEA-21 grant	21,475	-	21,475	-
Community development block grant	30,437	-	30,437	-
Other	5,786	-	5,786	-
Federal pass-through school funds	-	-	-	191,349
Total	\$ 1,561,985	\$ -	\$ 1,561,985	\$ 568,591

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 5—INTERFUND ACTIVITY:

Primary Government:

Transfers To/From Other Funds:

Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ (3,367,281)
Transfer to the Capital projects fund	(1,426,225)
Transfer to the Housing improvement fund	(100,000)
Transfer to the Broadband Fund	(163,657)
Transfer to the Piney River Water & Sewer fund to support operations	<u>(40,000)</u>

Net transfers from General Fund	\$ <u>(5,097,163)</u>
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Transfer from the General Fund to pay principal and interest on long-term debt	\$ <u>3,367,281</u>
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Net transfers to Debt Service Fund	\$ <u>3,367,281</u>
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Transfer from the General Fund	\$ <u>1,426,225</u>
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Net transfers to the Capital Projects Fund	\$ <u>1,426,225</u>
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Transfer to the Broadband Fund	\$ (249,578)
Transfer from the General Fund to support operations	<u>100,000</u>

Net transfers from the Housing Improvement Fund	\$ <u>(149,578)</u>
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Transfer from the General Fund to support operations	\$ <u>40,000</u>
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Net transfers to the Piney River Water & Sewer Fund	\$ <u>40,000</u>
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Transfer from the General Fund to pay for broadband project	\$ 163,657
Transfer from the Housing Improvment Fund to pay for broadband project	<u>249,578</u>

Net transfers to the Broadband Authority Fund	\$ <u>413,235</u>
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The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2016:

Primary Government: Governmental Activities:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land and land improvements	\$ 693,157	\$ -	\$ -	\$ 693,157
Construction in progress	1,843,835	3,223,242	-	5,067,077
Total capital assets not being depreciated	\$ 2,536,992	\$ 3,223,242	\$ -	\$ 5,760,234
Other capital assets:				
Buildings and improvements	\$ 14,935,764	\$ 28,887	\$ 54,502	\$ 14,910,149
Furniture, equipment and vehicles	7,626,473	462,051	287,394	7,801,130
School buildings, improvements and equipment *	17,745,000	-	1,465,000	16,280,000
Total other capital assets	\$ 40,307,237	\$ 490,938	\$ 1,806,896	\$ 38,991,279
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 4,028,221	\$ 522,194	\$ 49,550	\$ 4,500,865
Furniture, equipment and vehicles	3,411,051	880,124	284,634	4,006,541
School buildings, improvements and equipment *	4,997,376	407,000	432,250	4,972,126
Total accumulated depreciation	\$ 12,436,648	\$ 1,809,318	\$ 766,434	\$ 13,479,532
Other capital assets, net	\$ 27,870,589	\$ (1,318,380)	\$ 1,040,462	\$ 25,511,747
Net capital assets	\$ 30,407,581	\$ 1,904,862	\$ 1,040,462	\$ 31,271,981
Depreciation expense was allocated as follows:				
General government administration		\$ 302,233		
Public safety		715,754		
Public works		259,710		
Health and welfare		24,162		
Education		407,000		
Parks, recreation and cultural		100,459		
Total depreciation expense		\$ 1,809,318		

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land and land improvements	\$ 851,210	\$ -	\$ -	\$ 851,210
Total capital assets not being depreciated	\$ 851,210	\$ -	\$ -	\$ 851,210
Other capital assets:				
Buildings and improvements	\$ 46,365,233	\$ 47,000	\$ -	\$ 46,412,233
Furniture, equipment and vehicles	5,158,889	332,906	8,100	5,483,695
School buildings, improvements and equipment allocated to County *	(17,745,000)	1,465,000	-	(16,280,000)
Total other capital assets	\$ 33,779,122	\$ 1,844,906	\$ 8,100	\$ 35,615,928
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 19,432,496	\$ 1,289,207	\$ -	\$ 20,721,703
Furniture, equipment and vehicles	3,693,121	382,605	8,100	4,067,626
School buildings, improvements and equipment allocated to County *	(4,997,376)	(407,000)	(432,250)	(4,972,126)
Total accumulated depreciation	\$ 18,128,241	\$ 1,264,812	\$ (424,150)	\$ 19,817,203
Other capital assets, net	\$ 15,650,881	\$ 580,094	\$ 432,250	\$ 15,798,725
Net capital assets	\$ 16,502,091	\$ 580,094	\$ 432,250	\$ 16,649,935
Depreciation expense allocated to education		\$ 1,264,812		

* 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	\$ 31,271,981
Add: Bond proceeds received but not expended on capital assets at June 30, 2016	2,037,306
Less: Long-term debt applicable to capital assets at June 30, 2016	27,428,662
Net position net investment in capital assets	\$ 5,880,625

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Primary Government:

Business-Type Activities:

Piney River Water & Sewer Operations

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land and land improvements	\$ 40,000	\$ -	\$ -	\$ 40,000
Total capital assets not being depreciated	\$ 40,000	\$ -	\$ -	\$ 40,000
Other capital assets:				
Infrastructure	\$ 6,565,184	\$ -	\$ -	\$ 6,565,184
Equipment	25,619	-	25,619	-
Total other capital assets	\$ 6,590,803	\$ -	\$ 25,619	\$ 6,565,184
Less: Accumulated depreciation for:				
Infrastructure	\$ 1,650,069	\$ 188,102	\$ -	\$ 1,838,171
Equipment	25,619	-	25,619	-
Total accumulated depreciation	\$ 1,675,688	\$ 188,102	\$ 25,619	\$ 1,838,171
Other capital assets, net	\$ 4,915,115	\$ (188,102)	\$ -	\$ 4,727,013
Net capital assets	\$ 4,955,115	\$ (188,102)	\$ -	\$ 4,767,013

Nelson County Broadband Authority

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 307,486	\$ -	\$ 307,486
Total capital assets not being depreciated	\$ -	\$ 307,486	\$ -	\$ 307,486
Other capital assets:				
Equipment	\$ 3,427,126	\$ 166,104	\$ -	\$ 3,593,230
Total other capital assets	\$ 3,427,126	\$ 166,104	\$ -	\$ 3,593,230
Less: Accumulated depreciation for:				
Equipment	\$ 535,605	\$ 202,944	\$ -	\$ 738,549
Total accumulated depreciation	\$ 535,605	\$ 202,944	\$ -	\$ 738,549
Other capital assets, net	\$ 2,891,521	\$ (36,840)	\$ -	\$ 2,854,681
Net capital assets	\$ 2,891,521	\$ 270,646	\$ -	\$ 3,162,167

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

Net capital assets	\$ 7,929,180
Less: Long-term debt applicable to capital assets at June 30, 2016	1,072,046
Net position investment in capital assets	\$ 6,857,134

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016:

	Balance July 1, 2015	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2016
Primary Government:				
Governmental activities:				
Lease revenue refunding bonds	\$ 8,565,000	\$ -	\$ 490,000	\$ 8,075,000
General obligation bonds:				
School	8,240,000	-	740,000	7,500,000
Premium on issuance	196,539	-	39,005	157,534
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	1,935,000	3,590,000	445,000	5,080,000
Premium on issuance	160,418	472,478	62,371	570,525
Refunding Revenue bonds:				
General	6,200,000	-	545,000	5,655,000
Premium on issuance	787,805	-	114,508	673,297
Retirement incentive obligation loan	185,640	-	57,863	127,777
Compensated absences	316,096	55,350	31,609	339,837
Net OPEB obligation	24,890	57,050	58,500	23,440
Net pension liability	1,854,745	1,682,433	1,361,511	2,175,667
Landfill liability	1,036,651	9,330	-	1,045,981
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 29,502,784	\$ 5,866,641	\$ 3,945,367	\$ 31,424,058
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 2,809,047
Long-term liabilities due in more than one year				28,615,011
				<u> </u>
Total				\$ 31,424,058
				<u> </u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

	Balance Balance July 1, 2015	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2016
Business-type activities:				
USDA Water Revenue Bond	\$ 460,833	\$ -	\$ 6,777	\$ 454,056
USDA Sewer Revenue Bond	626,803	-	8,813	617,990
	<u>\$ 1,087,636</u>	<u>\$ -</u>	<u>\$ 15,590</u>	<u>\$ 1,072,046</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 16,282
Long-term liabilities due in more than one year				<u>1,055,764</u>
Total				<u>\$ 1,072,046</u>

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

Year Ending June 30,	Principal	Interest
2017	\$ 2,563,074	\$ 1,076,395
2018	2,317,999	973,892
2019	2,347,774	867,635
2020	2,208,570	770,354
2021	2,304,402	673,158
2022-2026	10,695,862	1,881,730
2027-2031	4,338,038	407,791
2032-2036	171,883	143,478
2037-2041	214,034	101,327
2042-2046	266,531	48,829
2047-2048	81,656	2,746
Total	<u>\$ 27,509,823</u>	<u>\$ 6,947,335</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Governmental activities:		
<u>General Obligation School Bonds:</u>		
\$14,280,000 School Bonds, 2003, issued November 2003, due in various installments of \$420,000 to \$1,110,000 through January 2024, interest rates from 3.1% to 5.35%	\$ 7,500,000	\$ 780,000
Unamortized premium on issuance of 2003 School Bonds	<u>157,534</u>	<u>35,138</u>
Total general obligation school bonds	<u>\$ 7,657,534</u>	<u>\$ 815,138</u>
<u>Lease Revenue Refunding Bonds:</u>		
\$9,990,000 Lease Revenue Refunding Bonds Series 2012, issued March 2012, due in various semi-annual installments ranging from \$480,000 to \$860,000, through August 2027, interest rates at 2.75%	\$ <u>8,075,000</u>	\$ <u>510,000</u>
Total lease revenue refunding bonds	<u>\$ 8,075,000</u>	<u>\$ 510,000</u>
<u>VRA Refunding Revenue Bonds:</u>		
\$7,305,000 Refunding Revenue Bonds Series 2013A, issued June 5, 2013, payable in various annual installments through October 1, 2027; Interest payable semiannually at rates ranging from 2.017% to 4.13%.	\$ 5,655,000	\$ 555,000
Unamortized premium on issuance of 2013 VRA Bonds	<u>673,297</u>	<u>106,716</u>
Total VRA refunding revenue bonds	<u>\$ 6,328,297</u>	<u>\$ 661,716</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Governmental activities: (Continued)		
<u>Virginia Resource Authority Infrastructure Revenue Bonds:</u>		
\$2,460,000 issued June 7, 2007 due in semi-annual installments of interest only through April, 2008, interest at 4.48%; annual installments of principal and semi-annual payments of interest thereafter through September, 2016 with principal installments in amounts ranging from \$230,000 to \$325,000 and interest rates ranging from 4.1% to 4.625%.	\$ 325,000	\$ 325,000
Unamortized premium	404	404
\$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%.	1,165,000	145,000
Unamortized premium	122,857	31,254
\$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%.	3,590,000	170,000
Unamortized premium	447,264	54,759
Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 5,650,525</u>	<u>\$ 726,417</u>
<u>Loan Payable - Early Retirement Incentive Costs:</u>		
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%.		
	\$ 127,777	\$ 61,792
Total governmental activities loans and bonds	<u>\$ 27,839,133</u>	<u>\$ 2,775,063</u>
Compensated absences	<u>\$ 339,837</u>	<u>\$ 33,984</u>
Net OPEB obligation	<u>\$ 23,440</u>	<u>\$ -</u>
Net pension liability	<u>\$ 2,175,667</u>	<u>\$ -</u>
Landfill liability	<u>\$ 1,045,981</u>	<u>\$ -</u>
Total governmental activities obligations	<u><u>\$ 31,424,058</u></u>	<u><u>\$ 2,809,047</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Business-type activities:		
<u>USDA Revenue Bonds:</u>		
\$499,000 Water Revenue Bond, Series 2007, issued November 8, 2007, interest only due on November 8, 2008, and then monthly principal and interest payments of \$2,186 through October, 2047; interest at 4.25%	\$ 454,056	\$ 7,068
\$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%	617,990	9,214
Total business-type activities long-term obligations	<u>\$ 1,072,046</u>	<u>\$ 16,282</u>

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 \$54,137 at June 30, 2016. The reserve has been reflected as restricted cash in the accompanying financial statements.

The County paid \$47,441 in interest on the USDA Water and Sewer Bonds in fiscal 2016, 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016:

	Balance July 1, 2015	Additions	Retirements & Other Reductions	Balance June 30, 2016
Component Unit - School Board				
Compensated absences	\$ 341,328	\$ 49,395	\$ 34,133	\$ 356,590
Energy improvement lease	1,961,526	-	110,126	1,851,400
Net Pension liability	18,892,939	5,239,931	4,853,797	19,279,073
Net OPEB obligation	285,601	85,500	48,100	323,001
Total	\$ 21,481,394	\$ 5,374,826	\$ 5,046,156	\$ 21,810,064
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 152,741
Long-term liabilities due in more than one year				21,657,323
Total				\$ 21,810,064

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

Year Ending June 30,	Principal	Interest
2017	\$ 117,082	\$ 39,179
2018	124,326	36,623
2019	131,868	33,910
2020	139,718	31,033
2021	147,888	27,985
2022-2026	874,005	87,744
2027-2031	316,513	6,919
Total	\$ 1,851,400	\$ 263,393

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Component Unit - School Board		
<u>Energy Improvement Lease:</u>		
\$2,162,010 equipment lease/purchase agreement for energy improvements dated April 15, 2013. The lease is to be repaid in annual installments ranging from \$71,500 on October 15, 2013 to \$113,431 on October 15, 2027. Interest charged at a rate of 2.15%. Energy improvements of \$2,153,960 are included in buildings and improvements at year end.	\$ 1,851,400	\$ 117,082
Compensated absences	\$ 356,590	\$ 35,659
Net pension liability	\$ 19,279,073	\$ -
Net OPEB obligation	\$ 323,001	\$ -
Total School Board long-term obligations	<u>\$ 21,810,064</u>	<u>\$ 152,741</u>

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 54 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 36 days of accrued vacation upon termination and 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.

	<u>Balance July 1, 2015</u>	<u>Net Increase/ (Decrease)</u>	<u>Balance June 30, 2016</u>
Primary Government:			
Governmental activities	\$ 316,096	\$ 23,741	\$ 339,837
Component Unit School Board	<u>\$ 341,328</u>	<u>\$ 15,262</u>	<u>\$ 356,590</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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 VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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 receiving distributions from the balance in the defined contribution account, reflecting the contributions, 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. 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.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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 will be paying the full 5% by 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 will be paying the full 5% by 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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 <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • 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 <u>Defined Benefit Component:</u> See definition under Plan 1

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
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 <u>Defined Benefit Component:</u> 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> 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%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. 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%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	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 becoming eligible for non-work-related disability benefits.	Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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 <u>Defined Benefit Component:</u> 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. <u>Defined Contribution Component:</u> Not applicable.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2014 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	41
Inactive members:		
Vested inactive members	13	6
Non-vested inactive members	15	12
Inactive members active elsewhere in VRS	28	12
Total inactive members	56	30
Active members	89	84
Total covered employees	205	155

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 12.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$476,260 and \$464,083 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016 was 8.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$131,798 and \$129,098 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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, 2014, 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, 2015.

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*

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

Mortality rates: 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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2014 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, 2014, 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, 2015.

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2014 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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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 arithmetic 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%.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2014	\$ 17,536,794	\$ 15,682,049	\$ 1,854,745
Changes for the year:			
Service cost	\$ 454,133	\$ -	\$ 454,133
Interest	1,198,069	-	1,198,069
Differences between expected and actual experience	20,264	-	20,264
Contributions - employer	-	461,417	(461,417)
Contributions - employee	-	186,660	(186,660)
Net investment income	-	713,434	(713,434)
Benefit payments, including refunds of employee contributions	(843,042)	(843,042)	-
Administrative expenses	-	(9,817)	9,817
Other changes	-	(150)	150
Net changes	\$ 829,424	\$ 508,502	\$ 320,922
Balances at June 30, 2015	\$ 18,366,218	\$ 16,190,551	\$ 2,175,667

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2014	\$ 6,504,067	\$ 6,158,128	\$ 345,939
Changes for the year:			
Service cost	\$ 154,759	\$ -	\$ 154,759
Interest	445,743	-	445,743
Differences between expected and actual experience	45,500	-	45,500
Contributions - employer	-	128,397	(128,397)
Contributions - employee	-	76,055	(76,055)
Net investment income	-	281,345	(281,345)
Benefit payments, including refunds of employee contributions	(272,613)	(272,613)	-
Administrative expenses	-	(3,869)	3,869
Other changes	-	(60)	60
Net changes	\$ 373,389	\$ 209,255	\$ 164,134
Balances at June 30, 2015	\$ 6,877,456	\$ 6,367,383	\$ 510,073

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:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 4,393,640	\$ 2,175,667	\$ 321,718
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,313,806	\$ 510,073	\$ (167,078)

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$228,911 and \$49,484, respectively. At June 30, 2015, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,666	\$ -	\$ 31,877	\$ -
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	417,447	-	164,567
Employer contributions subsequent to the measurement date	476,260	-	131,798	-
Total	\$ 490,926	\$ 417,447	\$ 163,675	\$ 164,567

\$476,260 and \$131,798 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	Component Unit School Board (nonprofessional)
2017	\$ (158,694)	\$ (51,047)
2018	(158,694)	(51,047)
2019	(160,821)	(60,037)
2020	75,428	29,441
Thereafter	-	-

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for 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 18.20% however it was reduced to 17.64% as a result of the transfer. 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 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$1,689,453 and \$1,606,740 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$18,769,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .14912% as compared to .153472% at June 30, 2014.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016, the school division recognized pension expense of \$1,389,000. 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, 2016, 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	\$ -	\$ 258,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,150,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	449,000	494,000
Employer contributions subsequent to the measurement date	1,689,453	-
Total	\$ 2,138,453	\$ 1,902,000

\$1,689,453 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, 2017. 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:

<u>Year ended June 30</u>	
2017	\$ (494,000)
2018	(494,000)
2019	(494,000)
2020	111,000
Thereafter	(82,000)

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2014, 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, 2015.

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*

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

Mortality rates:

Pre-Retirement:

RP-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

The actuarial assumptions used in the June 30, 2014 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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* 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%.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 27,466,000	\$ 18,769,000	\$ 11,609,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2015, 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, 2015, 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	\$ 1,088	\$ 1,588
High Deductible Health Plan -- PPO	\$ 451	\$ 834	\$ 1,218
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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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:

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 57,800	\$ 91,000
Interest on OPEB obligation	871	10,000
Adjustment to ARC	<u>(1,621)</u>	<u>(15,500)</u>
Annual OPEB cost	\$ 57,050	\$ 85,500
Estimated contributions made	<u>(58,500)</u>	<u>(48,100)</u>
Increase in net OPEB obligation	\$ (1,450)	\$ 37,400
Net OPEB obligation at beginning of year	<u>24,890</u>	<u>285,601</u>
Net OPEB obligation at end of year	<u><u>\$ 23,440</u></u>	<u><u>\$ 323,001</u></u>

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 2016 and the two preceding years were as follows:

<u>Fiscal Year Ending:</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2014	\$ 41,549	104.94%	\$ 23,948
June 30, 2015	58,442	98.39%	24,890
June 30, 2016	57,050	102.54%	23,440
School Board:			
Non-professional			
June 30, 2014	\$ 133,000	57.22%	\$ 240,201
June 30, 2015	83,100	45.37%	285,601
June 30, 2016	85,500	56.26%	323,001

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

D. Funded Status and Funding Progress

At January 1, 2015, the most recent actuarial valuation date, the County Plan was unfunded. The actuarial accrued liability for benefits was \$603,500, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$603,500. The covered payroll (annual payroll of active employees covered by the plan) was \$3,747,800, and the ratio of the UAAL to the covered payroll was 16.10%.

At January 1, 2015, the most recent actuarial valuation date, the School Board Plan was unfunded. The actuarial accrued liability for benefits was \$785,400, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$785,400. The covered payroll (annual payroll of active employees covered by the plan) was \$12,802,200, and the ratio of the UAAL to the covered payroll was 6.13%.

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, 2015, 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 (6.60% graded to 4.50% graded over 65 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, 2015 was 16.5 years.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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

E. Actuarial Methods and Assumptions: (Continued)

School Board

In the January 1, 2015, 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 (6.60% graded to 4.50% graded over 63 years). The payroll growth rate was assumed to be 3.00%.

The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at January 1, 2015 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 Code of Virginia. 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 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$126,828, \$117,458, and \$124,464, 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, 2016.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 13—DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred/Unavailable tax revenue:		
Uncollected property tax billings for which asset recognition criteria have not been met have been recorded as deferred revenue. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,741,275
Second half installment due after June 30th	10,321,683	10,321,683
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	236,490	236,490
Total primary government	\$ <u>10,558,173</u>	\$ <u>12,299,448</u>

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, 2016, the County had connection fees receivable in the amount of \$152,905. The following is a schedule of the annual repayments.

Year Ending June 30,	Amount
2017	\$ 35,995
2018	35,360
2019	27,055
2020	45,442
2021	9,053
Total	\$ <u>152,905</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016, 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:

	<u>Amount</u>
Virginia Department of Risk Management - Surety	
Judy Smythers, Clerk of the Circuit Court	\$ 450,000
Angela F. Johnson, Treasurer	400,000
Jean W. Payne, Commissioner of the Revenue	3,000
David Brooks, 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. Bruguire, 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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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 \$1,045,981 as of June 30, 2016. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 19—ACCRUED LANDFILL REMEDIATION COST: (CONTINUED)

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

NOTE 20—RELATED PARTY TRANSACTIONS:

The County had certain transactions with the Nelson County Service Authority during fiscal year 2016. 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 2016. Eligible employees age 50 and over may defer up to \$24,000 in 2016. 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—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 23.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 22—ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)

Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTE 23—FAIR VALUE MEASUREMENTS:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 23—FAIR VALUE MEASUREMENTS: (CONTINUED)

- 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, 2016:

Investment	6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Fund	\$ 8,266	\$ 8,266	\$ -	\$ -
Certificates of Deposit	1,726,474	1,726,474	-	-
	<u>\$ 1,734,740</u>	<u>\$ 1,734,740</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 24—UPCOMING PRONOUNCEMENTS:

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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.

NOTE 24—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 77, Tax Abatement Disclosures, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, addresses a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, Irrevocable Split-Interest Agreements, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

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Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 22,236,366	\$ 22,236,366	\$ 22,605,217	\$ 368,851
Other local taxes	4,154,495	4,154,495	4,167,376	12,881
Permits, privilege fees, and regulatory licenses	190,750	190,750	220,105	29,355
Fines and forfeitures	365,600	365,600	269,649	(95,951)
Revenue from the use of money and property	75,000	75,000	158,155	83,155
Charges for services	235,070	235,070	254,985	19,915
Miscellaneous	35,450	35,450	120,554	85,104
Recovered costs	598,738	608,738	678,653	69,915
Intergovernmental revenues:				
Commonwealth	4,791,144	4,817,881	4,788,635	(29,246)
Federal	981,113	996,737	711,924	(284,813)
Total revenues	\$ 33,663,726	\$ 33,716,087	\$ 33,975,253	\$ 259,166
EXPENDITURES				
Current:				
General government administration	\$ 1,679,028	\$ 1,762,068	\$ 1,669,590	\$ 92,478
Judicial administration	787,534	824,465	749,324	75,141
Public safety	5,201,627	5,326,580	4,956,762	369,818
Public works	2,079,269	2,100,138	1,809,476	290,662
Health and welfare	2,547,812	2,567,812	2,780,209	(212,397)
Education	15,067,997	15,431,886	14,570,447	861,439
Parks, recreation, and cultural	480,442	484,158	474,866	9,292
Community development	799,514	828,765	818,236	10,529
Nondepartmental	1,659,094	1,370,086	69,951	1,300,135
Capital projects	1,011,629	1,339,736	501,462	838,274
Total expenditures	\$ 31,313,946	\$ 32,035,694	\$ 28,400,323	\$ 3,635,371
Excess (deficiency) of revenues over (under) expenditures	\$ 2,349,780	\$ 1,680,393	\$ 5,574,930	\$ 3,894,537
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (5,183,506)	\$ (5,183,506)	\$ (5,097,163)	\$ 86,343
Total other financing sources (uses)	\$ (5,183,506)	\$ (5,183,506)	\$ (5,097,163)	\$ 86,343
Net change in fund balances	\$ (2,833,726)	\$ (3,503,113)	\$ 477,767	\$ 3,980,880
Fund balances - beginning	2,835,326	3,503,113	22,638,607	19,135,494
Fund balances - ending	\$ 1,600	\$ -	\$ 23,116,374	\$ 23,116,374

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2016

	2014	2015
Total pension liability		
Service cost	\$ 446,356	\$ 454,133
Interest	1,144,445	1,198,069
Changes of benefit terms	-	-
Differences between expected and actual experience	-	20,264
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(806,440)	(843,042)
Net change in total pension liability	\$ 784,361	\$ 829,424
Total pension liability - beginning	16,752,433	17,536,794
Total pension liability - ending (a)	<u>\$ 17,536,794</u>	<u>\$ 18,366,218</u>
Plan fiduciary net position		
Contributions - employer	\$ 492,143	\$ 461,417
Contributions - employee	186,897	186,660
Net investment income	2,150,653	713,434
Benefit payments, including refunds of employee contributions	(806,440)	(843,042)
Administrative expense	(11,582)	(9,817)
Other	113	(150)
Net change in plan fiduciary net position	\$ 2,011,784	\$ 508,502
Plan fiduciary net position - beginning	13,670,265	15,682,049
Plan fiduciary net position - ending (b)	<u>\$ 15,682,049</u>	<u>\$ 16,190,551</u>
County's net pension liability - ending (a) - (b)	\$ 1,854,745	\$ 2,175,667
Plan fiduciary net position as a percentage of the total pension liability	89.42%	88.15%
Covered payroll	\$ 3,774,065	\$ 3,774,065
County's net pension liability as a percentage of covered payroll	49.14%	57.65%

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 Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2016

	2014	2015
Total pension liability		
Service cost	\$ 154,252	\$ 154,759
Interest	424,255	445,743
Changes of benefit terms	-	-
Differences between expected and actual experience	-	45,500
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(270,446)	(272,613)
Net change in total pension liability	\$ 308,061	\$ 373,389
Total pension liability - beginning	6,196,006	6,504,067
Total pension liability - ending (a)	\$ 6,504,067	\$ 6,877,456
Plan fiduciary net position		
Contributions - employer	\$ 146,724	\$ 128,397
Contributions - employee	79,650	76,055
Net investment income	844,221	281,345
Benefit payments, including refunds of employee contributions	(270,446)	(272,613)
Administrative expense	(4,543)	(3,869)
Other	45	(60)
Net change in plan fiduciary net position	\$ 795,651	\$ 209,255
Plan fiduciary net position - beginning	5,362,477	6,158,128
Plan fiduciary net position - ending (b)	\$ 6,158,128	\$ 6,367,383
School Division's net pension liability - ending (a) - (b)	\$ 345,939	\$ 510,073
Plan fiduciary net position as a percentage of the total pension liability	94.68%	92.58%
Covered payroll	\$ 1,594,791	\$ 1,535,050
School Division's net pension liability as a percentage of covered payroll	21.69%	33.23%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Year Ended June 30, 2016*

	2014	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.15347%	0.14912%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 18,547,000	\$ 18,769,000
Employer's Covered Payroll	11,212,976	11,080,965
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165%	169%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
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%
2007	295,516	295,516	-	3,153,853	9.37%
Component Unit School Board (nonprofessional)					
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%
2007	148,352	148,352	-	1,530,983	9.69%
Component Unit School Board (professional)					
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, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are 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

Schedule of OPEB Funding Progress
At June 30, 2016

PRIMARY GOVERNMENT:

County Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
January 1, 2011	\$ -	\$ 422,000	\$ 422,000	0.00%	\$ 3,213,000	13.13%
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%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
January 1, 2011	\$ -	\$ 1,151,100	\$ 1,151,100	0.00%	\$ 12,281,000	9.37%
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%

Other Supplementary Information

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Combining and Individual Fund Financial Statements and Schedules

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Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,277,863	\$ 2,277,863	\$ 2,277,863	\$ -
Interest and other fiscal charges	1,089,418	1,089,418	1,040,860	48,558
Total expenditures	\$ 3,367,281	\$ 3,367,281	\$ 3,318,723	\$ 48,558
Excess (deficiency) of revenues over (under) expenditures	\$ (3,367,281)	\$ (3,367,281)	\$ (3,318,723)	\$ 48,558
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,367,281	\$ 3,367,281	\$ 3,367,281	\$ -
Total other financing sources (uses)	\$ 3,367,281	\$ 3,367,281	\$ 3,367,281	\$ -
Net change in fund balances	\$ -	\$ -	\$ 48,558	\$ 48,558
Fund balances - beginning	-	-	191,486	191,486
Fund balances - ending	\$ -	\$ -	\$ 240,044	\$ 240,044

Capital Projects Fund

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

For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 48	\$ 48	\$ 8,478	\$ 8,430
Miscellaneous	-	-	10,834	10,834
Total revenues	\$ 48	\$ 48	\$ 19,312	\$ 19,264
EXPENDITURES				
Capital projects	\$ 8,181,314	\$ 8,181,314	\$ 3,198,942	\$ 4,982,372
Debt service:				
Interest and other fiscal charges	-	-	93,372	(93,372)
Total expenditures	\$ 8,181,314	\$ 8,181,314	\$ 3,292,314	\$ 4,889,000
Excess (deficiency) of revenues over (under) expenditures	\$ (8,181,266)	\$ (8,181,266)	\$ (3,273,002)	\$ 4,908,264
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,426,225	\$ 1,426,225	\$ 1,426,225	\$ -
Issuance of lease revenue bonds	5,500,000	5,500,000	3,590,000	(1,910,000)
Bond premium	-	-	472,478	472,478
Total other financing sources (uses)	\$ 6,926,225	\$ 6,926,225	\$ 5,488,703	\$ (1,437,522)
Net change in fund balances	\$ (1,255,041)	\$ (1,255,041)	\$ 2,215,701	\$ 3,470,742
Fund balances - beginning	1,255,041	1,255,041	1,158,541	(96,500)
Fund balances - ending	\$ -	\$ -	\$ 3,374,242	\$ 3,374,242

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2016

	Housing Improvement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Federal	\$ 200,000	\$ 200,000	\$ 180,015	\$ (19,985)
Total revenues	\$ 200,000	\$ 200,000	\$ 180,015	\$ (19,985)
Excess (deficiency) of revenues over (under) expenditures	\$ 200,000	\$ 200,000	\$ 180,015	\$ (19,985)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Transfers out	(300,000)	(300,000)	(249,578)	50,422
Total other financing sources (uses)	\$ (200,000)	\$ (200,000)	\$ (149,578)	\$ 50,422
Net change in fund balances	\$ -	\$ -	\$ 30,437	\$ 30,437
Fund balances - beginning	-	-	50	50
Fund balances - ending	\$ -	\$ -	\$ 30,487	\$ 30,487

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 At June 30, 2016

	Agency Funds		
	Special	EMS	
	Welfare	Loan Fund	Total
Assets			
Cash and cash equivalents	\$ 52,223	\$ 338,767	\$ 390,990
Other receivables	921	-	921
Total assets	<u>\$ 53,144</u>	<u>\$ 338,767</u>	<u>\$ 391,911</u>
Liabilities			
Amounts held for others	\$ 53,144	\$ 338,767	\$ 391,911
Total liabilities	<u>\$ 53,144</u>	<u>\$ 338,767</u>	<u>\$ 391,911</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets				
Cash and cash equivalents	\$ 39,651	\$ 28,702	\$ 16,130	\$ 52,223
Other receivables	1,582	921	1,582	921
Total assets	<u>\$ 41,233</u>	<u>\$ 29,623</u>	<u>\$ 17,712</u>	<u>\$ 53,144</u>
Liabilities				
Amounts held for others	<u>\$ 41,233</u>	<u>\$ 29,623</u>	<u>\$ 17,712</u>	<u>\$ 53,144</u>
EMS Loan Fund:				
Assets				
Cash and cash equivalents	<u>\$ 246,929</u>	<u>\$ 147,356</u>	<u>\$ 55,518</u>	<u>\$ 338,767</u>
Liabilities				
Amounts held for others	<u>\$ 246,929</u>	<u>\$ 147,356</u>	<u>\$ 55,518</u>	<u>\$ 338,767</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 286,580	\$ 176,058	\$ 71,648	\$ 390,990
Other receivables	1,582	921	1,582	921
Total assets	<u>288,162</u>	<u>176,979</u>	<u>73,230</u>	<u>391,911</u>
Liabilities				
Amounts held for others	<u>\$ 288,162</u>	<u>\$ 176,979</u>	<u>\$ 73,230</u>	<u>\$ 391,911</u>

Discretely Presented Component Unit School Board
 Balance Sheet
 At June 30, 2016

	School Operating Fund
Assets	
Cash and cash equivalents	\$ 1,441,512
Receivables:	
Accounts receivable	49,559
Due from other governments	568,591
Inventories	43,946
Prepaid items	24,543
	<u> </u>
Total assets	\$ 2,128,151
	<u> </u>
Liabilities	
Accounts payable	\$ 100,194
Accrued liabilities	832,288
Due to primary government	553,334
	<u> </u>
Total liabilities	\$ 1,485,816
	<u> </u>
Fund balance	
Nonspendable	\$ 68,489
Committed	619,114
Unassigned	(45,268)
	<u> </u>
Total fund balances	\$ 642,335
	<u> </u>
Total liabilities and fund balance	\$ 2,128,151
	<u> </u>

Discretely Presented Component Unit School Board

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

At June 30, 2016

Total fund balance for governmental fund (Exhibit 20)	\$	642,335
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		25,690,530
Equipment, net of depreciation		1,416,069
School Board capital assets in primary government, net of depreciation		<u>(11,307,874)</u>
		16,649,935
Items related to measurement of net pension liability not available to pay for current-period expenditures		(2,066,567)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		1,821,251
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	\$	(356,590)
Energy improvement lease		(1,851,400)
Net pension liability		(19,279,073)
Other deferred outflows related to measurement of net pension liability		480,877
Net OPEB obligation		<u>(323,001)</u>
		(21,329,187)
Total net position of governmental activities (Exhibit 1)	\$	<u><u>(4,282,233)</u></u>

Discretely Presented Component Unit School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2016

	School Operating Fund
Revenues	
Revenue from the use of money and property	\$ 34
Charges for services	444,004
Miscellaneous	290,317
Recovered costs	155,748
Intergovernmental:	
Appropriations from primary government	14,567,934
Commonwealth	8,647,132
Federal	1,774,688
Total revenues	\$ 25,879,857
Expenditures	
Current:	
Education	
Instruction	\$ 16,539,597
Administration, attendance and health	1,100,811
Transportation	2,399,275
Facilities operations	2,627,569
School food services	1,105,971
Facilities	202,405
Technology	1,601,604
Debt service:	
Principal retirement	110,126
Interest and other fiscal charges	41,584
Total expenditures	\$ 25,728,942
Excess (deficiency) of revenues over (under) expenditures	\$ 150,915
Fund balance, beginning of year	491,420
Fund balance, end of year	\$ 642,335

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, 2016

Net change in fund balance - total governmental fund (Exhibit 22) \$ 150,915

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	\$ 379,906	
Depreciation expense	<u>(1,264,812)</u>	(884,906)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		1,032,750
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(Increase) decrease in deferred inflows related to the measurement of the net pension liability/asset		1,061,871
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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	\$ (15,262)	
Energy improvement lease	110,126	
Decrease (increase) in net pension liability	(386,134)	

Decrease (increase) in deferred outflows related to pension payments subsequent to the measurement date and other deferred outflows related to pensions	(10,710)	
Net OPEB obligation	<u>(37,400)</u>	<u>(339,380)</u>

Change in net position of governmental activities (Exhibit 2)	\$	<u>1,021,250</u>
---	----	------------------

Discretely Presented Component Unit School Board

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

For the Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 34	\$ 34
Charges for services	536,916	506,843	444,004	(62,839)
Miscellaneous	289,885	207,884	290,317	82,433
Recovered costs	110,823	110,823	155,748	44,925
Intergovernmental:				
Local government	15,065,484	15,429,373	14,567,934	(861,439)
Commonwealth	8,437,570	8,535,651	8,647,132	111,481
Federal	1,693,405	1,732,369	1,774,688	42,319
Total revenues	\$ 26,134,083	\$ 26,522,943	\$ 25,879,857	\$ (643,086)
EXPENDITURES				
Current:				
Education				
Instruction	\$ 16,794,965	\$ 17,042,188	\$ 16,539,597	\$ 502,591
Administration, attendance and health	1,238,316	1,103,513	1,100,811	2,702
Transportation	2,583,102	2,680,446	2,399,275	281,171
Facilities operations	2,901,669	2,941,911	2,627,569	314,342
School food services	1,071,722	1,146,751	1,105,971	40,780
Facilities	-	625,612	202,405	423,207
Technology	1,211,802	1,292,234	1,601,604	(309,370)
Debt service:				
Principal retirement	110,126	110,126	110,126	-
Interest and other fiscal charges	41,584	41,584	41,584	-
Total expenditures	\$ 25,953,286	\$ 26,984,365	\$ 25,728,942	\$ 1,255,423
Excess (deficiency) of revenues over (under) expenditures	\$ 180,797	\$ (461,422)	\$ 150,915	\$ 612,337
Fund balances - beginning	-	280,625	491,420	210,795
Fund balances - ending	\$ 180,797	\$ (180,797)	\$ 642,335	\$ 823,132

Supporting Schedules

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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	\$ 17,508,413	\$ 17,508,413	\$ 17,682,658	\$ 174,245
Real and personal public service corporation taxes	770,000	770,000	804,700	34,700
Personal property taxes	3,562,953	3,562,953	3,705,946	142,993
Mobile home taxes	30,000	30,000	31,390	1,390
Machinery and tools taxes	10,000	10,000	24,147	14,147
Penalties	190,000	190,000	181,953	(8,047)
Interest	165,000	165,000	174,423	9,423
Total general property taxes	\$ 22,236,366	\$ 22,236,366	\$ 22,605,217	\$ 368,851
Other local taxes:				
Local sales and use taxes	\$ 1,095,910	\$ 1,095,910	\$ 1,143,128	\$ 47,218
Consumers' utility taxes	470,000	470,000	481,596	11,596
Business license taxes	30,000	30,000	35,449	5,449
Utility franchise taxes	92,000	92,000	88,916	(3,084)
Motor vehicle licenses	713,085	713,085	680,088	(32,997)
Bank franchise tax	65,000	65,000	83,981	18,981
Taxes on recordation and wills	215,000	215,000	212,186	(2,814)
Transient occupancy tax	510,000	510,000	475,526	(34,474)
Meals tax	963,500	963,500	965,670	2,170
Street light tax	-	-	836	836
Total other local taxes	\$ 4,154,495	\$ 4,154,495	\$ 4,167,376	\$ 12,881
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 12,213	\$ 2,213
Dog pound fees	2,000	2,000	3,380	1,380
Land use application fees	10,000	10,000	10,226	226
Transfer fees	750	750	935	185
Zoning & Subdivision fees	10,000	10,000	7,670	(2,330)
Building permits	132,000	132,000	154,710	22,710
Building inspection fees	7,000	7,000	9,100	2,100
Well & Septic fees	5,000	5,000	10,275	5,275
Land disturbing fees	8,000	8,000	8,423	423
Tourism collections	6,000	6,000	3,173	(2,827)
Total permits, privilege fees, and regulatory licenses	\$ 190,750	\$ 190,750	\$ 220,105	\$ 29,355
Fines and forfeitures:				
Court fines and forfeitures	\$ 365,600	\$ 365,600	\$ 269,649	\$ (95,951)
Total fines and forfeitures	\$ 365,600	\$ 365,600	\$ 269,649	\$ (95,951)
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 53,290	\$ 3,290
Revenue from use of property	25,000	25,000	104,865	79,865
Total revenue from use of money and property	\$ 75,000	\$ 75,000	\$ 158,155	\$ 83,155

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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	\$ 10,311	\$ 2,311
Law library fees	2,500	2,500	2,697	197
Courthouse maintenance fees	8,000	8,000	6,987	(1,013)
Document reproduction fees	3,500	3,500	4,520	1,020
Excess fees paid to Circuit Court	-	-	21	21
Court appointed attorney fees	1,000	1,000	2,317	1,317
Fingerprint/Report fees	250	250	206	(44)
Cost of postage - Circuit Court	-	-	34	34
Charges for Commonwealth's Attorney	800	800	1,069	269
Charges for sanitation and waste removal	160,000	160,000	173,217	13,217
Charges for parks and recreation	50,900	50,900	53,191	2,291
Sale of literature	120	120	415	295
Total charges for services	\$ 235,070	\$ 235,070	\$ 254,985	\$ 19,915
Miscellaneous revenue:				
Expenditure refunds	\$ 15,000	\$ 15,000	\$ 46,188	\$ 31,188
Other miscellaneous	20,450	20,450	74,366	53,916
Total miscellaneous revenue	\$ 35,450	\$ 35,450	\$ 120,554	\$ 85,104
Recovered costs:				
DSS Reimbursement	\$ 75,000	\$ 75,000	\$ 73,617	\$ (1,383)
School Resource officer and other costs	25,000	25,000	25,882	882
Jaunt Wintergreen	23,738	23,738	17,804	(5,934)
Colleen water & sewer connection fees	-	-	44,000	44,000
DMV stop fees	20,000	30,000	31,750	1,750
EMS revenue recovery	450,000	450,000	438,250	(11,750)
Forest Service Coop. agreement	5,000	5,000	5,880	880
Other recovered costs	-	-	41,470	41,470
Total recovered costs	\$ 598,738	\$ 608,738	\$ 678,653	\$ 69,915
Total revenue from local sources	\$ 27,891,469	\$ 27,901,469	\$ 28,474,694	\$ 573,225
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 100,000	\$ 100,000	\$ 98,241	\$ (1,759)
Mobile home titling tax	10,000	10,000	12,268	2,268
Tax on deeds	55,000	55,000	56,242	1,242
Communication sales & use tax	480,000	480,000	458,432	(21,568)
Personal property tax relief funds	1,708,030	1,708,030	1,708,030	-
Total noncategorical aid	\$ 2,353,030	\$ 2,353,030	\$ 2,333,213	\$ (19,817)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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	\$ 219,051	\$ 219,051	\$ 218,219	\$ (832)
Sheriff	789,806	789,806	779,888	(9,918)
Commissioner of revenue	85,531	85,531	84,434	(1,097)
Treasurer	92,380	92,380	92,212	(168)
Registrar/electoral board	36,334	36,334	46,160	9,826
Clerk of the Circuit Court	200,778	202,578	199,938	(2,640)
Total shared expenses	<u>\$ 1,423,880</u>	<u>\$ 1,425,680</u>	<u>\$ 1,420,851</u>	<u>\$ (4,829)</u>
Welfare:				
Public assistance and welfare administration	\$ 358,442	\$ 358,442	\$ 318,796	\$ (39,646)
Other categorical aid:				
E911 wireless grant	\$ 94,733	\$ 94,733	\$ 97,708	\$ 2,975
Fire programs	48,000	49,831	47,604	(2,227)
Four for life	18,000	18,000	17,494	(506)
Litter control grant	6,683	6,757	6,757	-
Victim-witness grant	21,987	21,987	6,088	(15,899)
VJCCCA Dept - Juvenile Justice	10,364	10,364	10,364	-
Comprehensive services act	450,625	450,625	489,954	39,329
Performance arts grant	5,000	5,000	5,000	-
Other categorical	400	23,432	34,806	11,374
Total other categorical aid	<u>\$ 655,792</u>	<u>\$ 680,729</u>	<u>\$ 715,775</u>	<u>\$ 35,046</u>
Total categorical aid	<u>\$ 2,438,114</u>	<u>\$ 2,464,851</u>	<u>\$ 2,455,422</u>	<u>\$ (9,429)</u>
Total revenue from the Commonwealth	<u>\$ 4,791,144</u>	<u>\$ 4,817,881</u>	<u>\$ 4,788,635</u>	<u>\$ (29,246)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 54,000	\$ 54,000	\$ 65,416	\$ 11,416
Categorical aid:				
Public assistance and welfare administration	\$ 521,119	\$ 521,119	\$ 590,450	\$ 69,331
Victim witness program	-	-	18,263	18,263
Sheriff's grants	-	14,394	8,385	(6,009)
FEMA disaster relief	-	-	443	443
Sheriff's Byrne Grant	-	1,230	-	(1,230)
Recreational trails program	-	-	7,492	7,492
Tunnel Grant (TEA-21)	405,994	405,994	21,475	(384,519)
Total categorical aid	<u>\$ 927,113</u>	<u>\$ 942,737</u>	<u>\$ 646,508</u>	<u>\$ (296,229)</u>
Total revenue from the federal government	<u>\$ 981,113</u>	<u>\$ 996,737</u>	<u>\$ 711,924</u>	<u>\$ (284,813)</u>
Total General Fund	<u>\$ 33,663,726</u>	<u>\$ 33,716,087</u>	<u>\$ 33,975,253</u>	<u>\$ 259,166</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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:				
Community Development Block Grant	\$ 200,000	\$ 200,000	\$ 180,015	\$ (19,985)
Total Housing Improvement Fund	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 180,015</u>	<u>\$ (19,985)</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 48	\$ 48	\$ 8,478	\$ 8,430
Total revenue from use of money and property	<u>48</u>	<u>48</u>	<u>8,478</u>	<u>8,430</u>
Miscellaneous revenue:				
Other	\$ -	\$ -	\$ 10,834	\$ 10,834
Total revenue from local sources	<u>\$ 48</u>	<u>\$ 48</u>	<u>\$ 19,312</u>	<u>\$ 19,264</u>
Total Capital Improvements Fund	<u>\$ 48</u>	<u>\$ 48</u>	<u>\$ 19,312</u>	<u>\$ 19,264</u>
Total Primary Government	<u>\$ 33,863,774</u>	<u>\$ 33,916,135</u>	<u>\$ 34,174,580</u>	<u>\$ 258,445</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 34	\$ 34
Charges for services:				
Charges for education	\$ 16,000	\$ 26,833	\$ 4,000	\$ (22,833)
Charges for cafeteria	<u>520,916</u>	<u>480,010</u>	<u>440,004</u>	<u>(40,006)</u>
Total charges for services	<u>\$ 536,916</u>	<u>\$ 506,843</u>	<u>\$ 444,004</u>	<u>\$ (62,839)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 289,885	\$ 207,884	\$ 290,317	\$ 82,433
Total miscellaneous revenue	<u>\$ 289,885</u>	<u>\$ 207,884</u>	<u>\$ 290,317</u>	<u>\$ 82,433</u>
Recovered costs:				
Other recovered costs	\$ 110,823	\$ 110,823	\$ 155,748	\$ 44,925
Total recovered costs	<u>\$ 110,823</u>	<u>\$ 110,823</u>	<u>\$ 155,748</u>	<u>\$ 44,925</u>
Total revenue from local sources	<u>\$ 937,624</u>	<u>\$ 825,550</u>	<u>\$ 890,103</u>	<u>\$ 64,553</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 15,065,484	\$ 15,429,373	\$ 14,567,934	\$ (861,439)
Total revenues from local governments	<u>\$ 15,065,484</u>	<u>\$ 15,429,373</u>	<u>\$ 14,567,934</u>	<u>\$ (861,439)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,053,331	\$ 2,065,894	\$ 2,072,745	\$ 6,851
Basic school aid	<u>3,866,485</u>	<u>3,905,980</u>	<u>3,911,256</u>	<u>5,276</u>
Remedial education	<u>124,746</u>	<u>128,003</u>	<u>125,875</u>	<u>(2,128)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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	\$ 484,402	\$ 488,810	\$ 488,787	\$ (23)
Vocational standards of quality payments	114,215	110,195	115,249	5,054
Fringe benefits	686,911	693,162	693,130	(32)
VPSA technology	154,000	154,000	154,000	-
At risk payments	137,509	126,125	138,737	12,612
Primary class size	139,501	145,393	145,393	-
Other state funds	676,470	718,089	801,960	83,871
Total categorical aid	\$ 8,437,570	\$ 8,535,651	\$ 8,647,132	\$ 111,481
Total revenue from the Commonwealth	\$ 8,437,570	\$ 8,535,651	\$ 8,647,132	\$ 111,481
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 5,500	\$ 3,931	\$ 3,931	\$ -
Title 1/A grants to LEAs	456,109	456,109	466,041	9,932
IDEA 611 flow-through (Title VI-B)	460,698	460,698	448,244	(12,454)
Rural and safe schools	36,912	36,912	29,389	(7,523)
Title 1 - Carl Perkins vocational	35,444	35,444	35,883	439
Preschool grants/special ed	25,152	25,152	23,717	(1,435)
Title III language acquisition	48,587	48,587	32,985	(15,602)
Title II part A	90,003	90,003	89,498	(505)
Advance placement grant	-	533	533	-
School food	535,000	575,000	588,758	13,758
School food commodities	-	-	55,709	55,709
Total categorical aid	\$ 1,693,405	\$ 1,732,369	\$ 1,774,688	\$ 42,319
Total School Operating Fund	\$ 26,134,083	\$ 26,522,943	\$ 25,879,857	\$ (643,086)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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	\$ 118,166	\$ 120,666	\$ 115,594	\$ 5,072
General and financial administration:				
County administrator	\$ 321,057	\$ 330,019	\$ 328,657	\$ 1,362
County attorney	85,000	101,735	96,188	5,547
Commissioner of revenue	235,179	250,557	245,894	4,663
Treasurer	342,486	352,486	330,710	21,776
Finance and accounting	255,400	260,883	261,002	(119)
Technology	198,676	200,279	155,318	44,961
Land use panel	2,138	2,138	1,172	966
Total general and financial administration	\$ 1,439,936	\$ 1,498,097	\$ 1,418,941	\$ 79,156
Board of elections:				
Board of elections	\$ 32,923	\$ 49,674	\$ 43,557	\$ 6,117
Registrar	88,003	93,631	91,498	2,133
Total board of elections	\$ 120,926	\$ 143,305	\$ 135,055	\$ 8,250
Total general government administration	\$ 1,679,028	\$ 1,762,068	\$ 1,669,590	\$ 92,478
Judicial administration:				
Courts:				
Circuit court	\$ 30,292	\$ 30,292	\$ 21,393	\$ 8,899
General district court	4,328	6,828	6,057	771
VJCCA	40,566	40,566	18,565	22,001
Juvenile and domestic relations court	6,210	6,210	4,150	2,060
Magistrate	325	325	1	324
Clerk of the circuit court	351,189	374,217	348,765	25,452
Total courts	\$ 432,910	\$ 458,438	\$ 398,931	\$ 59,507
Commonwealth's attorney:				
Commonwealth's attorney	\$ 354,624	\$ 366,027	\$ 350,393	\$ 15,634
Total commonwealth's attorney	\$ 354,624	\$ 366,027	\$ 350,393	\$ 15,634
Total judicial administration	\$ 787,534	\$ 824,465	\$ 749,324	\$ 75,141
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,550,484	\$ 1,590,778	\$ 1,461,655	\$ 129,123
E-911	442,901	480,198	440,009	40,189
Emergency services council	668,139	669,970	660,833	9,137
Emergency services	426,061	438,787	426,015	12,772
T.J. EMS Council	19,629	19,629	19,629	-
Fire protection	156,000	156,000	156,000	-
Paid EMS	773,656	773,656	707,693	65,963
Forestry service	20,821	20,821	20,821	-

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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	\$ 645,636	\$ 664,960	\$ 637,227	\$ 27,733
Building inspector	280,547	280,547	249,457	31,090
Animal control	212,824	216,305	162,554	53,751
OAR/Jefferson Area Community Corrections	4,769	4,769	4,769	-
RVVFD	-	10,000	10,000	-
Medical examiner	160	160	100	60
Total law enforcement and traffic control	\$ 5,201,627	\$ 5,326,580	\$ 4,956,762	\$ 369,818
Total public safety	\$ 5,201,627	\$ 5,326,580	\$ 4,956,762	\$ 369,818
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 322,718	\$ 322,718	\$ 218,161	\$ 104,557
Total maintenance of highways, streets, bridges & sidewalks	\$ 322,718	\$ 322,718	\$ 218,161	\$ 104,557
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,034,497	\$ 1,045,958	\$ 948,426	\$ 97,532
Total sanitation and waste removal	\$ 1,034,497	\$ 1,045,958	\$ 948,426	\$ 97,532
Maintenance of general buildings and grounds:				
General properties	\$ 722,054	\$ 731,462	\$ 642,889	\$ 88,573
Total maintenance of general buildings and grounds	\$ 722,054	\$ 731,462	\$ 642,889	\$ 88,573
Total public works	\$ 2,079,269	\$ 2,100,138	\$ 1,809,476	\$ 290,662
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	\$ -

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare (Continued):				
Welfare:				
Public assistance and administration	\$ 1,235,319	\$ 1,255,319	\$ 1,173,452	\$ 81,867
MACAA	29,914	29,914	29,914	-
Senior center meals	22,165	22,165	22,165	-
At risk youth program	714,135	714,135	821,343	(107,208)
Shelter for help	8,000	8,000	8,000	-
JAUNT	89,914	89,914	89,914	-
JABA	96,500	96,500	96,500	-
Sexual assault resource agency	800	800	800	-
CASA of Central Virginia	2,500	2,500	2,500	-
Community service	5,000	5,000	2,601	2,399
Tax relief for the elderly	-	-	189,455	(189,455)
Total welfare	\$ 2,204,247	\$ 2,224,247	\$ 2,436,644	\$ (212,397)
Total health and welfare	\$ 2,547,812	\$ 2,567,812	\$ 2,780,209	\$ (212,397)
Education:				
Other instructional costs:				
Community College	\$ 2,513	\$ 2,513	\$ 2,513	\$ -
Appropriation to public school system	15,065,484	15,429,373	14,567,934	861,439
Total education	\$ 15,067,997	\$ 15,431,886	\$ 14,570,447	\$ 861,439
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 205,258	\$ 208,974	\$ 199,682	\$ 9,292
Total parks and recreation	\$ 205,258	\$ 208,974	\$ 199,682	\$ 9,292
Cultural enrichment:				
Wintergreen Performing Arts	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total cultural enrichment	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Library:				
Regional library	\$ 265,184	\$ 265,184	\$ 265,184	\$ -
Total library	\$ 265,184	\$ 265,184	\$ 265,184	\$ -
Total parks, recreation, and cultural	\$ 480,442	\$ 484,158	\$ 474,866	\$ 9,292
Community development:				
Planning and community development:				
Planning	\$ 153,438	\$ 159,978	\$ 156,832	\$ 3,146
Community development	295,763	312,418	311,073	1,345
Thomas Jefferson Planning District Commission	17,492	17,492	17,492	-
Virginia Institute of Government	1,000	1,000	1,000	-
Colleen water/sewer subsidy	162,812	162,812	162,812	-
Central Virginia Small Business Development Center	7,500	7,500	7,500	-
Anti-litter program	6,683	6,757	692	6,065
Nelson County Economic Development Authority	5,000	5,000	5,000	-
Central Virginia Partnership for Economic Development	10,000	10,000	10,000	-
Crozet Tunnel Foundation	-	5,000	5,000	-
Nelson County Community Development Foundation	55,729	55,729	55,729	-
Total planning and community development	\$ 715,417	\$ 743,686	\$ 733,130	\$ 10,556

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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	\$ 31,500	\$ 31,500	\$ 31,500	\$ -
Total environmental management	\$ 31,500	\$ 31,500	\$ 31,500	\$ -
Cooperative extension program:				
Extension office	\$ 52,597	\$ 53,579	\$ 53,606	\$ (27)
Total cooperative extension program	\$ 52,597	\$ 53,579	\$ 53,606	\$ (27)
Total community development	\$ 799,514	\$ 828,765	\$ 818,236	\$ 10,529
Nondepartmental:				
Refunds	\$ 46,000	\$ 46,000	\$ 47,386	\$ (1,386)
Reserve for contingency	1,451,811	1,280,859	-	1,280,859
Other nondepartmental	161,283	43,227	22,565	20,662
Total nondepartmental	\$ 1,659,094	\$ 1,370,086	\$ 69,951	\$ 1,300,135
Capital projects:				
Blue Ridge Tunnel (TEA-21)	\$ 405,944	\$ 405,944	\$ 24,300	\$ 381,644
Voting equipment	125,185	125,185	125,185	-
Callohill maintenance building	100,000	100,000	32,118	67,882
Emergency services vehicles	320,000	320,000	-	320,000
Public safety radio project	-	290,647	312,397	(21,750)
Other capital projects	60,500	97,960	7,462	90,498
Total capital projects	\$ 1,011,629	\$ 1,339,736	\$ 501,462	\$ 838,274
Total General Fund	\$ 31,313,946	\$ 32,035,694	\$ 28,400,323	\$ 3,635,371
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,277,863	\$ 2,277,863	\$ 2,277,863	\$ -
Interest and other fiscal charges	1,089,418	1,089,418	1,040,860	48,558
Total Debt Service Fund	\$ 3,367,281	\$ 3,367,281	\$ 3,318,723	\$ 48,558
Capital Projects Fund:				
Capital projects expenditures:				
Courthouse construction	\$ 7,283,271	\$ 7,283,271	\$ 3,198,942	\$ 4,084,329
Contingencies	898,043	898,043	-	898,043
Total capital projects	\$ 8,181,314	\$ 8,181,314	\$ 3,198,942	\$ 4,982,372
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 93,372	\$ (93,372)
Total debt service	\$ -	\$ -	\$ 93,372	\$ (93,372)
Total Capital Projects Fund	\$ 8,181,314	\$ 8,181,314	\$ 3,292,314	\$ 4,889,000
Total Primary Government	\$ 42,862,541	\$ 43,584,289	\$ 35,011,360	\$ 8,572,929

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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	\$ 16,794,965	\$ 17,042,188	\$ 16,539,597	\$ 502,591
Total instruction costs	\$ 16,794,965	\$ 17,042,188	\$ 16,539,597	\$ 502,591
Operating costs:				
Administration, attendance and health services	\$ 1,238,316	\$ 1,103,513	\$ 1,100,811	\$ 2,702
Pupil transportation	2,583,102	2,680,446	2,399,275	281,171
Operation and maintenance of school plant	2,901,669	2,941,911	2,627,569	314,342
School food	1,071,722	1,146,751	1,105,971	40,780
Facilities	-	625,612	202,405	423,207
Technology	1,211,802	1,292,234	1,601,604	(309,370)
Total operating costs	\$ 9,006,611	\$ 9,790,467	\$ 9,037,635	\$ 752,832
Total education	\$ 25,801,576	\$ 26,832,655	\$ 25,577,232	\$ 1,255,423
Debt service:				
Principal retirement	\$ 110,126	\$ 110,126	\$ 110,126	\$ -
Interest and other fiscal charges	41,584	41,584	41,584	-
Total debt service	\$ 151,710	\$ 151,710	\$ 151,710	\$ -
Total School Operating Fund	\$ 25,953,286	\$ 26,984,365	\$ 25,728,942	\$ 1,255,423
Total Discretely Presented Component Unit-School Board	\$ 25,953,286	\$ 26,984,365	\$ 25,728,942	\$ 1,255,423

Statistical Information

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COUNTY OF NELSON, VIRGINIA

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2007	\$ 1,614,998	\$ 753,367	\$ 3,287,580	\$ 1,905,872	\$ 2,188,578	\$ 11,900,846	\$ 523,915	\$ 1,251,149	\$ 1,499,320	\$ 24,925,625
2008	1,879,166	750,073	3,633,406	1,980,213	2,274,350	12,706,379	983,322	1,260,873	1,535,839	27,003,621
2009	1,777,787	714,904	3,136,604	2,112,615	2,055,329	13,777,084	548,156	1,235,328	1,492,985	26,850,792
2010	1,615,064	691,588	3,374,456	2,448,517	2,586,290	13,861,510	550,664	830,793	1,404,206	27,363,088
2011	1,938,519	666,374	3,373,814	2,067,363	2,356,458	14,266,695	565,713	724,030	1,472,808	27,431,774
2012	1,985,357	692,589	4,131,423	2,215,956	2,272,554	15,227,323	599,470	812,186	1,502,603	29,439,461
2013	2,218,102	725,905	4,204,470	2,068,094	2,418,330	14,983,417	534,768	1,411,994	1,373,603	29,938,683
2014	2,024,078	760,170	5,037,123	2,121,760	2,506,489	16,169,175	565,861	928,029	968,301	31,080,986
2015	1,931,016	709,914	5,130,442	2,051,142	2,366,870	15,784,538	568,093	773,915	866,705	30,182,635
2016	1,949,333	717,437	5,158,634	1,982,740	2,684,740	16,010,197	574,628	762,775	964,793	30,805,277

(1) Primary Government's Governmental Activities only

COUNTY OF NELSON, VIRGINIA

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2007	\$ 896,876	\$ 3,141,611	\$ 140,524	\$ 13,654,498	\$ 3,551,448	\$ 739,478	\$ 58,374	\$ 2,058,042	\$ 24,240,851		
2008	838,119	3,301,632	3,095,040	16,116,702	3,776,293	535,958	216,226	1,923,332	29,803,302		
2009	838,161	2,978,055	1,212,338	18,681,477	3,612,363	264,340	136,135	1,946,684	29,669,553		
2010	829,726	3,183,247	931,093	18,800,138	3,867,866	180,395	169,732	1,900,031	29,862,228		
2011	982,162	2,979,948	509,872	19,270,265	3,496,429	331,077	84,056	2,670,871	30,324,680		
2012	741,776	2,659,104	2,753,439	20,120,918	3,610,714	154,369	68,990	2,395,975	32,505,285		
2013	680,137	2,721,650	655,166	21,421,597	3,912,469	110,011	120,335	2,526,847	32,148,212		
2014	883,247	2,924,866	431,654	21,779,423	4,022,028	125,442	80,201	2,458,708	32,705,569		
2015	934,970	2,868,264	753,001	22,191,371	4,256,941	59,213	71,605	2,412,973	33,548,338		
2016	744,739	3,080,455	201,490	22,900,404	4,167,376	166,633	131,388	2,398,629	33,791,114		

(1) Primary Government's Governmental Activities only

COUNTY OF NELSON, VIRGINIA

Table 3

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Revenues from the			Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
				Fines & Forfeitures	Use of Money & Property						
2007	\$ 13,360,735	\$ 3,551,448	\$ 322,328	\$ 75,834	\$ 744,056	\$ 1,149,394	\$ 362,870	\$ 458,634	\$ 17,076,773	\$ 37,102,072	
2008	15,866,348	3,776,293	313,533	59,473	542,196	934,725	442,172	520,374	17,883,642	40,338,756	
2009	18,493,456	3,566,133	276,174	179,627	264,942	838,092	437,519	789,033	15,891,311	40,736,287	
2010	18,581,322	3,651,556	171,420	301,608	180,510	711,513	409,099	639,925	15,945,385	40,592,338	
2011	19,527,884	3,538,978	243,522	358,244	331,246	711,271	341,485	715,060	15,906,458	41,674,148	
2012	19,964,116	3,610,714	177,207	237,993	154,542	677,916	403,542	640,168	16,549,968	42,416,166	
2013	21,529,646	3,912,469	176,921	278,688	110,098	675,143	471,690	774,339	15,399,851	43,328,845	
2014	21,894,598	4,022,028	188,116	436,296	125,478	683,538	321,102	1,078,722	15,322,742	44,072,620	
2015	22,462,776	4,256,941	289,183	367,860	59,237	709,735	361,098	979,519	16,099,840	45,586,189	
2016	22,605,217	4,167,376	220,105	269,649	166,667	698,989	421,705	834,401	16,102,394	45,486,503	

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

COUNTY OF NELSON, VIRGINIA

Table 4

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Recreation and Cultural	Community Development	Nondepartmental	Capital Projects	Debt Service	Total
2007	\$ 1,489,087	\$ 747,594	\$ 3,319,272	\$ 1,886,045	\$ 2,174,308	\$ 22,634,587	\$ 481,057	\$ 1,270,625	\$ -	\$ 956,411	\$ 3,383,580	\$ 38,342,566
2008	1,814,008	753,803	3,787,098	2,030,006	2,333,862	23,311,305	1,094,156	1,272,646	-	2,765,619	3,469,550	42,632,053
2009	1,658,928	715,250	3,490,000	1,859,280	2,162,372	23,563,538	534,228	1,256,028	-	1,705,948	3,368,077	40,313,649
2010	1,474,397	705,391	3,854,484	1,580,185	2,625,881	22,960,454	428,721	734,577	97,360	4,775,336	3,305,908	42,542,694
2011	1,803,127	666,374	3,760,748	1,512,532	2,400,582	23,206,251	437,357	742,872	119,572	3,805,237	3,252,478	41,707,130
2012	1,684,480	692,589	3,902,854	1,701,133	2,326,951	23,717,607	448,611	941,321	62,459	3,011,998	4,083,263	42,573,266
2013	1,885,620	733,316	4,452,145	1,766,078	2,446,824	23,920,947	465,924	1,502,758	87,166	1,463,724	3,429,231	42,153,733
2014	1,721,530	757,806	4,838,651	2,057,624	2,517,465	25,079,440	459,772	789,983	65,419	2,593,285	3,309,774	44,190,749
2015	1,633,671	731,991	4,715,943	1,835,938	2,502,319	25,064,722	468,588	771,534	84,208	2,368,313	3,407,600	43,584,827
2016	1,669,590	749,324	4,956,762	1,809,476	2,780,209	25,579,745	474,866	818,236	69,951	3,700,404	3,563,805	46,172,368

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

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

COUNTY OF NELSON, VIRGINIA

Table 5

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total (1) (2) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1)		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1)		Percent of Delinquent Taxes to Tax Levy	
				Tax Collections	Tax Collections							
2007	\$ 13,128,010	\$ 12,579,789	95.82%	\$ 538,403	\$ 13,118,192	99.93%	\$ 1,734,181	13.21%				
2008	15,476,228	14,747,107	95.29%	859,787	15,606,894	100.84%	1,964,747	12.70%				
2009	18,330,136	17,460,606	95.26%	760,255	18,220,861	99.40%	2,055,591	11.21%				
2010	20,346,994	19,384,220	95.27%	675,464	20,059,684	98.59%	2,340,974	11.51%				
2011	20,358,566	19,585,235	96.20%	1,275,961	20,861,196	102.47%	2,390,679	11.74%				
2012	21,147,999	20,464,264	96.77%	883,820	21,348,084	100.95%	2,595,800	12.27%				
2013	22,371,562	21,912,219	97.95%	960,970	22,873,189	102.24%	2,520,749	11.27%				
2014	22,955,321	22,349,770	97.36%	878,931	23,228,701	101.19%	2,603,797	11.34%				
2015	23,464,205	22,919,925	97.68%	889,526	23,809,451	101.47%	2,350,671	10.02%				
2016	23,434,201	23,040,817	98.32%	916,054	23,956,871	102.23%	2,254,765	9.62%				

(1) Exclusive of penalties and interest.

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

Table 6

COUNTY OF NELSON, VIRGINIA

Assessed Value of Taxable Property
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery & Tools	Public Utility	Total
2007	\$ 1,507,991,734	115,041,842	5,524,702	1,092,641	42,262,807	1,671,913,726
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

Note:

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

COUNTY OF NELSON, VIRGINIA

Table 7

Property Tax Rates (1)
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2007	0.72	2.95	0.72	1.25
2008	0.55	2.95	0.55	1.25
2009	0.55	2.95	0.55	1.25
2010	0.55	2.95	0.55	1.25
2011	0.55	2.95	0.55	1.25
2012	.55/.60	2.95	.55/.60	1.25
2013	0.60	2.95	0.60	1.25
2014	0.60/.72	2.95/3.45	0.60/.72	1.25
2015	0.72	3.45	0.72	1.25
2016	0.72	3.45	0.72	1.25

(1) Per \$100 of assessed value

COUNTY OF NELSON, VIRGINIA

Table 8

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

Fiscal Year	Popu- lation (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:			Ratio of Net General Obligation		
				Debt			Debt to Assessed Value	Net Bonded Debt per Capita	
				Service Monies Available					
2007	15,161	1,671,913,726	32,668,988	1,490,684		31,178,304	1.86%	2,056	
2008	15,161	3,018,023,463	31,369,778	1,328,085		30,041,693	1.00%	1,982	
2009	15,161	3,112,391,609	29,788,245	1,301,739		28,486,506	0.92%	1,879	
2010	15,161	3,129,845,370	31,333,131	1,322,904		30,010,227	0.96%	1,979	
2011	15,161	3,130,182,686	33,211,918	1,613,157		31,598,761	1.01%	2,084	
2012	15,161	3,138,735,840	32,496,317	-		32,496,317	1.04%	2,143	
2013	15,161	3,186,785,555	30,656,196	-		30,656,196	0.96%	2,022	
2014	14,789	2,954,058,221	28,677,466	-		28,677,466	0.97%	1,939	
2015	14,789	2,699,716,814	26,270,402	-		26,270,402	0.97%	1,776	
2016	14,789	2,691,916,710	27,839,133	-		27,839,133	1.03%	1,882	

(1) U.S. Bureau of the Census

(2) From Table 6

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

COUNTY OF NELSON, VIRGINIA

Table 9

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

Fiscal Year	(2) Principal	(2) Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2007	\$ 1,220,000	1,494,468	2,714,468	38,342,566	7.08%
2008	1,506,583	1,554,613	3,061,196	42,632,053	7.18%
2009	1,545,000	1,479,738	3,024,738	40,313,649	7.50%
2010	1,644,015	1,435,923	3,079,938	42,542,694	7.24%
2011	1,806,406	1,446,072	3,252,478	41,707,130	7.80%
2012	2,187,022	1,896,241	4,083,263	42,573,266	9.59%
2013	2,037,867	1,391,364	3,429,231	42,153,733	8.14%
2014	2,190,739	1,119,035	3,309,774	44,190,749	7.49%
2015	2,199,184	1,061,125	3,260,309	43,584,827	7.48%
2016	2,387,989	1,175,816	3,563,805	46,172,368	7.72%

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

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

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2016, 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 December 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Nelson, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Nelson, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Nelson, Virginia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Nelson, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 30, 2016

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, 2016. 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, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farnell, Cox Associates
Charlottesville, Virginia
December 30, 2016

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 510
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	117,278
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	121
Low Income Home Energy Assistance	93.568	0600409/0600410	13,647
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	0760109/0760110	19,794
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	654
Foster Care - Title IV-E	93.658	1100109/1100110	62,050
Adoption Assistance	93.659	1120109/1120110	24,162
Social Services Block Grant	93.667	1000109/1000110	85,416
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110	626
Children's Health Insurance Program	93.767	0540109/0540110	5,032
Medical Assistance Program	93.778	1200109/1200110	147,792
Total Department of Health and Human Services			\$ 477,082
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	\$ 55,709
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	448,506
			504,215
School Breakfast Program (Child Nutrition Cluster)	10.553	2013IN109941/2014IN109941	140,252
Total Child Nutrition Cluster			\$ 644,467
Schools and Roads - Grants to States	10.665	10.665	3,931
Department of Social Services:			
State Administrative Matching Grants for the Supplemental			
Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	113,368
Total Department of Agriculture			\$ 761,766
Department of Housing and Urban Development			
Pass Through Payments:			
Virginia Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-			
Entitlement Grants in Hawaii	14.228	Not Available	\$ 180,015
Total Department of Housing and Urban Development			\$ 180,015

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victims Assistance	16.575	10VAGZ0095/11VAGX0001	\$ 18,263
State Criminal Alien Assistance Program	16.606	Not Available	1,671
Total Department of Justice			\$ 19,934
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL1353100	\$ 6,714
Highway Planning and Construction Cluster:			
Department of Transportation:			
Highway Planning and Construction	20.205	Not Available	\$ 21,475
Department of Conservation and Recreation:			
Recreational Trails Program	20.219	Not Available	7,492
Total Highway Planning and Construction Cluster			\$ 28,967
Total Department of Transportation			\$ 35,681
Department of Homeland Security:			
Pass-through payments:			
Department of Emergency Services:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	\$ 443
Total Department of Homeland Security			\$ 443
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A120046/S010A130046	\$ 466,041
Special Education -- Grants to States (Special Education Cluster)	84.027	H027A120107/H027A130107	\$ 448,244
Special Education -- Preschool Grants (Special Education Cluster)	84.173	H173A120112/H173A130112	23,717
Total Special Education Cluster			\$ 471,961
Career and Technical Education - Basic Grants to States	84.048	V048A120046/V048A130046	35,883
Rural Education	84.358	Not Available	29,389
English Language Acquisition State Grants	84.365	T365A120046/S365A130046	32,985
Advanced Placement Program	84.330	S330B130008	533
Supporting Effective Instruction State Grant	84.367	S367A120044/S367A130044	89,498
Total Department of Education			\$ 1,126,290
Total Expenditures of Federal Awards			\$ 2,601,211

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

COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

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, 2016. 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 - 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	\$ 711,924
Housing Improvement Fund	<u>180,015</u>
Total primary government	<u>\$ 891,939</u>

Component Unit School Board:

School Operating Fund	\$ <u>1,774,688</u>
Total component unit school board	<u>\$ 1,774,688</u>

Less Payments in Lieu of Taxes not reported on Schedule of Expenditures
of Federal Awards

\$ (65,416)

Total federal expenditures per basic financial statements

\$ 2,601,211

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 2,601,211

COUNTY OF NELSON, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF NELSON, VIRGINIA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

There were no findings reported for the year ended June 30, 2015.

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