



COUNTY OF NELSON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

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**COUNTY OF NELSON, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2010**

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**COUNTY OF NELSON, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

**BOARD OF SUPERVISORS**

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Thomas H. Bruguere, Jr.	Constance Brennan, Chairperson Joe Dan Johnson, Vice-Chairperson	Allen M. Hale Thomas D. Harvey
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**COUNTY SCHOOL BOARD**

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Margaret Clair Amy Snapp	Jane Mays, Chairperson David Parr, Vice-Chairperson	Mary Cunningham
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**COUNTY SOCIAL SERVICES BOARD**

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Donald Gray Joe Dan Johnson	Mary Allen, Chairperson Pauline Page, Vice-Chairperson	Cliff Savell Curtis Trusdale
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**OTHER OFFICIALS**

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Michael Gamble Judy Smythers Phillip D. Payne, IV Jean W. Payne Erma D. Harris David Brooks Roger D. Collins Michael Kohl Stephen A. Carter	Judge of the Circuit Court Clerk of the Circuit Court Commonwealth's Attorney Commissioner of the Revenue Treasurer Sheriff Superintendent of Schools Director of Social Services County Administrator
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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

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 the County of Nelson, Virginia (the "County"), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Nelson, Virginia's management. 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 Commonwealth of Virginia, Office of the Auditor of Public Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 combining fund financial statements, individual fund financial statements, budgetary comparison information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Nelson, Virginia. The combining fund financial statements, individual fund financial statements, budgetary comparison information, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
January 10, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2010.

### **Financial Highlights**

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

The assets of the County of Nelson, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$23,269,358. Of this amount, \$16,365,265 is unrestricted (an increase of \$2,925,019 from the previous fiscal year), and may be used to meet the government's ongoing obligations to creditors and citizens. Of the net assets, there are \$6,897,584 invested in capital assets net of related debt (an increase of \$301,825 from the previous fiscal year). The School Board's net assets were \$11,991,603 of which there are unrestricted net assets in the amount of \$383,474 (an increase of \$115,092 over the previous year). (See Exhibit 1.)

The Government's net assets increased by \$2,499,140. The School Board's net assets increased by \$853,372 (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unreserved fund balance for the general fund was \$13,085,378. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2009-10 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$18,318,220 of which \$15,128,262 is available for spending at the government's discretion (unreserved and unrestricted 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 and liabilities 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 assets and 2) the statement of activities.

The statement of net assets presents all of the County's permanent accounts or assets, liabilities and net assets. The difference between assets and liabilities is reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

## Overview of the Financial Statements: (Continued)

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

The statement of activities presents information showing how the government's net assets 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 as a business-type activity.

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 government 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 at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

The County maintains five 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 the other two 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.

## **Overview of the Financial Statements: (Continued)**

### **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 are reported as an enterprise fund in the County's fund financial statements. This operation provides for the delivery of public water and sewer service to County residents in designated areas of Nelson County. 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 assets and a statement of changes in fiduciary net assets. 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 assets may serve as a useful indicator of a government's financial position. For the County of Nelson, assets exceeded liabilities by \$23,269,358 at the end of the fiscal year.

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

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

**County of Nelson's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 30,408,774	\$ 19,678,307	\$ 37,247	\$ 320,024	\$ 30,446,021	\$ 19,998,331
Capital assets	32,056,693	29,787,312	5,906,557	5,871,969	37,963,250	35,659,281
Total assets	<u>\$ 62,465,467</u>	<u>\$ 49,465,619</u>	<u>\$ 5,943,804</u>	<u>\$ 6,191,993</u>	<u>\$ 68,409,271</u>	<u>\$ 55,657,612</u>
Long-term liabilities	\$ 33,236,647	\$ 31,484,445	\$ 1,156,111	\$ 1,168,096	\$ 34,392,758	\$ 32,652,541
Other liabilities	10,736,602	1,961,250	10,553	273,603	10,747,155	2,234,853
Total liabilities	<u>\$ 43,973,249</u>	<u>\$ 33,445,695</u>	<u>\$ 1,166,664</u>	<u>\$ 1,441,699</u>	<u>\$ 45,139,913</u>	<u>\$ 34,887,394</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,147,138	\$ 1,891,866	\$ 4,750,446	\$ 4,703,873	\$ 6,897,584	\$ 6,595,739
Restricted for:						
Construction	-	730,554	-	-	-	1,315,179
Debt service and bond covenants	-	-	6,509	3,679	6,509	1,220,583
Unrestricted	16,345,080	13,397,504	20,185	42,742	16,365,265	13,440,246
Total net assets	<u>\$ 18,492,218</u>	<u>\$ 16,019,924</u>	<u>\$ 4,777,140</u>	<u>\$ 4,750,294</u>	<u>\$ 23,269,358</u>	<u>\$ 22,571,747</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 29.3 percent of total net assets. 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 assets for debt service and bond covenants (\$6,509) at June 30, 2010.

The remaining balance of unrestricted net assets, which is \$16,365,265 or 70.3 percent of total net assets, may be used to meet government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report a positive balance in total net assets. The governmental activities reported positive balances of \$ 2,147,138 in net assets invested in capital assets, net of related debt and \$16,345,080 in unrestricted net assets. The business-type activities reported positive balances of \$4,750,446 in net assets invested in capital assets, net of related debt and \$20,185 in unrestricted net assets.

The government's total net assets increased by \$2,499,140 during the current fiscal year, compared to a increase of \$2,818,761 in FY 2009.

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

**Governmental and Business-type Activities**

Governmental activities increased the County's net assets by \$2,472,294. Business-type activities increased the County's net assets by \$26,846. Key elements of this increase are as follows:

**County of Nelson's Changes in Net Assets  
For the Year Ended June 30, 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 708,535	\$ 786,709	\$ 121,191	\$ 51,452	\$ 829,726	\$ 838,161
Operating grants & contributions	3,183,247	2,978,055	-	-	3,183,247	2,978,055
Capital grants & contributions	599,593	103,200	331,500	1,109,138	931,093	1,212,338
General revenues:						
General property taxes	18,800,138	18,681,477	-	-	18,800,138	18,681,477
Other local taxes	3,867,866	3,612,363	-	-	3,867,866	3,612,363
Use of money and property	180,395	264,340	-	-	180,395	264,340
Miscellaneous	169,732	136,135	-	-	169,732	136,135
Grants and contributions not restricted to specific programs	1,900,031	1,946,684	-	-	1,900,031	1,946,684
Transfers	31,644	(26,472)	(31,644)	26,472	-	-
Total revenues	\$ <u>29,441,181</u>	\$ <u>28,482,491</u>	\$ <u>421,047</u>	\$ <u>1,187,062</u>	\$ <u>29,862,228</u>	\$ <u>29,669,553</u>
Expenses:						
General government	\$ 1,615,064	\$ 1,777,787	\$ -	\$ -	\$ 1,615,064	\$ 1,777,787
Judicial administration	691,588	714,904	-	-	691,588	714,904
Public safety	3,374,456	3,292,604	-	-	3,374,456	3,292,604
Public works	2,054,316	1,862,324	394,201	250,291	2,448,517	2,112,615
Health and welfare	2,586,290	2,276,641	-	-	2,586,290	2,276,641
Education	13,861,510	13,777,084	-	-	13,861,510	13,777,084
Parks, recreation and cultural	550,664	548,156	-	-	550,664	548,156
Community development	830,793	858,016	-	-	830,793	858,016
Interest on long-term debt	1,404,206	1,492,985	-	-	1,404,206	1,492,985
Total expenses	\$ <u>26,968,887</u>	\$ <u>26,600,501</u>	\$ <u>394,201</u>	\$ <u>250,291</u>	\$ <u>27,363,088</u>	\$ <u>26,850,792</u>
Increase (decrease) in net assets	\$ 2,472,294	\$ 1,881,990	\$ 26,846	\$ 936,771	\$ 2,499,140	\$ 2,818,761
Beginning net assets	16,019,924	14,137,934	4,750,294	3,813,523	20,770,218	17,951,457
Ending net assets	\$ <u>18,492,218</u>	\$ <u>16,019,924</u>	\$ <u>4,777,140</u>	\$ <u>4,750,294</u>	\$ <u>23,269,358</u>	\$ <u>20,770,218</u>

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

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

- Overall revenues increased by \$192,675. Significant fluctuations in revenue were due to variances in operating and capital grants.
- Capital grants to provide water and sewer infrastructure relative to business-type activities totaled \$331,500 which reflects a reduction of \$777,638 from the prior year due to the completion of significant capital projects during fiscal year 2008-2009.
- Operating and capital grants for governmental activities reflected a net increase of \$701,585. This is comprised of an increase in the At-risk Youth Grant of \$204,851, new Public Safety grants of \$157,932, and an increase in Transportation Enhancement Act grants of \$316,961 over the previous fiscal year.
- Expenses reflected an overall net increase of \$512,296.
- The Public Works function reports an increase in expenditures of \$191,992. This is mainly attributable to an increase in the landfill post-closure liability of \$232,097 shown in the latest engineering estimate completed.
- Health and Welfare expenditures reflect an increase of \$309,649. This is primarily due to an increase of \$265,149 relative to the Comprehensive Services Act expenditures for at risk youth.
- The business activities reported an increase in expenses of \$143,910. This reflects increased costs due to the completion of infrastructure projects and the addition of new customers.

## **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. Unreserved 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 \$18,318,220, an increase of \$1,148,260 from the prior year. Approximately, 82.6 percent of this total amount constitutes the unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is reserved as follows:

- Debt service-\$1,322,904
- Ryan School Reserve-\$38,598
- Courthouse Construction-\$1,826,005
- Other Special Revenue Funds-\$2,451

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

### **Governmental funds: (Continued)**

The general fund is the chief operating fund of the County. As of June 30, 2010, total fund balance of the general fund was \$13,123,976, of which \$13,085,378 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total general fund expenditures. The unreserved fund balance represents 52.9 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$11,975,349. Total fund balance represents 53.1 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$992,456 during the current fiscal year.

Key factors in this increase are as follows:

- Grants from the Federal government increased by \$472,633.
- Collections of general property and other local taxes increased by \$173,289.
- Capital Project expenditures increased by \$771,347 primarily due to the completion of the last solid waste convenience center located in Faber and costs associated with the design and construction of the Blue Ridge Railway Trail and Tunnel projects.

### **Proprietary funds**

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

Unrestricted net assets of the Piney River Water and Sewer Fund at the end of the fiscal year were \$20,185. This is a decrease over the prior year of \$22,557 primarily attributable to increases in interest costs over prior year due to the commencement of repayments of permanent financing.

### **General Fund Budgetary Highlights**

Differences between the original budgeted appropriations and the final amended budget appropriations were \$585,396 more than the original budgeted expenditure appropriations, which is 2.2 percent of the total original budget, and can be briefly summarized as follows:

- Supplemental appropriation in the amount of \$350,000 to fund construction of Blue Ridge Railway Trail supported by additional grant proceeds.
- Supplemental appropriation in the amount of \$90,825 for School Board expenditures.
- Supplemental appropriation in the amount of \$56,000 for Regional Jail services.
- Supplemental appropriation in the amount of \$126,805 for part time speed enforcement, federal Recovery Act Byrne Grant, and Law Enforcement Terrorism Prevention Grant in the Public Safety function.
- Supplemental appropriation to reduce various budgetary line items by \$66,356, reflecting mid-year State budget reductions.

## Capital Asset and Debt Administration

### Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2010 is \$32,056,693 (net of accumulated depreciation and is an increase of \$2,269,381 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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 425,761	\$ 367,347	\$ 40,000	\$ 40,000	\$ 465,761	\$ 407,347
Infrastructure	-	-	5,866,557	5,831,969	5,866,557	5,831,969
Buildings and improvements	24,596,017	25,813,286	-	-	24,596,017	25,813,286
Machinery and equipment	1,040,601	1,131,162	-	-	1,040,601	1,131,162
Construction in progress	5,994,314	2,475,517	-	-	5,994,314	2,475,517
Total	<u>\$ 32,056,693</u>	<u>\$ 29,787,312</u>	<u>\$ 5,906,557</u>	<u>\$ 5,871,969</u>	<u>\$ 37,963,250</u>	<u>\$ 35,659,281</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 debt:

#### County of Nelson's Outstanding Debt For the Year Ended June 30, 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Lease Revenue School Bonds	\$ 11,260,000	\$ 11,495,000	\$ -	\$ -	\$ 11,260,000	\$ 11,495,000
Lease Revenue Bonds	3,188,900	-	-	-	3,188,900	-
General Obligation Bonds	12,220,000	13,100,000	-	-	12,220,000	13,100,000
State Literary Fund Loans	2,250,000	2,500,000	-	-	2,250,000	2,500,000
Revenue Bonds	1,990,000	2,230,000	1,156,111	1,168,096	3,146,111	3,398,096
Capital Leases	214,155	420,631	-	-	214,155	420,631
Retirement Incentive Loan	424,231	463,245	-	-	424,231	463,245
Total	<u>\$ 31,547,286</u>	<u>\$ 30,208,876</u>	<u>\$ 1,156,111</u>	<u>\$ 1,168,096</u>	<u>\$ 32,703,397</u>	<u>\$ 31,376,972</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 can be found in the notes of the financial statements.

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

- The unemployment rate for the County was 6.4 percent (June 2010), which is a decrease from the rate of 6.5 percent a year ago (June 2009). This compares favorably to the state's average unemployment rate of 7.1 percent (June 2010) and the national average rate of 9.6 percent (June 2010). These rates were obtained from the Virginia Employment Commission's Labor Market Data.
- Due to current housing market conditions, the County anticipates a potential leveling in building permit fees and recordation taxes as compared to the reductions in the last three fiscal years.
- The County anticipates some reductions in state funding at least in the next two fiscal years due to declining state economic forecasts. The full extent of these reductions is not known at this time. However, for fiscal year 2010-2011 the reductions are expected to approximate \$1,500,000 in education funding.
- A property reassessment effective for 2012 is in progress. Preliminary work indicates that property values may decline below values established in the 2008 reassessment.

All of these factors were considered in preparing the County's budget for the 2010-2011 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.

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## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
At June 30, 2010

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 14,895,238	\$ 9,986	14,905,224	\$ 2,107,557	\$ 91,119
Restricted cash	1,213,500	6,509	1,220,009	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,289,576	-	11,289,576	-	-
Accounts receivable	243,583	20,752	264,335	38,561	22,442
Notes receivable	-	-	-	-	128,000
Due from component unit	548,949	-	548,949	-	-
Due from other governmental units	2,163,701	-	2,163,701	628,763	-
Inventories	-	-	-	85,813	-
Prepaid expenses	36,097	-	36,097	23,489	-
Deferred charges	18,130	-	18,130	-	-
Capital assets (net of accumulated depreciation):					
Land and improvements	425,761	40,000	465,761	851,210	-
Buildings and improvements	24,596,017	-	24,596,017	9,059,335	-
Improvements other than buildings	-	5,866,557	5,866,557	-	-
Machinery and equipment	1,040,601	-	1,040,601	1,697,584	-
Construction in progress	5,994,314	-	5,994,314	-	-
<b>Total assets</b>	<b>\$ 62,465,467</b>	<b>\$ 5,943,804</b>	<b>\$ 68,409,271</b>	<b>\$ 14,492,312</b>	<b>\$ 241,561</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,019,668	\$ 7,491	\$ 1,027,159	\$ 88,136	\$ -
Accrued liabilities	631,528	3,062	634,590	1,403,201	-
Amounts held for others	86,278	-	86,278	-	-
Due to primary government	-	-	-	548,949	-
Deferred revenue	8,999,128	-	8,999,128	-	-
Long-term liabilities:					
Due within one year	1,974,013	12,517	1,986,530	40,184	-
Due in more than one year	31,262,634	1,143,594	32,406,228	420,239	-
<b>Total liabilities</b>	<b>\$ 43,973,249</b>	<b>\$ 1,166,664</b>	<b>\$ 45,139,913</b>	<b>\$ 2,500,709</b>	<b>\$ -</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 2,147,138	\$ 4,750,446	\$ 6,897,584	\$ 11,608,129	\$ -
Restricted for:					
Debt service and bond covenants	-	6,509	6,509	-	-
Unrestricted (deficit)	16,345,080	20,185	16,365,265	383,474	241,561
<b>Total net assets</b>	<b>\$ 18,492,218</b>	<b>\$ 4,777,140</b>	<b>\$ 23,269,358</b>	<b>\$ 11,991,603</b>	<b>\$ 241,561</b>

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

COUNTY OF NELSON, VIRGINIA

Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 1,615,064	\$	\$ 281,142	\$ -
Judicial administration	691,588	317,545	408,837	-
Public safety	3,374,456	176,299	989,856	157,932
Public works	2,054,316	162,963	6,994	-
Health and welfare	2,586,290	-	1,486,171	-
Education	13,861,510	-	-	-
Parks, recreation, and cultural	550,664	46,707	10,247	420,161
Community development	830,793	5,021	-	21,500
Interest on long-term debt	1,404,206	-	-	-
Total governmental activities	\$ 26,968,887	\$ 708,535	\$ 3,183,247	\$ 599,593
Business-type activities:				
Piney River Water & Sewer	394,201	121,191	-	331,500
Total primary government	\$ 27,363,088	\$ 829,726	\$ 3,183,247	\$ 931,093
<b>COMPONENT UNITS:</b>				
School Board	\$ 23,322,020	\$ 474,405	\$ 10,264,115	\$ -
Nelson County Economic Development Authority	30,199	-	-	-
Total component units	\$ 23,352,219	\$ 474,405	\$ 10,264,115	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Meals taxes				
Transient occupancy tax				
Communications sales and use taxes				
Motor vehicle licenses				
Other local taxes				
Payment from County of Nelson -- Education				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (1,333,922)	\$ -	\$ (1,333,922)		
34,794	-	34,794		
(2,050,369)	-	(2,050,369)		
(1,884,359)	-	(1,884,359)		
(1,100,119)	-	(1,100,119)		
(13,861,510)	-	(13,861,510)		
(73,549)	-	(73,549)		
(804,272)	-	(804,272)		
(1,404,206)	-	(1,404,206)		
<u>\$ (22,477,512)</u>	<u>\$ -</u>	<u>\$ (22,477,512)</u>		
-	58,490	58,490		
<u>\$ (22,477,512)</u>	<u>\$ 58,490</u>	<u>\$ (22,419,022)</u>		
			\$ (12,583,500)	\$ -
			<u>-</u>	<u>(30,199)</u>
			<u>\$ (12,583,500)</u>	<u>\$ (30,199)</u>
\$ 18,800,138	\$ -	\$ 18,800,138	\$ -	\$ -
870,143	-	870,143	-	-
457,436	-	457,436	-	-
583,176	-	583,176	-	-
391,629	-	391,629	-	-
496,036	-	496,036	-	-
642,532	-	642,532	-	-
426,914	-	426,914	-	-
-	-	-	13,197,390	-
180,395	-	180,395	115	9,271
169,732	-	169,732	239,367	-
1,900,031	-	1,900,031	-	-
31,644	(31,644)	-	-	-
<u>\$ 24,949,806</u>	<u>\$ (31,644)</u>	<u>\$ 24,918,162</u>	<u>\$ 13,436,872</u>	<u>\$ 9,271</u>
\$ 2,472,294	\$ 26,846	\$ 2,499,140	\$ 853,372	\$ (20,928)
<u>16,019,924</u>	<u>4,750,294</u>	<u>20,770,218</u>	<u>11,138,231</u>	<u>262,489</u>
<u>\$ 18,492,218</u>	<u>\$ 4,777,140</u>	<u>\$ 23,269,358</u>	<u>\$ 11,991,603</u>	<u>\$ 241,561</u>

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 At June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 10,195,413	\$ 110,404	\$ 4,586,935	\$ 2,486	\$ 14,895,238
Restricted cash	-	-	1,213,500	-	1,213,500
Receivables (net of allowance):					
Property taxes receivable, net	11,289,576	-	-	-	11,289,576
Accounts receivable	243,583	-	-	-	243,583
Due from component unit	665,682	-	-	-	665,682
Due from other governmental units	2,145,201	-	-	18,500	2,163,701
Prepaid items	36,097	-	-	-	36,097
<b>Total assets</b>	<b>\$ 24,575,552</b>	<b>\$ 110,404</b>	<b>\$ 5,800,435</b>	<b>\$ 20,986</b>	<b>\$ 30,507,377</b>
<b>Liabilities</b>					
Accounts payable	\$ 282,087	\$ 1,000	\$ 718,046	\$ 18,535	\$ 1,019,668
Amounts held for others	86,278	-	-	-	86,278
Prepaid property taxes	139,823	-	-	-	139,823
Deferred revenue	10,943,388	-	-	-	10,943,388
<b>Total liabilities</b>	<b>\$ 11,451,576</b>	<b>\$ 1,000</b>	<b>\$ 718,046</b>	<b>\$ 18,535</b>	<b>\$ 12,189,157</b>
<b>Fund balance</b>					
Reserved for:					
Debt service	\$ -	\$ 109,404	\$ 1,213,500	\$ -	\$ 1,322,904
Unreserved, reported in:					
Designated:					
Ryan School Reserve	38,598	-	-	-	38,598
Courthouse construction	-	-	1,826,005	-	1,826,005
Subsequent year's expenditures:					
Special Revenue Funds	-	-	-	2,451	2,451
Unreserved/undesignated	13,085,378	-	2,042,884	-	15,128,262
<b>Total fund balances</b>	<b>\$ 13,123,976</b>	<b>\$ 109,404</b>	<b>\$ 5,082,389</b>	<b>\$ 2,451</b>	<b>\$ 18,318,220</b>
<b>Total liabilities and fund balances</b>	<b>\$ 24,575,552</b>	<b>\$ 110,404</b>	<b>\$ 5,800,435</b>	<b>\$ 20,986</b>	<b>\$ 30,507,377</b>

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

Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 At June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 18,318,220

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

Land and improvements	\$	425,761	
Construction in progress		5,994,314	
Buildings and improvements, net of depreciation		3,071,296	
Equipment, net of depreciation		1,040,601	
School Board capital assets, net of depreciation		21,524,721	32,056,693

Deferred loan costs are not financial resources and, therefore, are not reported in funds. 18,130

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 2,084,083

Collection of school insurance recovery previously accrued by School Board (116,733)

Compensated absences are not payable with current assets and accordingly are not reported as fund liabilities. (242,115)

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	\$	(631,528)	
Bonds, notes and capital leases payable		(31,123,055)	
Bond premiums		(475,940)	
Early retirement incentive obligation		(424,231)	
Accrued landfill remediation costs		(955,712)	(33,610,466)

Net OPEB obligation not reported in the funds (15,594)

Net assets of governmental activities \$ 18,492,218

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, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 18,581,322	\$ -	\$ -	\$ -	\$ 18,581,322
Other local taxes	3,651,556	-	-	-	3,651,556
Permits, privilege fees, and regulatory licenses	171,420	-	-	-	171,420
Fines and forfeitures	301,608	-	-	-	301,608
Revenue from the use of money and property	171,157	-	9,238	-	180,395
Charges for services	235,507	-	-	1,601	237,108
Miscellaneous	169,732	-	-	-	169,732
Recovered costs	513,918	-	-	-	513,918
Intergovernmental revenues:					
Revenue from the Commonwealth	4,489,872	-	-	-	4,489,872
Revenue from the Federal Government	1,169,898	-	-	21,500	1,191,398
<b>Total revenues</b>	<b>\$ 29,455,990</b>	<b>\$ -</b>	<b>\$ 9,238</b>	<b>\$ 23,101</b>	<b>\$ 29,488,329</b>
<b>Expenditures</b>					
Current:					
General government administration	\$ 1,474,397	\$ -	\$ -	\$ -	\$ 1,474,397
Judicial administration	705,391	-	-	-	705,391
Public safety	3,854,484	-	-	-	3,854,484
Public works	1,580,089	-	-	96	1,580,185
Health and welfare	2,625,881	-	-	-	2,625,881
Education	11,978,373	-	-	-	11,978,373
Parks, recreation, and cultural	428,721	-	-	-	428,721
Community development	716,077	-	-	18,500	734,577
Nondepartmental	97,360	-	-	-	97,360
Capital projects	1,271,853	-	3,503,483	-	4,775,336
Debt service:					
Principal retirement	-	1,850,490	-	-	1,850,490
Interest and other fiscal charges	-	1,455,418	-	-	1,455,418
<b>Total expenditures</b>	<b>\$ 24,732,626</b>	<b>\$ 3,305,908</b>	<b>\$ 3,503,483</b>	<b>\$ 18,596</b>	<b>\$ 31,560,613</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 4,723,364</b>	<b>\$ (3,305,908)</b>	<b>\$ (3,494,245)</b>	<b>\$ 4,505</b>	<b>\$ (2,072,284)</b>
<b>Other financing sources (uses)</b>					
Transfers in	\$ 63,062	\$ 3,327,675	\$ 788,313	\$ -	\$ 4,179,050
Transfers out	(3,793,970)	-	(340,374)	(13,062)	(4,147,406)
Issuance of lease revenue bonds	-	-	3,188,900	-	3,188,900
<b>Total other financing sources (uses)</b>	<b>\$ (3,730,908)</b>	<b>\$ 3,327,675</b>	<b>\$ 3,636,839</b>	<b>\$ (13,062)</b>	<b>\$ 3,220,544</b>
<b>Net change in fund balances</b>	<b>\$ 992,456</b>	<b>\$ 21,767</b>	<b>\$ 142,594</b>	<b>\$ (8,557)</b>	<b>\$ 1,148,260</b>
<b>Fund balance, beginning of year</b>	<b>12,131,520</b>	<b>87,637</b>	<b>4,939,795</b>	<b>11,008</b>	<b>17,169,960</b>
<b>Fund balance, end of year</b>	<b>\$ 13,123,976</b>	<b>\$ 109,404</b>	<b>\$ 5,082,389</b>	<b>\$ 2,451</b>	<b>\$ 18,318,220</b>

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

Reconciliation of Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ 1,148,260

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	\$	4,705,032	
Depreciation expense		(1,213,610)	
Adjustment for jointly owned capital assets		(1,222,041)	2,269,381

Governmental funds report loan costs as expenditures. However, in the statement of activities such costs are deferred and amortized over the life of the loan. This is the amount of amortization for loan costs in the current period.

(2,900)

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

435,126

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 assets. Also, governmental funds report the effect of issuance costs, 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:

Lease revenue bond proceeds	\$	(3,188,900)	
Increase in landfill liability		(232,097)	

Repayments:

General obligation school bonds		880,000	
Plus: Amortization of issuance premium		58,059	
Lease revenue bonds		235,000	
State Literary Fund loans		250,000	
Infrastructure revenue bonds		240,000	
Plus: Amortization of issuance premium		10,155	
Capital leases		206,476	
Early retirement incentive obligation		39,014	

Net adjustment (1,502,293)

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	\$	146,616	
Net OPEB obligation		(7,794)	
Accrued interest on bonds and loans		(14,102)	124,720

Change in net assets of governmental activities \$ 2,472,294

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

Statement of Net Assets  
 Proprietary Fund  
 At June 30, 2010

	Business-Type Activities - Enterprise Fund <u>Piney River</u> <u>Water &amp; Sewer Fund</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 9,986
Restricted cash	6,509
Accounts receivable, net	20,752
Total current assets	<u>\$ 37,247</u>
Noncurrent assets:	
Land	\$ 40,000
Other capital assets, net of accumulated depreciation	5,866,557
Total noncurrent assets	<u>\$ 5,906,557</u>
Total assets	<u>\$ 5,943,804</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 7,491
Accrued interest expense	3,062
Current portion of bonds payable	12,517
Total current liabilities	<u>\$ 23,070</u>
Long-term liabilities	
Bonds payable	\$ 1,143,594
Total long-term liabilities	<u>1,143,594</u>
Total liabilities	<u>\$ 1,166,664</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	\$ 4,750,446
Restricted for:	
Debt service and bond covenants	6,509
Unrestricted	20,185
Total net assets	<u>\$ 4,777,140</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2010

	<u>Business-Type Activities - Enterprise Fund Piney River Water &amp; Sewer Fund</u>
<b>Operating revenues:</b>	
Charges for services, net	\$ 121,191
Total operating revenues	<u>\$ 121,191</u>
<b>Operating expenses:</b>	
Maintenance & repairs	\$ 134,355
Other charges	16,300
Depreciation expense	192,490
Total operating expenses	<u>\$ 343,145</u>
<b>Operating loss</b>	<u>\$ (221,954)</u>
<b>Nonoperating expense:</b>	
Interest expense	\$ 51,056
Net nonoperating expense	<u>\$ 51,056</u>
<b>Loss before capital contributions and transfers</b>	<u>\$ (273,010)</u>
<b>Capital contributions:</b>	
Capital grant - Rural Development	\$ 295,500
Capital grant - SERCAP	36,000
Total capital contributions	<u>\$ 331,500</u>
<b>Transfers:</b>	
Transfers in	\$ 111,367
Transfers out	(143,011)
Total transfers	<u>\$ (31,644)</u>
<b>Change in net assets</b>	<u>\$ 26,846</u>
Net assets, beginning of year	<u>4,750,294</u>
Net assets, end of year	<u><u>\$ 4,777,140</u></u>

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, 2010

	Business-Type Activities - Enterprise Fund Piney River Water & Sewer Fund
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 122,502
Payments to suppliers	(413,673)
Transfers to/from local government (net)	(31,644)
Net cash provided by (used in) operating activities	<u>\$ (322,815)</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets, net of related payable	\$ (227,083)
Principal repayments on bonds payable	(11,980)
Interest paid on bonds payable	(51,088)
Capital contributions received	517,064
Net cash provided by (used in) capital and related financing activities	<u>\$ 226,913</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (95,902)
<b>Cash and cash equivalents, beginning of year</b>	<u>112,397</u>
<b>Cash and cash equivalents, end of year (including restricted cash of \$6,509)</b>	<u><u>\$ 16,495</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (221,954)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	192,490
Transfers to/from local government (net)	(31,644)
Changes in assets and liabilities:	
Accounts receivable	1,311
Accounts payable	(263,018)
Net cash provided by (used in) operating activities	<u><u>\$ (322,815)</u></u>
Supplemental information:	
Interest paid during year	\$ 51,088
Change in accrued interest payable	(32)
Interest expense for year	<u><u>\$ 51,056</u></u>

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

Statement of Fiduciary Net Assets  
 At June 30, 2010

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>345,589</u>
Total assets	\$ <u><u>345,589</u></u>
<b>Liabilities:</b>	
Amounts held for others	\$ <u>345,589</u>
Total liabilities	\$ <u><u>345,589</u></u>

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

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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#### Narrative Profile

The County of Nelson (the County), located in central Virginia and bordered by the counties of Augusta, Rockbridge, Amherst, Appomattox, Buckingham, and Albemarle, was founded in 1807. The County has a population of 15,161 and land area of 471 square miles.

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

The financial statements of the County have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. 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. Reporting Entity

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

**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.

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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### B. Reporting Entity (Continued)

**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 2010 and provides space for its administrative offices. The County also paid \$171,093 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 \$243,648 for operations to the Jefferson-Madison Regional Library, \$72,078 to the Region Ten Community Services Board, \$18,241 to the Thomas Jefferson Planning District Commission, \$492,153 to the Albemarle-Charlottesville Regional Jail Authority, and \$88,098 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 2010, the County paid the Region 2000 Services Authority \$254,090 in tipping fees. See Note 18 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 assets 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

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.

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

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**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.

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 deferred 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 2010.

1. Governmental Funds:

- a. General Fund: The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.
- b. Debt Service Fund: The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The Debt Service Fund is considered a major fund for financial reporting purposes.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

1. Governmental Funds: (continued)

- c. Special Revenue Funds: Special Revenue Funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. Special Revenue Funds consist of the Housing Improvement Fund and the Street Lights Fund.
- d. Capital Projects Fund: The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund is considered a major fund for financial reporting purposes.

2. Proprietary Fund

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

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

The Proprietary Fund consists of the Piney River Water & Sewer Fund. The Piney River Water & Sewer Fund is an Enterprise Fund. 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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

##### 4. Component Units:

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.

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.

The County applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

#### E. Deposits and investments

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.

Investments for the County, as well as for its component units, are reported at fair value.

#### F. Restricted Cash

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

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### F. Restricted Cash: (Continued)

The Capital Projects Fund has recorded \$1,213,500 of restricted cash, which represents unexpended proceeds and accumulated interest from the issuance of the Lease Revenue School Bonds in 2002. The restricted funds are held by the Trustee in separate Project fund, Bond fund, and Debt Service fund accounts, as required by the terms of the loan agreement. See Note 7 for further discussion of the Debt Service Reserve fund.

The Piney River Water and Sewer Fund has recorded \$6,509 in restricted cash. This amount represents the reserve required to be established by the loan agreement. See Note 7 for further discussion.

#### G. Property Taxes

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

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

#### H. Budgets and Budgetary Accounting

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

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

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### H. Budgets and Budgetary Accounting: (Continued)

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, 2010, 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.

#### I. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$901,968 at June 30, 2010. The allowance is comprised of property taxes, landfill fees, EMS charges, and sewer charges.

#### J. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the appropriate governmental or component unit activities in the government-wide financial statements. The County, Component Unit School Board, and Component Unit Economic Development Authority do not have any infrastructure in its 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 recorded at estimated fair market value at the date of donation.

Maintenance, repairs, and minor equipment 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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**J. Capital Assets: (Continued)**

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

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

**K. Compensated Absences**

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

**L. Use of Estimates**

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

**M. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**N. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific program. Designations of fund balance represent tentative management plans that are subject to change.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### O. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

#### P. Loan costs

Loan costs are amortized over the life of the loan on a straight-line basis.

#### 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. Reclassification

Certain prior year amounts have been reclassified to conform with current year reporting.

### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Deposits

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

#### 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, 2010 were held in the County’s name by the County’s custodial banks.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2010 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<b>Locality's Rated Debt Investments' Values</b>	
<b>Local Government</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Money Market Mutual Fund	\$ 1,213,500
Local Government Investment Pool	48,134
Total	\$ <u>1,261,634</u>
<b>Component Unit -- Economic Development Authority</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Local Government Investment Pool	\$ <u>8,747</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair values of the positions in the Local Government Investment Pool (LGIP) and in SNAP are the same as the value of the pool shares. The LGIP is not SEC registered; regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

**NOTE 3—RECEIVABLES:**

Receivables at June 30, 2010 consist of the following:

	<u>Primary Government</u>			
	<u>Governmental</u>		<u>Component Units</u>	
	<u>Activities</u>	<u>Business-</u>	<u>School</u>	<u>Economic</u>
	<u>General</u>	<u>Type</u>	<u>Board</u>	<u>Development</u>
	<u>Fund</u>	<u>Activities</u>	<u>Authority</u>	
Property taxes	\$ 11,200,279	\$ -	\$ -	\$ -
Vehicle license taxes	272,790	-	-	-
Utility taxes	38,217	-	-	-
Recordation taxes	16,420	-	-	-
Lodging fees	23,342	-	-	-
Meals taxes	47,946	-	-	-
Landfill fees	15,230	-	-	-
EMS revenue recovery	761,838	-	-	-
Note receivable	-	-	-	128,000
E-rate reimbursement	-	-	8,044	-
Sewer charges	-	21,156	-	-
Other	58,661	-	30,517	22,400
	<u>58,661</u>	<u>-</u>	<u>30,517</u>	<u>22,400</u>
Total receivables	\$ 12,434,723	\$ 21,156	\$ 38,561	\$ 150,400
Allowance for uncollectibles	(901,564)	(404)	-	-
	<u>(901,564)</u>	<u>(404)</u>	<u>-</u>	<u>-</u>
Net receivables	\$ 11,533,159	\$ 20,752	\$ 38,561	\$ 150,400
	<u>11,533,159</u>	<u>20,752</u>	<u>38,561</u>	<u>150,400</u>

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 2010. The note accrues interest at 7% per annum and is secured by a deed of trust. During 2010, the Board of the EDA agreed to extend the maturity date of the note to June 2011.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Component
	Governmental			Unit
	Activities			
General Fund	Special Revenue	Total	School Board	
<b>Commonwealth of Virginia:</b>				
Local sales taxes	\$ 162,067	\$ -	\$ 162,067	\$ 336,780
Personal property tax relief act	734,930	-	734,930	-
Comprehensive Services Act	239,484	-	239,484	-
Public assistance	31,718	-	31,718	-
Communications tax	83,727	-	83,727	-
Rolling stock tax	90,727	-	90,727	-
Shared expenses and grants	126,970	-	126,970	-
Other	37,719	-	37,719	-
<b>Federal government:</b>				
Public assistance	40,993	-	40,993	-
TEA-21 grant	347,145	-	347,145	-
Other	249,721	18,500	268,221	-
Federal pass-through school funds	-	-	-	291,983
Total	\$ 2,145,201	\$ 18,500	\$ 2,163,701	\$ 628,763

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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**NOTE 5 - INTERFUND ACTIVITY:**

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**Primary Government:**

Transfers To/From Other Funds:

Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ (3,077,301)
Transfer from the Street Light fund	13,062
Transfer to the Piney River Water & Sewer fund to support operations	(71,367)
Transfer to the Capital Projects fund to pay for Courthouse construction	<u>(595,302)</u>

Net transfers from General Fund \$ (3,730,908)

Transfer from the General Fund to pay principal and interest on long-term debt	\$ 3,077,301
Transfer from the Capital Projects fund to pay principal and interest on long-term debt	<u>250,374</u>

Net transfers to Debt Service Fund \$ 3,327,675

Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ (250,374)
Transfer from the Piney River Water & Sewer Fund to pay for construction	103,011
Transfer from the General Fund fund to pay for Courthouse construction	<u>595,302</u>

Net transfers to the Capital Projects Fund \$ 447,939

Transfer to the General Fund	\$ <u><u>(13,062)</u></u>
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Transfer to the Capital Projects Fund to pay for construction	\$ (103,011)
Transfer from the General Fund to support operations	<u>71,367</u>

Net transfers to the Piney River Water & Sewer Fund \$ (31,644)

The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2010:

**Governmental Activities:**

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land and land improvements	\$ 367,347	\$ 60,658	\$ 2,244	\$ 425,761
Construction in progress	2,475,517	4,545,193	1,026,396	5,994,314
Total capital assets not being depreciated	<u>\$ 2,842,864</u>	<u>\$ 4,605,851</u>	<u>\$ 1,028,640</u>	<u>\$ 6,420,075</u>
Other capital assets:				
Buildings and improvements	\$ 4,022,693	\$ 1,038,546	\$ 187,371	\$ 4,873,868
Furniture, equipment and vehicles	2,707,279	144,796	29,089	2,822,986
School buildings, improvements and equipment *	27,515,630	-	1,571,476	25,944,154
Total other capital assets	<u>\$ 34,245,602</u>	<u>\$ 1,183,342</u>	<u>\$ 1,787,936</u>	<u>\$ 33,641,008</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,617,265	\$ 314,657	\$ 129,350	\$ 1,802,572
Furniture, equipment and vehicles	1,576,117	237,857	31,589	1,782,385
School buildings, improvements and equipment *	4,107,772	661,096	349,435	4,419,433
Total accumulated depreciation	<u>\$ 7,301,154</u>	<u>\$ 1,213,610</u>	<u>\$ 510,374</u>	<u>\$ 8,004,390</u>
Other capital assets, net	<u>\$ 26,944,448</u>	<u>\$ (30,268)</u>	<u>\$ 1,277,562</u>	<u>\$ 25,636,618</u>
Net capital assets	<u>\$ 29,787,312</u>	<u>\$ 4,575,583</u>	<u>\$ 2,306,202</u>	<u>\$ 32,056,693</u>

Depreciation expense was allocated as follows:

General government administration	\$ 39,755
Public safety	93,204
Public works	257,875
Health and welfare	18,502
Education	661,096
Parks, recreation and cultural	128,574
Community development	14,604
Total depreciation expense	<u>\$ 1,213,610</u>

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land and land improvements	\$ 851,210	\$ -	\$ -	\$ 851,210
Total capital assets not being depreciated	<u>\$ 851,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,210</u>
Other capital assets:				
Buildings and improvements	\$ 43,727,071	\$ 66,590	\$ -	\$ 43,793,661
Furniture, equipment and vehicles	4,149,642	279,120	316,608	4,112,154
School buildings, improvements and equipment allocated to County *	<u>(27,515,630)</u>	<u>1,571,476</u>	<u>-</u>	<u>(25,944,154)</u>
Total other capital assets	<u>\$ 20,361,083</u>	<u>\$ 1,917,186</u>	<u>\$ 316,608</u>	<u>\$ 21,961,661</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 12,030,659	\$ 1,178,946	\$ -	\$ 13,209,605
Furniture, equipment and vehicles	2,419,557	306,743	311,730	2,414,570
School buildings, improvements and equipment allocated to County *	<u>(4,107,772)</u>	<u>(661,096)</u>	<u>(349,435)</u>	<u>(4,419,433)</u>
Total accumulated depreciation	<u>\$ 10,342,444</u>	<u>\$ 824,593</u>	<u>\$ (37,705)</u>	<u>\$ 11,204,742</u>
Other capital assets, net	<u>\$ 10,018,639</u>	<u>\$ 1,092,593</u>	<u>\$ 354,313</u>	<u>\$ 10,756,919</u>
Net capital assets	<u>\$ 10,869,849</u>	<u>\$ 1,092,593</u>	<u>\$ 354,313</u>	<u>\$ 11,608,129</u>
Depreciation expense allocated to education		<u>\$ 824,593</u>		

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

Reconciliation of primary government (governmental activities) net assets invested in capital assets, net of related debt

Net capital assets	\$ 32,056,693
Less: Long-term debt applicable to capital assets at June 30, 2010	\$ 31,598,995
Less: Bond proceeds and related premium received but not expended on capital assets at June 30, 2010	<u>1,689,440</u>
Net assets invested in capital assets, less related debt	<u>\$ 2,147,138</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business Type Activities:  
Piney River Water & Sewer Operations

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land and land improvements	\$ 40,000	\$ -	\$ -	\$ 40,000
Total capital assets not being depreciated	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Other capital assets:				
Infrastructure	\$ 6,356,367	\$ 201,460	\$ -	\$ 6,557,827
Equipment	-	25,619	-	25,619
Total other capital assets	<u>\$ 6,356,367</u>	<u>\$ 227,079</u>	<u>\$ -</u>	<u>\$ 6,583,446</u>
Less: Accumulated depreciation for:				
Infrastructure	\$ 524,398	\$ 187,367	\$ -	\$ 711,765
Equipment	-	5,124	-	5,124
Total accumulated depreciation	<u>\$ 524,398</u>	<u>\$ 192,491</u>	<u>\$ -</u>	<u>\$ 716,889</u>
Other capital assets, net	<u>\$ 5,831,969</u>	<u>\$ 34,588</u>	<u>\$ -</u>	<u>\$ 5,866,557</u>
Net capital assets	<u><u>\$ 5,871,969</u></u>	<u><u>\$ 34,588</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,906,557</u></u>

Reconciliation of primary government (business type activities) net assets invested in capital assets, net of related debt

Net capital assets	\$ 5,906,557
Less: Long-term debt applicable to capital assets at June 30, 2010	<u>1,156,111</u>
Net assets invested in capital assets, less related debt	<u><u>\$ 4,750,446</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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 debt transactions of the County for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2010</u>
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
Lease revenue school bonds	\$ 11,495,000	\$ -	\$ 235,000	\$ 11,260,000
Lease revenue bonds	-	3,188,900	-	3,188,900
General obligation bonds:				
School	13,100,000	-	880,000	12,220,000
Premium on issuance	499,965	-	58,059	441,906
State Literary Fund loans:				
School	2,500,000	-	250,000	2,250,000
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	2,230,000	-	240,000	1,990,000
Premium on issuance	44,189	-	10,155	34,034
Capital leases	420,631	-	206,476	214,155
Retirement incentive obligation loan	463,245	-	39,014	424,231
Compensated absences	388,731	-	146,616	242,115
Other post-employment benefits	7,800	31,794	24,000	15,594
Landfill liability	723,615	232,097	-	955,712
<b>Total</b>	<b>\$ 31,873,176</b>	<b>\$ 3,452,791</b>	<b>\$ 2,089,320</b>	<b>\$ 33,236,647</b>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 1,974,013
Long-term liabilities due in more than one year				<u>31,262,634</u>
<b>Total</b>				<b>\$ 33,236,647</b>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2010</u>
<b>Business-type activities:</b>				
USDA Water Revenue Bond	\$ 495,975	\$ -	\$ 5,254	\$ 490,721
USDA Sewer Revenue Bond	<u>672,121</u>	<u>-</u>	<u>6,731</u>	<u>665,390</u>
	<u>\$ 1,168,096</u>	<u>\$ -</u>	<u>\$ 11,985</u>	<u>\$ 1,156,111</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 12,517
Long-term liabilities due in more than one year				<u>1,143,594</u>
Total				<u>\$ 1,156,111</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,674,179	\$ 1,533,798
2012	1,809,964	1,439,440
2013	1,847,941	1,362,419
2014	1,718,327	1,277,686
2015	1,754,025	1,195,663
2016-2020	8,562,164	4,672,278
2021-2025	7,939,225	2,602,070
2026-2030	4,223,917	1,060,745
2031-2035	584,573	563,090
2036-2040	721,099	426,564
2041-2045	889,551	258,112
2046-2050	<u>764,281</u>	<u>62,937</u>
Total	<u>\$ 32,489,246</u>	<u>\$ 16,454,802</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
<b>Governmental:</b>		
<u>General Obligation School Bonds:</u>		
\$1,500,000 School Bonds, 1992, issued December 1992, due in various installments of \$50,000 and \$110,000, through June 15, 2013, interest rates from 5.1% to 8.1%	\$ 165,000	\$ 60,000
\$4,500,000 School Bonds, 1993, issued April 1993, due in various installments of \$145,000 to \$405,000, through June 15, 2013, interest rates from 5.1% to 5.5%	490,000	180,000
\$750,000 School Bonds, 1994, issued May 1994, due in various installments of \$30,000 to \$40,000 through July 2014, interest at 6.1%	155,000	40,000
\$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%	11,410,000	570,000
Unamortized premium on issuance of 2003 School Bonds	441,907	55,305
Total general obligation school bonds	<u>\$ 12,661,907</u>	<u>\$ 905,305</u>
<u>Lease Revenue School Bonds:</u>		
\$12,135,000 Lease Revenue Bonds Series 2002, issued June 2002, due in various semi-annual installments ranging from \$70,000 to \$1,010,000, through June 2029, interest rates from 2.2% to 5.0%	\$ 11,260,000	\$ 275,000
<u>State Literary Fund Loans:</u>		
\$5,000,000 issued April 1, 1999, due in annual installments of \$250,000 plus interest through April 1, 2019, interest at 5%	\$ 2,250,000	\$ 250,000
<u>Lease Revenue Bonds:</u>		
\$7,500,000 Lease Revenue Bonds Series 2009, issued July 17, 2009, interest only until August 17, 2011, and then monthly principal and interest payments of \$13,872 through July 17, 2049; Interest at 4.13%. The amount drawn on the bonds as of June 30, 2010 was \$3,188,900	\$ 3,188,900	\$ -

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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: (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%.	\$ 1,990,000	\$ 245,000
 Unamortized premium	<u>34,034</u>	<u>9,024</u>
 Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 2,024,034</u>	<u>\$ 254,024</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%.	 \$ <u>424,231</u>	 \$ <u>41,663</u>
 Total governmental loans and bonds	 \$ <u><u>28,620,172</u></u>	 \$ <u><u>1,725,992</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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:		
<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%	\$ 490,721	\$ 5,480
\$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%	<u>665,390</u>	<u>7,037</u>
Total business-type long-term obligations	<u>\$ 1,156,111</u>	<u>\$ 12,517</u>

Lease Revenue School Bonds Series 2002

The loan agreement for the Lease Revenue School Bonds Series 2002 (2002 School Bonds) requires that a Debt Service Reserve Fund be maintained with the Trustee. The amount of the Debt Service Fund must equal the least of (i) the maximum amount of principal and interest on the 2002 School Bonds due in the current or any future year, (ii) 10% of the stated principal amount of the 2002 School Bonds, and (iii) 125% of the average annual debt service with respect to the 2002 School Bonds in the then current and each future year calculated as of the date of the issuance of the bonds. If the balance on deposit in the Debt Service Reserve Fund exceeds the amount required by the loan agreement, the Trustee will transfer interest received to the Project fund, until completion, and then to the Bond fund.

The Debt Service Reserve Fund was established in 2002 with \$1,060,500 of bond proceeds. The Debt Service Reserve Fund has a balance of \$1,213,500 at June 30, 2010.

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 \$6,509 at June 30, 2010. The reserve has been reflected as restricted cash in the accompanying financial statements.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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USDA Revenue Bonds: (Continued)

The County paid \$51,088 in interest on the USDA Water and Sewer Bonds in fiscal 2010, of which \$0 has been capitalized in the accompanying financial statements.

Capital Leases:

The County has entered into various lease agreements for the purchase of school buses, equipment and office facilities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

School buses	\$	694,606
Less accumulated depreciation		<u>(203,408)</u>
Total	\$	<u><u>491,198</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

<u>Year Ending June 30,</u>		<u>Governmental Activities</u>
2011	\$	153,283
2012		<u>74,657</u>
Total minimum lease payments	\$	227,940
Less: amount representing interest		<u>(13,785)</u>
Present value of minimum lease payments	\$	<u><u>214,155</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

Federal Arbitrage Regulations:

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

The following is summary of long-term debt transactions of the School Board for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2010</u>
<b>School Board</b>				
Compensated absences	\$ 424,287	\$ -	\$ 22,440	\$ 401,847
Other post-employment benefits	<u>29,300</u>	<u>112,476</u>	<u>83,200</u>	<u>58,576</u>
Total	<u>\$ 453,587</u>	<u>\$ 112,476</u>	<u>\$ 105,640</u>	<u>\$ 460,423</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year			\$ 40,184	
Long-term liabilities due in more than one year			<u>420,239</u>	
Total			<u>\$ 460,423</u>	

**NOTE 8—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:**

In accordance with GASB Statement 16, *Accounting for Claims, Judgments and Compensated Absences*, the County and its components units have accrued the liability arising from all outstanding claims, judgments and 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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**NOTE 8—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES: (CONTINUED)**

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Because the timing of the settlement of the liability for compensated absences is not estimable, the amount of vacation and sick pay not currently payable by the governmental funds is recorded as a current liability in the government-wide financial statements.

	<u>Balance</u> <u>July 1, 2009</u>	<u>Net Increase/ (Decrease)</u>	<u>Balance</u> <u>June 30, 2010</u>
Primary Government:			
Governmental activities	\$ 388,731	\$ (146,616)	\$ 242,115
Component Unit School Board	\$ 424,287	\$ (22,440)	\$ 401,847

**NOTE 9—DEFINED BENEFIT PENSION PLAN:**

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The County and Component Unit School Board participate in the Virginia Retirement System defined benefit pension plan.

**A. Plan Description:**

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70 % of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2009-Annual-Report.pdf> or obtained 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, 2010 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employee contribution rates for the fiscal year ended 2010 were 10.30% and 8.51% of annual covered payroll, respectively.

The School Board's contributions rate for VRS statewide sharing pool for its employees was 8.81%.

C. Annual Pension Cost:

For fiscal year 2010, the County's annual pension cost of \$340,945 (does not include the employee share assumed by the County which was \$165,507) was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the Board's non-professional employees was \$134,932 (does not include the employee share assumed by the Board which was \$76,279) which was equal to the Board's required and actual contributions.

Three-Year Trend Information for the County and School Board:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2008	\$ 319,129	100%	-
June 30, 2009	348,784	100%	-
June 30, 2010	340,945	100%	-
School Board Non-Professional:			
June 30, 2008	\$ 154,682	100%	-
June 30, 2009	135,509	100%	-
June 30, 2010	134,932	100%	-

(1) Employer portion only

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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#### C. Annual Pension Cost: (Continued)

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the County School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

#### D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the County's plan was 84.96% funded. The actuarial accrued liability for benefits was \$14,378,160, and the actuarial value of assets was \$12,215,739, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,162,421. The covered payroll (annual payroll of active employees covered by the plan) was \$3,303,444, and ratio of the UAAL to the covered payroll was 65.46%.

As of June 30, 2009, the most recent actuarial valuation date, the County School Board's plan was 86.97% funded. The actuarial accrued liability for benefits was \$5,347,046, and the actuarial value of assets was \$4,650,469, resulting in an unfunded actuarial accrued liability (UAAL) of \$696,577. The covered payroll (annual payroll of active employees covered by the plan) was \$1,593,640, and ratio of the UAAL to the covered payroll was 43.71%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

#### E. Discretely Presented Component Unit School Board

##### Professional Employees:

##### Plan Description

The Nelson County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. That report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2009-Annual-Report.pdf> or obtained 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, 2010 (Continued)

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### NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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#### E. Discretely Presented Component Unit School Board: (Continued)

Professional Employees: (Continued)

##### Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Nelson County School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2010 was 8.81% of annual covered payroll.

The School Board's contributions to VRS for the years ended June 30, 2010, 2009, 2008 were \$673,560, \$961,614, and \$1,106,941. The contributions made by the School Board for current year and the two preceding years represented 100% of the required contribution for each year.

### NOTE 10—OTHER POST-EMPLOYMENT BENEFITS:

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#### 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)**

**A. Plan Descriptions: (Continued)**

School Board: (Continued)

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.

**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 July 1, 2010, monthly required premiums were as follows:

	Monthly premium owed by retiree		
	Retiree	Retiree and one dependent	Family
Key Advantage 200 -- PPO	\$ 507	\$ 938	\$ 1,369
Key Advantage Expanded Benefits -- PPO	\$ 526	\$ 973	\$ 1,420
Key Advantage 65 -- PPO	\$ 152	\$ 304	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 October 1, 2009, monthly required premiums were as follows:

	Monthly premium owed by retiree		
	Retiree	Retiree and one dependent	Family
Local Choice Expanded Benefits -- PPO	\$ 444	\$ 821	\$ 1,199
Local Choice 200 -- PPO	\$ 429	\$ 794	\$ 1,158
Local Choice High Deductible -- PPO	\$ 324	\$ 599	\$ 875
Advantage 65 -- PPO	\$ 176	\$ 352	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, 2010 (Continued)

**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation:**

The County and the School Board’s annual postemployment benefit (OPEB) cost (expense) is calculated 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	\$ 31,800	\$ 112,500
Interest on OPEB obligation	312	1,172
Adjustment to ARC	<u>(318)</u>	<u>(1,196)</u>
Annual OPEB cost	\$ 31,794	\$ 112,476
Estimated contributions made	<u>(24,000)</u>	<u>(83,200)</u>
Increase in net OPEB obligation	\$ 7,794	\$ 29,276
Net OPEB obligation at beginning of year	<u>7,800</u>	<u>29,300</u>
Net OPEB obligation at end of year	<u>\$ 15,594</u>	<u>\$ 58,576</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 2010 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, 2010	\$ 31,794	75.00%	\$ 15,594
School Board:			
June 30, 2010	\$ 112,476	74.00%	\$ 58,576

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)**

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**D. Funded Status and Funding Progress**

At January 1, 2009, the most recent actuarial valuation date, the County Plan was unfunded. The actuarial accrued liability for benefits was \$447,900, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$447,900. The covered payroll (annual payroll of active employees covered by the plan) was \$3,370,800, and the ratio of the UAAL to the covered payroll was 13.29%.

At January 1, 2009, the most recent actuarial valuation date, the School Board Plan was unfunded. The actuarial accrued liability for benefits was \$1,094,200, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,094,200. The covered payroll (annual payroll of active employees covered by the plan) was \$12,354,600, and the ratio of the UAAL to the covered payroll was 8.86%.

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 Plans (the Plans 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, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return, and an annual healthcare cost trend rate based on the Getzen Trend Model (6.80% graded to 4.50% graded over 80 years). The payroll growth rate was assumed to be 3.75%, which reflects a 2.50% inflation rate and a productivity component of 1.25%. The payroll growth rate also incorporates a step rate/ promotional rate of increase ranging from .50% to 1.25% based on years of service.

The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2009 was 29 years.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)**

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**E. Actuarial Methods and Assumptions: (Continued)**

School Board

In the January 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return, and an annual healthcare cost trend rate based on the Getzen Trend Model (6.80% graded to 4.50% graded over 80 years). The payroll growth rate was assumed to be 0%.

The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2009 was 29 years.

**NOTE 11—VRS HEALTH INSURANCE CREDIT - OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

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**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 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$79,528, \$95,309, and \$124,665, respectively and equaled the required contributions for each year.

**NOTE 12—EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

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There were no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2010.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

**NOTE 13—DEFERRED REVENUE:**

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
<b>Primary Government:</b>		
Deferred 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.	\$ 8,859,305	\$ 10,680,848
Uncollected vehicle license 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.	-	262,540
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	139,823	139,823
Total primary government	<u>\$ 8,999,128</u>	<u>\$ 11,083,211</u>

The Component Unit School Board had no deferred revenue.

**NOTE 14—COMMITMENTS AND CONTINGENCIES:**

Primary Government and Component Unit School Board:

Federal programs in which the County and School Board participate were audited in accordance with the provisions of U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

The County has entered into a construction contract in the amount of \$7,129,189 and an architectural services contract in the amount of \$824,820 for the construction of new courthouse facilities. The new facilities were mandated by the Judge of the Circuit Court. Outstanding commitments under the two contracts (exclusive of accounts and retainage payable of \$695,442) were \$2,719,101 at June 30, 2010. The construction of the new facilities is being funded primarily through the proceeds of a Rural Development loan obtained in July 2009.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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**NOTE 14—COMMITMENTS AND CONTINGENCIES: (CONTINUED)**

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Primary Government and Component Unit School Board: (Continued)

The County has entered into a construction contract of \$625,000 for school roof replacement. The outstanding commitment under the contract was \$625,000 at June 30, 2010.

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 \$103,983.

**NOTE 15—LITIGATION:**

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At June 30, 2010 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 16—SURETY BONDS:**

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	<u>Amount</u>
Virginia Department of Risk Management - Surety	
Judy Smythers, Clerk of the Circuit Court	\$ 450,000
Erma D. Harris, 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. Bruguiera, Jr., Supervisor	1,000
Constance Brennan, Supervisor	1,000
Stephen A. Carter, County Administrator	2,000
Thomas D. Harvey, Supervisor	1,000
Allen M. Hale, Supervisor	1,000
Joe Dan Johnson, Supervisor	1,000

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### **NOTE 17—RISK MANAGEMENT:**

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

The County contracts with the Virginia Association of Counties Municipal Liability Pool to provide for insurance coverages for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage is for \$4,000,000.

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

#### Unemployment Insurance:

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

#### Employee Health Insurance:

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

#### Other:

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

### **NOTE 18—ACCRUED LANDFILL REMEDIATION COST:**

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The County closed its landfill operation on October 8, 1993, and contracted with private contractors to dispose of its solid waste. The landfill closure commenced in July, 1994, and, in accordance with federal and state laws and regulations, the County is required to monitor the landfill for 10 years or until released by the Department of Environmental Quality. The original postclosure care liability of \$387,865 was determined by engineers. The revised cost estimate has been estimated at \$955,712 as of June 30, 2010. 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 9VA C20-70 of the Virginia Administrative Code.

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

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### **NOTE 19—RELATED PARTY TRANSACTIONS:**

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The County had certain transactions with the Nelson County Service Authority during fiscal year 2010. 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 \$171,093 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 20—DEFERRED COMPENSATION PLAN:**

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The County offers an approved deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. Permanent, part-time and full-time County employees are eligible to participate and may defer 25% of their gross income up to a maximum of \$16,500 in 2010. Eligible employees age 50 and over may defer up to \$22,000 in 2010. 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.

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**Required Supplementary Information**

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 17,650,836	\$ 17,758,035	\$ 18,581,322	\$ 823,287
Other local taxes	3,679,445	3,412,448	3,651,556	239,108
Permits, privilege fees, and regulatory licenses	194,900	194,900	171,420	(23,480)
Fines and forfeitures	217,000	229,026	301,608	72,582
Revenue from the use of money and property	367,380	367,380	171,157	(196,223)
Charges for services	330,325	258,473	235,507	(22,966)
Miscellaneous	20,250	53,376	169,732	116,356
Recovered costs	426,300	632,900	513,918	(118,982)
Intergovernmental revenues:				
Commonwealth	4,490,262	4,470,551	4,489,872	19,321
Federal	2,201,112	2,733,617	1,169,898	(1,563,719)
Total revenues	\$ 29,577,810	\$ 30,110,706	\$ 29,455,990	\$ (654,716)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,553,445	\$ 1,563,360	\$ 1,474,397	\$ 88,963
Judicial administration	742,103	785,057	705,391	79,666
Public safety	3,760,827	4,044,446	3,854,484	189,962
Public works	1,916,209	1,877,587	1,580,089	297,498
Health and welfare	2,458,028	2,445,628	2,625,881	(180,253)
Education	11,923,104	12,013,929	11,978,373	35,556
Parks, recreation, and cultural	451,287	449,787	428,721	21,066
Community development	753,592	753,442	716,077	37,365
Nondepartmental	549,674	388,429	97,360	291,069
Capital projects	2,598,998	2,970,998	1,271,853	1,699,145
Total expenditures	\$ 26,707,267	\$ 27,292,663	\$ 24,732,626	\$ 2,560,037
Excess (deficiency) of revenues over (under) expenditures	\$ 2,870,543	\$ 2,818,043	\$ 4,723,364	\$ 1,905,321
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 96,585	\$ 146,585	\$ 63,062	\$ (83,523)
Transfers out	(3,888,970)	(3,888,970)	(3,793,970)	95,000
Total other financing sources and uses	\$ (3,792,385)	\$ (3,742,385)	\$ (3,730,908)	\$ 11,477
Net change in fund balances	\$ (921,842)	\$ (924,342)	\$ 992,456	\$ 1,916,798
Fund balances - beginning	921,842	924,342	12,131,520	11,207,178
Fund balances - ending	\$ -	\$ -	\$ 13,123,976	\$ 13,123,976

Schedule of Pension and OPEB Funding Progress  
At June 30, 2010

PRIMARY GOVERNMENT:

County Retirement 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)
June 30, 2007	\$ 11,037,140	\$ 12,756,423	\$ 1,719,283	86.52%	\$ 3,194,999	53.81%
June 30, 2008	12,134,272	13,903,555	1,769,283	87.27%	3,295,312	53.69%
June 30, 2009	12,215,739	14,378,160	2,162,421	84.96%	3,303,444	65.46%

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, 2009	\$ -	\$ 447,900	\$ 447,900	0.00%	\$ 3,370,800	13.29%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement 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)
June 30, 2007	\$ 3,994,285	\$ 4,616,563	\$ 622,278	86.52%	\$ 1,520,439	40.93%
June 30, 2008	4,504,802	5,081,289	576,487	88.65%	1,582,865	36.42%
June 30, 2009	4,650,469	5,347,046	696,577	86.97%	1,593,640	43.71%

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, 2009	\$ -	\$ 1,094,200	\$ 1,094,200	0.00%	\$ 12,354,600	8.86%

## **Other Supplementary Information**

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## **Combining and Individual Fund Statements and Schedules**

Debt Service Fund

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 1,850,489	\$ 1,850,490	\$ 1,850,490	\$ -
Interest and other fiscal charges	1,455,476	1,455,475	1,455,418	57
Total expenditures	\$ 3,305,965	\$ 3,305,965	\$ 3,305,908	\$ 57
Excess (deficiency) of revenues over (under) expenditures	\$ (3,305,965)	\$ (3,305,965)	\$ (3,305,908)	\$ 57
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,305,965	\$ 3,305,965	\$ 3,327,675	\$ 21,710
Total other financing sources and uses	\$ 3,305,965	\$ 3,305,965	\$ 3,327,675	\$ 21,710
Net change in fund balances	\$ -	\$ -	\$ 21,767	\$ 21,767
Fund balances - beginning	-	-	87,637	87,637
Fund balances - ending	\$ -	\$ -	\$ 109,404	\$ 109,404

Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 35,000	\$ 35,000	\$ 9,238	\$ (25,762)
Total revenues	\$ 35,000	\$ 35,000	\$ 9,238	\$ (25,762)
<b>EXPENDITURES</b>				
Capital projects	\$ 8,615,419	\$ 8,615,419	\$ 3,503,483	\$ 5,111,936
Total expenditures	\$ 8,615,419	\$ 8,615,419	\$ 3,503,483	\$ 5,111,936
Excess (deficiency) of revenues over (under) expenditures	\$ (8,580,419)	\$ (8,580,419)	\$ (3,494,245)	\$ 5,086,174
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 754,094	\$ 794,094	\$ 788,313	\$ (5,781)
Transfers out	(228,664)	(318,664)	(340,374)	(21,710)
Issuance of lease revenue bonds	7,500,000	7,500,000	3,188,900	(4,311,100)
Total other financing sources and uses	\$ 8,025,430	\$ 7,975,430	\$ 3,636,839	\$ (4,338,591)
Net change in fund balances	\$ (554,989)	\$ (604,989)	\$ 142,594	\$ 747,583
Fund balances - beginning	554,989	604,989	4,939,795	4,334,806
Fund balances - ending	\$ -	\$ -	\$ 5,082,389	\$ 5,082,389

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 At June 30, 2010

	Housing Improvement Fund	Street Lights Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,486	\$ -	\$ 2,486
Due from other governments	18,500	-	18,500
Total assets	<u>\$ 20,986</u>	<u>\$ -</u>	<u>\$ 20,986</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 18,500	\$ 35	\$ 18,535
Total	<u>\$ 18,500</u>	<u>\$ 35</u>	<u>\$ 18,535</u>
<b>Fund Balance</b>			
Designated:			
Subsequent year's expenditures	\$ 2,486	\$ (35)	\$ 2,451
Total fund balance	<u>\$ 2,486</u>	<u>\$ (35)</u>	<u>\$ 2,451</u>
Total liabilities and fund balances	<u>\$ 20,986</u>	<u>\$ -</u>	<u>\$ 20,986</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2010

	Housing Improvement Fund	Street Lights Fund	Total
<b>Revenues</b>			
Charges for services	\$ -	\$ 1,601	\$ 1,601
Intergovernmental revenues:			
Federal	21,500	-	21,500
Total revenues	\$ 21,500	\$ 1,601	\$ 23,101
<b>Expenditures</b>			
Current:			
Public works	\$ -	\$ 96	\$ 96
Community development	18,500	-	18,500
Total expenditures	\$ 18,500	\$ 96	\$ 18,596
Excess (deficiency) of revenues over (under) expenditures	\$ 3,000	\$ 1,505	\$ 4,505
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	\$ -	\$ (13,062)	\$ (13,062)
Total other financing sources and uses	\$ -	\$ (13,062)	\$ (13,062)
Net change in fund balances	\$ 3,000	\$ (11,557)	\$ (8,557)
Fund balances - beginning	(514)	11,522	11,008
Fund balances - ending	\$ 2,486	\$ (35)	\$ 2,451

COUNTY OF NELSON, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2010

	Housing Improvement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:	-	-	-	-
Federal	22,000	25,000	21,500	(3,500)
Total revenues	\$ 22,000	\$ 25,000	\$ 21,500	\$ (3,500)
<b>EXPENDITURES</b>				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Community development	22,000	25,000	18,500	6,500
Total expenditures	\$ 22,000	\$ 25,000	\$ 18,500	\$ 6,500
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 3,000	\$ 3,000
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 3,000	\$ 3,000
Fund balances - beginning	-	-	(514)	(514)
Fund balances - ending	\$ -	\$ -	\$ 2,486	\$ 2,486

Street Lights Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ 500	\$ 596	\$ 1,601	\$	1,005
-	-	-	-	-
\$ 500	\$ 596	\$ 1,601	\$	1,005
\$ -	\$ 96	\$ 96	\$	-
-	-	-	-	-
\$ -	\$ 96	\$ 96	\$	-
\$ 500	\$ 500	\$ 1,505	\$	1,005
\$ (6,585)	\$ (13,062)	\$ (13,062)	\$	-
\$ (6,585)	\$ (13,062)	\$ (13,062)	\$	-
\$ (6,085)	\$ (12,562)	\$ (11,557)	\$	1,005
6,085	12,562	11,522	\$	(1,040)
\$ -	\$ -	\$ (35)	\$	(35)

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 At June 30, 2010

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	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>EMS Loan Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 25,046	\$ 320,543	\$ 345,589
Total assets	<u>\$ 25,046</u>	<u>\$ 320,543</u>	<u>\$ 345,589</u>
<b>Liabilities</b>			
Amounts held for others	\$ 25,046	\$ 320,543	\$ 345,589
Total liabilities	<u>\$ 25,046</u>	<u>\$ 320,543</u>	<u>\$ 345,589</u>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 19,222	\$ 19,687	\$ 13,863	\$ 25,046
<b>Liabilities</b>				
Amounts held for others	\$ 19,222	\$ 19,687	\$ 13,863	\$ 25,046
<b>EMS Loan Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 205,243	\$ 205,300	\$ 90,000	\$ 320,543
<b>Liabilities</b>				
Amounts held for others	\$ 205,243	\$ 205,300	\$ 90,000	\$ 320,543
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 224,465	\$ 224,987	\$ 103,863	\$ 345,589
<b>Liabilities</b>				
Amounts held for others	\$ 224,465	\$ 224,987	\$ 103,863	\$ 345,589

Component Unit School Board  
 Balance Sheet  
 At June 30, 2010

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	<u>School Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,107,557
Receivables (net of allowance for uncollectibles):	
Accounts receivable	38,561
Due from other governments	628,763
Inventories	85,813
Prepaid items	<u>23,489</u>
Total assets	<u>\$ 2,884,183</u>
<b>Liabilities</b>	
Accounts payable	\$ 88,136
Accrued liabilities	1,403,201
Due to primary government	<u>665,682</u>
Total liabilities	<u>\$ 2,157,019</u>
<b>Fund balance</b>	
Unreserved:	
Designated:	
Subsequent year's expenditures	<u>\$ 727,164</u>
Total fund balances	<u>\$ 727,164</u>
Total liabilities and fund balance	<u>\$ 2,884,183</u>

Component Unit School Board  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets  
 At June 30, 2010

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Total fund balance for governmental fund (Exhibit 20) \$ 727,164

Total net assets reported for governmental activities in the statement of net assets 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		30,584,056	
Equipment, net of depreciation		1,697,584	
School Board capital assets in primary government, net of depreciation		<u>(21,524,721)</u>	11,608,129

Collection by County government of insurance recovery previously accrued by School Board			116,733
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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	\$	(401,847)	
Net OPEB obligation		<u>(58,576)</u>	<u>(460,423)</u>

Total net assets of governmental activities (Exhibit 1)			<u>\$ 11,991,603</u>
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Component Unit School Board  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Fund  
 For the Year Ended June 30, 2010

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	<u>School Fund</u>
<b>Revenues</b>	
Revenue from the use of money and property	\$ 115
Charges for services	474,405
Miscellaneous	239,367
Recovered costs	126,007
Intergovernmental revenues:	
Appropriations from primary government	11,975,349
Commonwealth	7,687,198
Federal	<u>2,576,917</u>
Total revenues	<u>\$ 23,079,358</u>
<b>Expenditures</b>	
Current:	
Education	
Instruction	\$ 14,499,806
Administration, attendance and health	1,227,677
Transportation	2,327,927
Facilities operations	2,561,308
School food services	1,048,215
Facilities	108,266
Technology	<u>1,184,231</u>
Total expenditures	<u>\$ 22,957,430</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 121,928</b>
<b>Fund balance, beginning of year</b>	<u>605,236</u>
<b>Fund balance, end of year</b>	<u><u>\$ 727,164</u></u>

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, 2010

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Net change in fund balance - total governmental fund (Exhibit 22) \$ 121,928

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 the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	340,832	
Depreciation expense		(824,593)	
Adjustment for jointly owned capital assets		1,222,041	738,280

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	\$	22,440	
Net OPEB obligation		(29,276)	(6,836)

Change in net assets of governmental activities (Exhibit 2) \$ 853,372

Component Unit School Board  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 180	\$ 180	\$ 115	\$ (65)
Charges for services	595,078	520,194	474,405	(45,789)
Miscellaneous	326,975	244,579	239,367	(5,212)
Recovered costs	128,101	126,007	126,007	-
Intergovernmental revenues:				
Local government	11,920,080	12,010,905	11,975,349	(35,556)
Commonwealth	8,459,465	7,985,229	7,687,198	(298,031)
Federal	2,175,091	3,638,975	2,576,917	(1,062,058)
Total revenues	<u>\$ 23,604,970</u>	<u>\$ 24,526,069</u>	<u>\$ 23,079,358</u>	<u>\$ (1,446,711)</u>
<b>EXPENDITURES</b>				
Current:				
Education				
Instruction	\$ 16,108,745	\$ 16,156,216	\$ 14,499,806	\$ 1,656,410
Administration, attendance and health	1,245,932	1,229,819	1,227,677	2,142
Transportation	2,335,550	2,317,529	2,327,927	(10,398)
Facilities operations	2,779,575	2,906,392	2,561,308	345,084
School food services	1,016,441	989,077	1,048,215	(59,138)
Facilities	-	104,895	108,266	(3,371)
Technology	717,341	1,420,754	1,184,231	236,523
Total expenditures	<u>\$ 24,203,584</u>	<u>\$ 25,124,682</u>	<u>\$ 22,957,430</u>	<u>\$ 2,167,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (598,614)</u>	<u>\$ (598,613)</u>	<u>\$ 121,928</u>	<u>\$ 720,541</u>
Fund balances - beginning	<u>598,614</u>	<u>598,613</u>	<u>605,236</u>	<u>6,623</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 727,164</u></u>	<u><u>\$ 727,164</u></u>

## Supporting Schedules

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,206,735	\$ 15,206,735	\$ 15,613,299	\$ 406,564
Real and personal public service corporation taxes	450,672	557,871	551,350	(6,521)
Personal property taxes	1,712,087	1,712,087	2,155,661	443,574
Mobile home taxes	26,342	26,342	26,740	398
Machinery and tools taxes	5,000	5,000	4,604	(396)
Penalties	120,000	120,000	135,927	15,927
Interest	130,000	130,000	93,741	(36,259)
Total general property taxes	<u>\$ 17,650,836</u>	<u>\$ 17,758,035</u>	<u>\$ 18,581,322</u>	<u>\$ 823,287</u>
Other local taxes:				
Local sales and use taxes	\$ 924,045	\$ 847,248	\$ 870,143	\$ 22,895
Communications sales & use tax	540,000	430,164	496,036	65,872
Consumers' utility taxes	445,000	445,000	457,436	12,436
Business license taxes	31,000	31,000	28,503	(2,497)
Utility franchise taxes	114,000	114,000	106,180	(7,820)
Motor vehicle licenses	335,000	335,000	426,222	91,222
Bank franchise tax	50,000	50,000	59,673	9,673
Taxes on recordation and wills	215,000	215,000	232,558	17,558
Transient occupancy tax	444,000	363,636	391,629	27,993
Meals tax	581,400	581,400	583,176	1,776
Total other local taxes	<u>\$ 3,679,445</u>	<u>\$ 3,412,448</u>	<u>\$ 3,651,556</u>	<u>\$ 239,108</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 7,077	\$ (2,923)
Dog pound fees	1,400	1,400	1,760	360
Land use application fees	7,000	7,000	11,506	4,506
Transfer fees	1,000	1,000	784	(216)
Zoning & Subdivision fees	2,000	2,000	470	(1,530)
Building permits	126,000	126,000	111,005	(14,995)
Building inspection fees	10,000	10,000	6,602	(3,398)
Special use permits	500	500	450	(50)
Well & Septic fees	12,000	12,000	10,225	(1,775)
Land disturbing fees	18,000.00	18,000.00	17,263	(737)
Tourism collections	7,000	7,000	4,278	(2,722)
Total permits, privilege fees, and regulatory licenses	<u>\$ 194,900</u>	<u>\$ 194,900</u>	<u>\$ 171,420</u>	<u>\$ (23,480)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 217,000	\$ 229,026	\$ 301,608	\$ 72,582
Total fines and forfeitures	<u>\$ 217,000</u>	<u>\$ 229,026</u>	<u>\$ 301,608</u>	<u>\$ 72,582</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 105,400	\$ 105,400	\$ 87,661	\$ (17,739)
Revenue from use of property	261,980	261,980	83,496	(178,484)
Total revenue from use of money and property	<u>\$ 367,380</u>	<u>\$ 367,380</u>	<u>\$ 171,157</u>	<u>\$ (196,223)</u>
Charges for services:				
Sheriff's fees	\$ 6,000	\$ 6,000	\$ 4,789	\$ (1,211)
Law library fees	1,500	1,500	2,980	1,480
Courthouse maintenance fees	13,000	13,000	12,596	(404)
Document reproduction fees	4,000	4,000	3,050	(950)
Excess fees paid to Circuit Court	2,000	2,000	10	(1,990)
Fingerprint/Report fees	100	100	90	(10)
Charges for Commonwealth's Attorney	500	500	351	(149)
Charges for sanitation and waste removal	250,000	178,148	162,963	(15,185)
Charges for parks and recreation	52,625	52,625	46,707	(5,918)
Sale of literature	600	600	1,971	1,371
Total charges for services	<u>\$ 330,325</u>	<u>\$ 258,473</u>	<u>\$ 235,507</u>	<u>\$ (22,966)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 20,250	\$ 53,376	\$ 169,732	\$ 116,356
Total miscellaneous revenue	<u>\$ 20,250</u>	<u>\$ 53,376</u>	<u>\$ 169,732</u>	<u>\$ 116,356</u>
Recovered costs:				
DSS Reimbursement	\$ 50,000	\$ 50,000	\$ 42,988	\$ (7,012)
School Resource officer and other costs	30,000	30,000	29,420	(580)
Jaunt Wintergreen	40,400	28,000	21,000	(7,000)
Colleen water & sewer connection fees	-	27,000	27,000	-
DMW stop fees	2,500	2,500	6,795	4,295
EMS revenue recovery	300,000	492,000	379,945	(112,055)
Forest Service Coop. agreement	3,400	3,400	6,280	2,880
Other recovered costs	-	-	490	490
Total recovered costs	<u>\$ 426,300</u>	<u>\$ 632,900</u>	<u>\$ 513,918</u>	<u>\$ (118,982)</u>
Total revenue from local sources	<u>\$ 22,886,436</u>	<u>\$ 22,906,538</u>	<u>\$ 23,796,220</u>	<u>\$ 889,682</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 86,000	\$ 86,000	\$ 90,727	\$ 4,727
Mobile home titling tax	30,000	30,000	20,142	(9,858)
Tax on deeds	75,958	75,958	80,662	4,704
Personal property tax relief funds	1,708,030	1,708,030	1,708,030	-
Vehicle rental tax	-	-	470	470
Total noncategorical aid	<u>\$ 1,899,988</u>	<u>\$ 1,899,988</u>	<u>\$ 1,900,031</u>	<u>\$ 43</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 215,720	\$ 215,720	\$ 202,225	\$ (13,495)
Sheriff	811,444	756,856	709,252	(47,604)
Commissioner of revenue	97,598	92,546	90,043	(2,503)
Treasurer	110,446	102,684	97,958	(4,726)
Registrar/electoral board	54,191	54,191	40,347	(13,844)
Clerk of the Circuit Court	194,481	200,744	206,612	5,868
Total shared expenses	<u>\$ 1,483,880</u>	<u>\$ 1,422,741</u>	<u>\$ 1,346,437</u>	<u>\$ (76,304)</u>
Welfare:				
Public assistance and welfare administration	\$ 445,444	\$ 445,444	\$ 380,708	\$ (64,736)
Other categorical aid:				
E911 wireless grant	\$ 137,000	\$ 137,000	\$ 135,941	\$ (1,059)
DMV animal friendly plates	400	400	380	(20)
Fire programs	-	39,852	39,852	-
Four for life	15,093	16,166	16,166	-
Litter control grant	6,656	6,656	5,393	(1,263)
Victim-witness grant	19,408	19,408	21,445	2,037
At-risk grant	463,854	463,854	610,472	146,618
Library grant	-	-	5,247	5,247
Sheriff's department grant	13,539	13,539	12,833	(706)
Asset forfeiture proceeds	-	503	689	186
Other categorical	-	-	9,278	9,278
Performing arts grant	5,000	5,000	5,000	-
Total other categorical aid	<u>\$ 660,950</u>	<u>\$ 702,378</u>	<u>\$ 862,696</u>	<u>\$ 160,318</u>
Total categorical aid	<u>\$ 2,590,274</u>	<u>\$ 2,570,563</u>	<u>\$ 2,589,841</u>	<u>\$ 19,278</u>
Total revenue from the Commonwealth	<u>\$ 4,490,262</u>	<u>\$ 4,470,551</u>	<u>\$ 4,489,872</u>	<u>\$ 19,321</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 44,864	\$ 44,864	\$ 52,794	\$ 7,930

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 457,964	\$ 457,964	\$ 473,644	\$ 15,680
Public assistance and welfare administration - ARRA	-	-	21,347	21,347
Sheriff's grants	-	-	606	606
Public Safety Interoperability	1,300,000	1,300,000	-	(1,300,000)
SCAAP (federal prisoners)	-	-	3,679	3,679
Law Enforcement Terror Prevention	-	106,658	92,232	(14,426)
Domestic preparedness grant	37,000	37,000	-	(37,000)
FAEMS Grant	-	65,700	65,700	-
Sheriff JAG Grant	-	-	34,414	34,414
Recovery Act BJA Byrne JAG Grant	-	10,147	5,321	(4,826)
Trail grant (TEA-21)	-	350,000	265,445	(84,555)
Tunnel Grant (TEA-21)	361,284	361,284	154,716	(206,568)
Total categorical aid	<u>\$ 2,156,248</u>	<u>\$ 2,688,753</u>	<u>\$ 1,117,104</u>	<u>\$ (1,571,649)</u>
Total revenue from the federal government	<u>\$ 2,201,112</u>	<u>\$ 2,733,617</u>	<u>\$ 1,169,898</u>	<u>\$ (1,563,719)</u>
Total General Fund	<u>\$ 29,577,810</u>	<u>\$ 30,110,706</u>	<u>\$ 29,455,990</u>	<u>\$ (654,716)</u>
<b>Special Revenue Funds:</b>				
<b>Housing Improvement Fund:</b>				
Revenue from the Federal Government:				
Categorical aid:				
Community Development Block Grant	\$ 22,000	\$ 25,000	\$ 21,500	\$ (3,500)
Total categorical aid	<u>\$ 22,000</u>	<u>\$ 25,000</u>	<u>\$ 21,500</u>	<u>\$ (3,500)</u>
Total revenue from the Federal Government	<u>\$ 22,000</u>	<u>\$ 25,000</u>	<u>\$ 21,500</u>	<u>\$ (3,500)</u>
Total Housing Improvement Fund	<u>\$ 22,000</u>	<u>\$ 25,000</u>	<u>\$ 21,500</u>	<u>\$ (3,500)</u>
<b>Street Lights Fund:</b>				
Revenue from local sources:				
Charges for services:				
Other charges for services	\$ 500	\$ 596	\$ 1,601	\$ 1,005
Total charges for services	<u>\$ 500</u>	<u>\$ 596</u>	<u>\$ 1,601</u>	<u>\$ 1,005</u>
Total revenue from local sources	<u>\$ 500</u>	<u>\$ 596</u>	<u>\$ 1,601</u>	<u>\$ 1,005</u>
Total Street Lights Fund	<u>\$ 500</u>	<u>\$ 596</u>	<u>\$ 1,601</u>	<u>\$ 1,005</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 35,000	\$ 35,000	\$ 9,238	\$ (25,762)
Total revenue from local sources	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 9,238</u>	<u>\$ (25,762)</u>
Total Capital Improvements Fund	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 9,238</u>	<u>\$ (25,762)</u>
Total Primary Government	<u>\$ 29,635,310</u>	<u>\$ 30,171,302</u>	<u>\$ 29,488,329</u>	<u>\$ (682,973)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ 180	\$ 180	\$ 115	\$ (65)
Charges for services:				
Charges for education	\$ 595,078	\$ 520,194	\$ 474,405	\$ (45,789)
Total charges for services	\$ 595,078	\$ 520,194	\$ 474,405	\$ (45,789)
Miscellaneous revenue:				
Other miscellaneous	\$ 326,975	\$ 244,579	\$ 239,367	\$ (5,212)
Total miscellaneous revenue	\$ 326,975	\$ 244,579	\$ 239,367	\$ (5,212)
Recovered costs:				
Other recovered costs	\$ 128,101	\$ 126,007	\$ 126,007	\$ -
Total recovered costs	\$ 128,101	\$ 126,007	\$ 126,007	\$ -
Total revenue from local sources	\$ 1,050,334	\$ 890,960	\$ 839,894	\$ (51,066)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 11,920,080	\$ 12,010,905	\$ 11,975,349	\$ (35,556)
Total revenues from local governments	\$ 11,920,080	\$ 12,010,905	\$ 11,975,349	\$ (35,556)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,007,786	\$ 1,894,422	\$ 1,916,056	\$ 21,634
Basic school aid	4,094,617	3,927,930	3,565,381	(362,549)
GED funding	15,717	15,717	15,717	-
Remedial summer education	40,801	39,601	39,601	-
Regular foster care	14,000	42,765	42,765	-
Gifted and talented	37,662	36,401	36,401	-
Enrollment loss	-	14,475	14,475	-
Remedial education	102,944	99,496	99,496	-
Special education	623,520	602,638	602,638	-
Textbook payment	99,194	-	42,884	42,884
Vocational standards of quality payments	82,020	79,273	79,273	-
Social security fringe benefits	232,669	224,877	224,877	-
Retirement fringe benefits	299,625	216,788	216,788	-
Group life insurance instructional	8,369	5,662	5,662	-
State lottery payments	-	93,389	93,389	-
Early reading intervention	9,218	19,752	19,752	-
VPSA technology	\$ 154,000	\$ 154,000	\$ 154,000	\$ -
Homebound education	6,131	4,584	4,584	-
Regional program tuition	159,738	92,347	92,347	-

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education - occupational/tech ed	31,637	22,904	22,904	-
Vocational education - equipment	-	3,577	3,577	-
Special education - foster children	-	27,580	27,580	-
At risk payments	96,278	91,126	91,126	-
Pre-school initiative	81,000	81,000	81,000	-
Primary class size	141,452	135,603	135,603	-
Algebra readiness	13,451	12,133	12,133	-
Mentor teacher program	2,449	371	371	-
English as a second language	-	21,580	21,580	-
Virtual advancement placement	-	2,418	2,418	-
Project graduation	-	4,475	4,475	-
School construction	76,053	-	-	-
School food program	-	18,345	18,345	-
Other state funds	29,134	-	-	-
Total categorical aid	\$ 8,459,465	\$ 7,985,229	\$ 7,687,198	\$ (298,031)
Total revenue from the Commonwealth	\$ 8,459,465	\$ 7,985,229	\$ 7,687,198	\$ (298,031)
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 11,000	\$ 5,566	\$ 5,566	\$ -
ARRA-State fiscal stabilization	493,458	768,240	503,295	(264,945)
ARRA-Title I	-	227,639	95,250	(132,389)
Title 1/A grants to LEAs	417,086	491,394	407,830	(83,564)
Title 1/C migrant education	12,129	5,541	2,303	(3,238)
IDEA 611 flow-through (Title VI-B)	-	538,511	44,131	(494,380)
ARRA-Title VI-B	-	517,650	160,335	(357,315)
Title 1 - Carl Perkins vocational	36,543	52,751	43,575	(9,176)
Preschool grants/special ed	13,511	13,327	11,118	(2,209)
Title IV drug-free schools	6,785	7,348	7,147	(201)
Title V/A innovative ed program	250	224	224	-
Title II/D education technical	-	153,648	-	(153,648)
ARRA-Title II/D	-	-	1,955	1,955
Title 1/B reading first grant	145,207	319,071	255,359	(63,712)
Title VI rural & low income	456,528	-	413,367	413,367
Title III language acquisition	32,888	60,612	19,512	(41,100)
Title II part A	116,343	-	94,916	94,916
School food	433,363	477,453	477,453	-
School food commodities	-	-	33,581	33,581
Total categorical aid	\$ 2,175,091	\$ 3,638,975	\$ 2,576,917	\$ (1,062,058)
Total School Operating Fund	\$ 23,604,970	\$ 24,526,069	\$ 23,079,358	\$ (1,446,711)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 114,495	\$ 114,495	\$ 112,261	\$ 2,234
General government administration:				
County administrator	\$ 305,422	\$ 305,422	\$ 294,702	\$ 10,720
County attorney	45,000	42,150	42,157	(7)
Commissioner of revenue	226,495	226,495	225,210	1,285
Treasurer	306,024	306,024	295,577	10,447
Finance and accounting	223,300	223,300	222,730	570
Technology	210,940	210,940	164,856	46,084
Land use panel	8,200	8,200	2,138	6,062
Total general and financial administration	\$ 1,325,381	\$ 1,322,531	\$ 1,247,370	\$ 75,161
Board of elections:				
Board of elections	\$ 32,485	\$ 43,319	\$ 37,554	\$ 5,765
Registrar	81,084	83,015	77,212	5,803
Total board of elections	\$ 113,569	\$ 126,334	\$ 114,766	\$ 11,568
Total general government administration	\$ 1,553,445	\$ 1,563,360	\$ 1,474,397	\$ 88,963
Judicial administration:				
Courts:				
Circuit court	\$ 27,818	\$ 27,818	\$ 23,626	\$ 4,192
General district court	6,565	6,565	5,879	686
VJCCA	53,743	53,743	24,944	28,799
Juvenile and domestic relations court	6,467	6,467	5,228	1,239
Clerk of the circuit court	332,008	353,327	321,080	32,247
Total courts	\$ 426,601	\$ 447,920	\$ 380,757	\$ 67,163
Commonwealth's attorney:				
Commonwealth's attorney	\$ 315,502	\$ 337,137	\$ 324,634	\$ 12,503
Total commonwealth's attorney	\$ 315,502	\$ 337,137	\$ 324,634	\$ 12,503
Total judicial administration	\$ 742,103	\$ 785,057	\$ 705,391	\$ 79,666
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,291,279	\$ 1,413,890	\$ 1,373,728	\$ 40,162
E-911	506,481	506,481	420,422	86,059
Emergency services council	525,852	566,777	559,859	6,918
Emergency services	39,287	41,302	40,513	789
T.J. EMS Council	19,629	19,629	19,629	-
Fire protection	156,000	156,000	156,000	-
Paid EMS	414,698	480,398	445,803	34,595
Forestry service	15,089	20,338	20,337	1

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
Regional jail services	\$ 420,735	\$ 476,735	\$ 495,964	\$ (19,229)
Building inspector	286,461	286,461	255,836	30,625
Animal control	85,116	76,235	66,273	9,962
Medical examiner	200	200	120	80
Total law enforcement and traffic control	<u>\$ 3,760,827</u>	<u>\$ 4,044,446</u>	<u>\$ 3,854,484</u>	<u>\$ 189,962</u>
Total public safety	<u>\$ 3,760,827</u>	<u>\$ 4,044,446</u>	<u>\$ 3,854,484</u>	<u>\$ 189,962</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 268,210	\$ 268,210	\$ 221,888	\$ 46,322
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 268,210</u>	<u>\$ 268,210</u>	<u>\$ 221,888</u>	<u>\$ 46,322</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,156,817	\$ 1,118,195	\$ 909,902	\$ 208,293
Total sanitation and waste removal	<u>\$ 1,156,817</u>	<u>\$ 1,118,195</u>	<u>\$ 909,902</u>	<u>\$ 208,293</u>
Maintenance of general buildings and grounds:				
General properties	\$ 491,182	\$ 491,182	\$ 448,299	\$ 42,883
Total maintenance of general buildings and grounds	<u>\$ 491,182</u>	<u>\$ 491,182</u>	<u>\$ 448,299</u>	<u>\$ 42,883</u>
Total public works	<u>\$ 1,916,209</u>	<u>\$ 1,877,587</u>	<u>\$ 1,580,089</u>	<u>\$ 297,498</u>
Health and welfare:				
Health:				
Health department	\$ 220,021	\$ 220,021	\$ 220,021	\$ -
Total health	<u>\$ 220,021</u>	<u>\$ 220,021</u>	<u>\$ 220,021</u>	<u>\$ -</u>
Mental health and mental retardation:				
Region Ten community services board	\$ 72,078	\$ 72,078	\$ 72,078	\$ -
Total mental health and mental retardation	<u>\$ 72,078</u>	<u>\$ 72,078</u>	<u>\$ 72,078</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Welfare:				
Public assistance and administration	\$ 1,206,923	\$ 1,206,923	\$ 1,122,408	\$ 84,515
MACAA	35,156	35,156	35,156	-
Senior center meals	23,594	23,594	23,594	-
At risk youth program	713,700	713,700	898,695	(184,995)
JAUNT	98,458	86,058	86,058	-
JABA	88,098	88,098	88,098	-
Tax relief for the elderly	-	-	79,773	(79,773)
<b>Total welfare</b>	<b>\$ 2,165,929</b>	<b>\$ 2,153,529</b>	<b>\$ 2,333,782</b>	<b>\$ (180,253)</b>
<b>Total health and welfare</b>	<b>\$ 2,458,028</b>	<b>\$ 2,445,628</b>	<b>\$ 2,625,881</b>	<b>\$ (180,253)</b>
Education:				
Other instructional costs:				
Community College	\$ 3,024	\$ 3,024	\$ 3,024	\$ -
Appropriation to public school system	11,920,080	12,010,905	11,975,349	35,556
<b>Total education</b>	<b>\$ 11,923,104</b>	<b>\$ 12,013,929</b>	<b>\$ 11,978,373</b>	<b>\$ 35,556</b>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 196,139	\$ 196,139	\$ 175,073	\$ 21,066
<b>Total parks and recreation</b>	<b>\$ 196,139</b>	<b>\$ 196,139</b>	<b>\$ 175,073</b>	<b>\$ 21,066</b>
Cultural enrichment:				
Wintergreen Performing Arts	10,000	10,000	10,000	-
Mill Mountain Theater	1,500	-	-	-
<b>Total cultural enrichment</b>	<b>11,500</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>
Library:				
Regional library	\$ 243,648	\$ 243,648	\$ 243,648	\$ -
<b>Total library</b>	<b>\$ 243,648</b>	<b>\$ 243,648</b>	<b>\$ 243,648</b>	<b>\$ -</b>
<b>Total parks, recreation, and cultural</b>	<b>\$ 451,287</b>	<b>\$ 449,787</b>	<b>\$ 428,721</b>	<b>\$ 21,066</b>
Community development:				
Planning and community development:				
Planning	\$ 175,409	\$ 175,409	\$ 163,707	\$ 11,702
Community development	248,012	248,012	229,955	18,057
Economic development	12,000	12,000	8,744	3,256
Housing development	55,729	55,729	55,729	-
Nelson Volunteer Coalition	5,100	5,100	5,100	-
Colleen water/sewer subsidy	171,094	171,094	171,093	1
Anti-litter program	6,823	6,823	2,710	4,113
Piedmont Housing Alliance	5,150	5,000	5,000	-
<b>Total planning and community development</b>	<b>\$ 679,317</b>	<b>\$ 679,167</b>	<b>\$ 642,038</b>	<b>\$ 37,129</b>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water district	\$ 25,500	\$ 25,500	\$ 25,500	\$ -
Total environmental management	\$ 25,500	\$ 25,500	\$ 25,500	\$ -
Cooperative extension program:				
Extension office	\$ 48,775	\$ 48,775	\$ 48,539	\$ 236
Total cooperative extension program	\$ 48,775	\$ 48,775	\$ 48,539	\$ 236
Total community development	\$ 753,592	\$ 753,442	\$ 716,077	\$ 37,365
Nondepartmental:				
Refunds	\$ 35,000	\$ 35,000	\$ 12,015	\$ 22,985
Reserve for contingency	414,598	254,112	-	254,112
Other nondepartmental	100,076	99,317	85,345	13,972
Total nondepartmental	\$ 549,674	\$ 388,429	\$ 97,360	\$ 291,069
Capital projects:				
Blue Ridge Railway Trail	\$ 4,518	\$ 354,518	\$ 295,822	\$ 58,696
Blue Ridge Tunnel (TEA-21)	361,284	361,284	160,353	200,931
Convenience centers	673,196	673,196	651,069	22,127
Microwave network (PSIC)	1,560,000	1,560,000	102,239	1,457,761
Other capital projects	-	22,000	62,370	(40,370)
Total capital projects	\$ 2,598,998	\$ 2,970,998	\$ 1,271,853	\$ 1,699,145
Total General Fund	\$ 26,707,267	\$ 27,292,663	\$ 24,732,626	\$ 2,560,037
<b>Special Revenue Funds:</b>				
<b>Housing Improvement Fund:</b>				
Community development:				
Planning and community development:				
Dental health planning	\$ 22,000	\$ 22,000	\$ -	\$ 22,000
Housing production planning	-	3,000	18,500	(15,500)
Total community development	\$ 22,000	\$ 25,000	\$ 18,500	\$ 6,500
Total Housing Improvement Fund	\$ 22,000	\$ 25,000	\$ 18,500	\$ 6,500
<b>Street Lights Fund:</b>				
Public works:				
Other public works:				
Street lights	\$ -	\$ 96	\$ 96	\$ -
Total Street Lights Fund	\$ -	\$ 96	\$ 96	\$ -

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 1,850,489	\$ 1,850,490	\$ 1,850,490	\$ -
Interest and other fiscal charges	1,455,476	1,455,475	1,455,418	57
Total Debt Service Fund	<u>\$ 3,305,965</u>	<u>\$ 3,305,965</u>	<u>\$ 3,305,908</u>	<u>\$ 57</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
Arbitrage rebate	\$ 29,000	\$ 29,000	\$ -	\$ 29,000
Courthouse construction	8,586,419	8,586,419	3,503,483	5,082,936
Total capital projects	<u>\$ 8,615,419</u>	<u>\$ 8,615,419</u>	<u>\$ 3,503,483</u>	<u>\$ 5,111,936</u>
Total Capital Projects Fund	<u>\$ 8,615,419</u>	<u>\$ 8,615,419</u>	<u>\$ 3,503,483</u>	<u>\$ 5,111,936</u>
Total Primary Government	<u>\$ 38,650,651</u>	<u>\$ 39,239,143</u>	<u>\$ 31,560,613</u>	<u>\$ 7,678,530</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Instructional costs	\$ 16,108,745	\$ 16,156,216	\$ 14,499,806	\$ 1,656,410
Total instruction costs	<u>\$ 16,108,745</u>	<u>\$ 16,156,216</u>	<u>\$ 14,499,806</u>	<u>\$ 1,656,410</u>
Operating costs:				
Administration, attendance and health services	\$ 1,245,932	\$ 1,229,819	\$ 1,227,677	\$ 2,142
Pupil transportation	2,335,550	2,317,529	2,327,927	(10,398)
Operation and maintenance of school plant	2,779,575	2,906,392	2,561,308	345,084
School food	1,016,441	989,077	1,048,215	(59,138)
Facilities	-	104,895	108,266	(3,371)
Technology	717,341	1,420,754	1,184,231	236,523
Total operating costs	<u>\$ 8,094,839</u>	<u>\$ 8,968,466</u>	<u>\$ 8,457,624</u>	<u>\$ 510,842</u>
Total education	<u>\$ 24,203,584</u>	<u>\$ 25,124,682</u>	<u>\$ 22,957,430</u>	<u>\$ 2,167,252</u>
Total Discretely Presented Component Unit-School Board	<u>\$ 24,203,584</u>	<u>\$ 25,124,682</u>	<u>\$ 22,957,430</u>	<u>\$ 2,167,252</u>

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## STATISTICAL INFORMATION

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COUNTY OF NELSON, VIRGINIA

Table 1

Government-Wide Expenses by Function  
Last Eight Fiscal Years (1) (2)

Fiscal Year	General				Public Safety	Public Works	Health and Welfare		Education	Parks, Recreation, and Cultural		Community Development	Interest on Long-Term Debt	Total
	Government Administration	Judicial Administration	Public Safety	Public Works			Health and Welfare	Education		Parks, Recreation, and Cultural	Community Development			
2002-03	\$ 1,386,912	\$ 509,115	\$ 2,252,067	\$ 1,693,523	\$ 1,693,710	\$ 8,440,751	\$ 431,647	\$ 1,294,569	\$ 1,316,047	\$ 19,018,341				
2003-04	1,257,716	519,619	2,529,037	1,666,627	1,752,635	18,499,295	430,853	1,259,282	1,661,467	29,576,531				
2004-05	1,079,533	719,411	2,764,691	1,260,355	1,927,342	10,387,246	324,812	2,302,404	1,759,270	22,525,064				
2005-06	1,432,202	631,862	2,759,162	2,213,279	1,830,272	11,133,456	551,912	1,122,651	1,565,175	23,239,971				
2006-07	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				
2007-08	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				
2008-09	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				
2009-10	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				

(1) Information has only been available for 8 years.

(2) Primary government only

COUNTY OF NELSON, VIRGINIA

Table 2

Government-Wide Revenues by Source  
Last Eight Fiscal Years (1) (2)

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	
2002-03	\$ 708,609	\$ 2,689,157	\$ 388,353	\$ 12,020,269	\$ 2,761,744	\$ 108,161	\$ 283,732	\$ 1,880,848	\$ 20,840,873	
2003-04	823,348	2,536,899	-	8,213,965	2,839,896	13,741	132,379	2,365,198	16,925,426	
2004-05	1,001,111	3,644,002	-	12,267,305	3,170,478	31,176	248,884	1,911,689	22,274,645	
2005-06	936,052	2,798,169	291,992	12,879,059	3,464,371	301,915	544,498	2,105,442	23,321,498	
2006-07	896,876	3,141,611	140,524	13,654,498	3,551,448	58,374	739,478	2,058,042	24,240,851	
2007-08	838,119	3,301,632	3,095,040	16,116,702	3,776,293	216,226	535,958	1,923,332	29,803,302	
2008-09	838,161	2,978,055	1,212,338	18,681,477	3,612,363	136,135	264,340	1,946,684	29,669,553	
2009-10	829,726	3,183,247	931,093	18,800,138	3,867,866	169,732	180,395	1,900,031	29,862,728	

(1) Information has only been available for 8 years.

(2) Primary government only

COUNTY OF NELSON, VIRGINIA

Table 3

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General			Permit Privilege Fees & Regulatory Licenses		Fines & Forfeitures		Revenues from the Use of Money & Property		Charges for Services		Miscellaneous		Recovered Costs		Inter-governmental		Total
	Property Taxes	Local Taxes	Other Taxes	Regulatory Licenses	Fees & Regulatory Licenses	Fines & Forfeitures	Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total						
2001	\$ 10,330,310	\$ 2,512,958	\$ 194,130	\$ 51,630	\$ 912,862	\$ 663,234	\$ 715,402	\$ 328,166	\$ 12,246,405	\$ 27,955,097								
2002	10,135,286	2,586,616	228,825	43,512	577,821	654,778	698,162	290,463	13,015,062	28,230,525								
2003	11,127,697	2,761,744	300,363	125,071	284,150	295,431	382,717	642,263	13,505,740	29,425,176								
2004	12,767,131	2,839,896	304,167	163,163	132,066	875,466	627,591	333,165	13,693,437	31,736,082								
2005	12,440,512	3,170,478	423,339	121,926	249,197	1,006,955	375,196	327,882	15,909,302	34,024,787								
2006	13,080,374	3,464,371	444,230	102,747	544,808	957,699	591,632	411,339	16,031,950	35,629,150								
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								

(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										Total	
	Administration (4)	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2) (6)	Recreation and Cultural	Community Development	Nondepartmental	Capital Projects (3) (5)		Debt Service
2001	\$ 968,034	\$ 438,817	\$ 1,956,127	\$ 1,546,050	\$ 1,330,278	\$ 17,589,038	\$ 237,345	\$ 1,756,216	\$ -	\$ 2,517,269	\$ -	\$ 28,339,174
2002	1,068,301	561,152	2,120,199	1,417,915	1,531,779	17,963,769	314,690	1,491,381	-	8,870,784	-	35,339,970
2003	1,327,078	509,900	2,231,972	1,722,460	1,682,380	16,747,523	376,278	1,361,578	-	13,712,859	2,376,136	42,048,164
2004	1,132,513	518,119	2,405,339	1,661,745	1,831,001	17,868,836	366,780	1,250,681	-	2,875,725	17,387,093	47,297,832
2005	1,165,325	527,428	2,811,894	1,564,083	1,908,228	19,625,267	381,880	1,967,806	-	892,627	3,506,035	34,350,573
2006	1,377,453	625,426	2,767,839	1,942,203	1,816,350	20,941,942	714,483	1,196,540	-	1,001,588	3,354,562	35,738,386
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

- (1) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board.
- (2) Includes School Debt Service and Capital Leases - Fiscal 2000 through Fiscal 2002
- (3) Includes General Fund Debt Service - Fiscal 2000 and 2001
- (4) Includes General Fund Capital Leases - Fiscal 2000 and 2001
- (5) Includes Capital Projects Fund Debt Service - Fiscal 2001. Does not include repayment of debt.
- (6) 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) (3) Collections	Percent of Levy Collected	Delinquent (1) Tax Collections	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Delinquent Taxes to Tax Levy		
2001	\$ 10,150,308	\$ 9,647,721	95.05%	\$ 266,019	\$ 9,913,740	97.67%	\$ 1,585,400	15.62%	
2002	9,926,148	9,486,834	95.57%	387,107	9,873,941	99.47%	1,520,462	15.32%	
2003	10,850,753	10,066,095	92.77%	591,096	10,657,191	98.22%	1,802,952	16.62%	
2004	12,576,983	11,770,010	93.58%	659,388	12,429,398	98.83%	1,384,855	11.01%	
2005	11,950,617	11,239,161	94.05%	933,353	12,172,514	101.86%	1,670,318	13.98%	
2006	12,370,699	12,038,922	97.32%	776,181	12,815,103	103.59%	1,452,213	11.74%	
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%	

- (1) Exclusive of penalties and interest.
- (2) Beginning in fiscal year 2000, real estate taxes were collected in installments. The due date of the first half installment is June 5. For fiscal year 2000 and beyond, the tax levy includes the second half of the prior year and first half of the current year real estate tax levies.
- (3) For fiscal years 2000 to 2004, does not include second half of tax year real estate taxes that were collected prior to year end.

COUNTY OF NELSON, VIRGINIA

Table 6

Assessed Value of Taxable Property  
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery & Tools	Public Utility	Total
2001	\$ 1,128,836,204	\$ 110,387,510	\$ 7,806,396	\$ 3,495,288	\$ 68,825,595	\$ 1,319,350,993
2002	1,149,749,818	113,482,709	7,662,832	1,604,056	73,358,730	1,345,858,145
2003	1,353,724,870	104,869,461	5,861,443	1,795,981	83,076,312	1,549,328,067
2004	1,364,660,680	100,054,868	5,485,496	1,537,849	72,852,929	1,544,591,822
2005	1,404,375,438	103,397,922	5,380,616	1,103,410	65,707,864	1,579,965,250
2006	1,446,732,528	119,346,836	5,518,958	1,091,610	61,254,854	1,633,944,786
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

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
2001	0.72	2.95	0.72	1.25
2002	0.72	2.95	0.72	1.25
2003	0.72	2.92	0.72	1.25
2004	0.72	2.95	0.72	1.25
2005	0.72	2.95	0.72	1.25
2006	0.72	2.95	0.72	1.25
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

(1) Per \$100 of assessed value

COUNTY OF NELSON, VIRGINIA

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value		Net Bonded Debt per Capita
				Debt Service Monies Available					
2001	14,445	\$ 1,319,350,993	\$ 18,826,445	\$ -	\$ 18,826,445	1.43%	\$ 1,303		
2002	14,445	1,345,858,145	35,885,709	1,060,500	34,825,209	2.59%	2,411		
2003	14,445	1,549,328,067	35,255,717	1,068,699	34,187,018	2.21%	2,367		
2004	14,445	1,544,591,822	33,816,762	1,220,001	32,596,761	2.11%	2,257		
2005	14,445	1,579,965,250	32,641,021	1,236,349	31,404,672	1.99%	2,174		
2006	14,445	1,633,944,786	31,461,023	1,276,323	30,184,700	1.85%	2,090		
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		

(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
2001	\$ 716,519	\$ 938,906	\$ 1,655,425	\$ 28,339,174	5.84%
2002	752,650	719,253	1,471,903	35,339,970	4.16%
2003	662,650	1,060,877	1,723,527	42,048,164	4.10%
2004	662,650	878,385	1,541,035	47,297,832	3.26%
2005	1,147,650	1,739,856	2,887,506	34,350,573	8.41%
2006	1,150,000	1,549,909	2,699,909	35,738,386	7.55%
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%

(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 SECTION

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

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

We have audited 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 the County of Nelson, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Nelson, Virginia's basic financial statements and have issued our report thereon dated January 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Nelson, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County of Nelson, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Nelson, Virginia's internal control over financial reporting.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Nelson, Virginia's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Supervisors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
January 10, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 Independent Auditors' Report

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

### Compliance

We have audited the County of Nelson, Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County of Nelson, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Nelson, Virginia's management. Our responsibility is to express an opinion on County of Nelson, Virginia's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the County of Nelson, Virginia's compliance with those requirements.

In our opinion, the County of Nelson, Virginia complied, in all material respects, with the 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, 2010.

### Internal Control Over Compliance

Management of the County of Nelson, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Nelson, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the County's internal control over compliance.

*Internal Control Over Compliance (Continued)*

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.

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 deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
January 10, 2011

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

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	\$ 1,088
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	95,117
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	316
Low Income Home Energy Assistance	93.568	0600409/0600410	7,552
Child Care and Development Block Grant (Child Care Cluster)	93.575	0770109/0770110	17,749
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Child Care Cluster)	93.596	0760109/0760110	33,086
ARRA - Child Care and Development Block Grant (Child Care Cluster)	93.713	0740109/0780109	11,641
Child Welfare Services - State Grants	93.645	0900109/0900110	336
Foster Care - Title IV-E (Foster Care Cluster)	93.658	1100109/1100110	43,026
ARRA - Foster Care - Title IV-E (Foster Care Cluster)	93.658	1100110/1100109	2,083
Adoption Assistance	93.659	1120109/1120110	2,599
Social Services Block Grant	93.667	1000109/1000110	46,487
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110	768
State Children's Insurance Program	93.767	0540109/0540110	6,811
Medical Assistance Program	93.778	1200109/1200110	80,377
Total Department of Health and Human Services			<u>\$ 349,036</u>
Department of Agriculture:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 295,500
Community Facilities Loans and Grants	10.766	N/A	<u>3,188,900</u>
Total Department of Agriculture - direct payments			<u>\$ 3,484,400</u>
Pass Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	N/A	\$ 33,581
Department of Education:			
National School Breakfast Program	10.553	10.553/2009/2010	117,414
National School Lunch Program	10.555	10.555/2009/2010	360,039
School and Roads -- Grants to the States	10.665	10.665	5,566
Department of Social Services:			
ARRA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010109/0010110/0040109/0040110	7,623
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010109/0010110/0040109/0040110	<u>138,329</u>
Total Department of Agriculture - pass-through payments			<u>\$ 662,552</u>
Total Department of Agriculture			<u>\$ 4,146,952</u>
Department of Housing and Urban Development:			
Pass-through payments:			
Department of housing and community development:			
Community development block grant	14.228	N/A	\$ <u>21,500</u>
Total Department of Housing and Urban Development			<u>\$ 21,500</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226	N/A	\$ <u>52,794</u>
Total Department of the Interior			<u>\$ 52,794</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2010

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
SCAAP Grant	16.606	N/A	\$ <u>3,679</u>
Total Department of Justice - direct payments			\$ <u>3,679</u>
Pass Through Payments:			
Department of Criminal Justice Service:			
ARRA-Edward Byrne Memorial justice assistance grant program/ grants to units of local government	16.804	N/A	\$ 5,321
Virginia Compensation Board: ARRA-Edward Byrne Memorial justice assistance grant program/ grants to states and territories	16.803	2009-SU-B9-0033	<u>34,414</u>
Total Department of Justice - pass-through			\$ <u>39,735</u>
Total Department of Justice			\$ <u>43,414</u>
Department of Transportation:			
Pass-through payments:			
Department of Transportation: Alcohol open container requirements	20.607	154AL0959249	\$ 606
Pass Through Payments:			
Department of Conservation and Recreation: Recreational Trails Program	20.219	N/A	<u>420,161</u>
Total Department of Transportation			\$ <u>420,767</u>
Department of Homeland Security:			
Pass-through payments:			
Department of Emergency Services: State homeland security program	97.073	N/A	\$ <u>157,935</u>
Total Department of Homeland Security			\$ <u>157,935</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies (Title I Part A Cluster)	84.010	S010A080046/S010A070046/S010A090046	\$ 407,830
ARRA-Title I Grants to Local Educational Agencies (Title I Part A Cluster)	84.389	S389A090046	95,250
Migrant Education State Grant Program	84.011	S011A070047	2,303
Special Education -- Grants to States (Special Education Cluster)	84.027	H027A080107/H027A090107/H027A070107	457,498
ARRA-Special Education -- Grants to States (Special Education Cluster)	84.391	H391A090107	160,335
Special Education -- Preschool Grants (Special Education Cluster)	84.173	H173A090112	11,118
Career and Technical Education - Basic Grants to States	84.048	V048A080046/V048A090046	43,575
ARRA-State Fiscal Stabilization Fund-Education State Grants	84.394	S394A090047	503,295
Safe & Drug-Free Schools and Communities -- State Grants	84.186	Q186A090048	7,147
Innovative Education	84.298	S298A070047	224
ARRA-Education Technology State Grants	84.386	S386A090046	1,955
Reading First State Grants	84.357	S357A070048/S357A080048	255,359
English Language Acquisition Grants	84.365	T365A080046/S365A090046	19,512
Improving Teacher Quality State Grants	84.367	S367A080044/S367A090044	<u>94,916</u>
Total Department of Education			\$ <u>2,060,317</u>
Total Expenditures of Federal Awards			\$ <u><u>7,252,715</u></u>

See accompanying notes to the schedule of expenditures of federal awards

COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

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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, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 assets, 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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	\$ 1,169,898
Housing Improvement Fund	21,500
Loans - Community Facilities Loans and Grants	3,188,900
Proprietary Fund:	
Piney River Water & Sewer Fund	
Capital grants	<u>295,500</u>
Total primary government	<u>\$ 4,675,798</u>

Component Unit Public Schools:

School Operating Fund	<u>\$ 2,576,917</u>
Total component unit public schools	<u>\$ 2,576,917</u>

Total federal expenditures per basic financial statements \$ 7,252,715

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards \$ 7,252,715

COUNTY OF NELSON, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

    Material weakness(es) identified? No

    Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

    Material weaknesses identified? No

    Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133,  
Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants
84.027/84.173/84.391/84.392	Special Education Cluster
84.010/84.389	Title I Part A Cluster
84.394	ARRA-State Fiscal Stabilization Fund - Education State Grants
10.561	SNAP Cluster

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 300,000

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, 2010

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There were no findings reported for the year ended June 30, 2009.

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