



COUNTY OF NELSON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

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**COUNTY OF NELSON, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2011**

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**COUNTY OF NELSON, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

**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



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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**To The Honorable Members of 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, 2011, 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, 2011, 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.

As described in Note 1 to the financial statements, the County of Nelson, Virginia adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Nelson, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules 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 and individual nonmajor fund financial statements and schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and 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  
December 21, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the County of Nelson, Virginia for the fiscal year ended June 30, 2011 .

### **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 \$26,162,264. Of this amount, \$19,261,609 is unrestricted (an increase of \$2,896,344 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 \$6,884,361 invested in capital assets net of related debt (a decrease of \$13,223 from the previous fiscal year). The School Board's net assets were \$12,427,943 of which there are unrestricted net assets in the amount of \$239,497 (a decrease of \$143,977 from the previous year). (See Exhibit 1.)

The Government's net assets increased by \$2,892,906. The School Board's net assets increased by \$436,340 (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$15,988,130. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2010-11 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,322,922 of which \$15,988,095 is available for spending at the government's discretion (unassigned fund balance). (See Exhibit 3.)

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Nelson County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains the required supplementary information in addition to the basic financial statements themselves.

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

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets 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.

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

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

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.

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.

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

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

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 other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

### **Proprietary funds**

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The financial statements for the Piney River public water and sewer system 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 \$26,162,264 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.

### County of Nelson's Net Assets For the Year Ended June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 33,072,010	\$ 30,408,774	\$ 112,371	\$ 37,247	\$ 33,184,381	\$ 30,446,021
Capital assets	33,589,261	32,056,693	5,714,066	5,906,557	39,303,327	37,963,250
Total assets	\$ 66,661,271	\$ 62,465,467	\$ 5,826,437	\$ 5,943,804	\$ 72,487,708	\$ 68,409,271
Long-term liabilities	\$ 34,503,594	\$ 33,236,647	\$ 1,143,594	\$ 1,156,111	\$ 35,647,188	\$ 34,392,758
Other liabilities	10,669,635	10,736,602	8,621	10,553	10,678,256	10,747,155
Total liabilities	\$ 45,173,229	\$ 43,973,249	\$ 1,152,215	\$ 1,166,664	\$ 46,325,444	\$ 45,139,913
Net assets:						
Invested in capital assets, net of related debt	\$ 2,313,889	\$ 2,147,138	\$ 4,570,472	\$ 4,750,446	\$ 6,884,361	\$ 6,897,584
Restricted for:						
Debt service and bond covenants	-	-	16,294	6,509	16,294	6,509
Unrestricted	19,174,153	16,345,080	87,456	20,185	19,261,609	16,365,265
Total net assets	\$ 21,488,042	\$ 18,492,218	\$ 4,674,222	\$ 4,777,140	\$ 26,162,264	\$ 23,269,358

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 26.3 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 (\$16,294) at June 30, 2011.

The remaining balance of unrestricted net assets, which is \$19,261,609 or 73.6 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 \$ 2,313,889 in net assets invested in capital assets, net of related debt and \$19,174,153 in unrestricted net assets. The business-type activities reported positive balances of \$4,570,472 in net assets invested in capital assets, net of related debt and \$87,456 in unrestricted net assets.

The government's total net assets increased by \$2,892,906 during the current fiscal year, compared to a increase of \$2,499,140 in FY 2010.

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

**Governmental and Business-type Activities**

Governmental activities increased the County's net assets by \$2,995,824. Business-type activities decreased the County's net assets by \$102,918. Key elements of these changes are as follows:

**County of Nelson's Changes in Net Assets  
For the Year Ended June 30, 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 865,625	\$ 708,535	\$ 116,537	\$ 121,191	\$ 982,162	\$ 829,726
Operating grants & contributions	2,979,948	3,183,247	-	-	2,979,948	3,183,247
Capital grants & contributions	509,872	599,593	-	331,500	509,872	931,093
General revenues:						
General property taxes	19,270,265	18,800,138	-	-	19,270,265	18,800,138
Other local taxes	3,496,429	3,371,830	-	-	3,496,429	3,371,830
Use of money and property	331,077	180,395	-	-	331,077	180,395
Miscellaneous	84,056	169,732	-	-	84,056	169,732
Grants and contributions not restricted to specific programs	2,670,871	2,396,067	-	-	2,670,871	2,396,067
Transfers	(114,379)	31,644	114,379	(31,644)	-	-
Total revenues	<u>\$ 30,093,764</u>	<u>\$ 29,441,181</u>	<u>\$ 230,916</u>	<u>\$ 421,047</u>	<u>\$ 30,324,680</u>	<u>\$ 29,862,228</u>
Expenses:						
General government	\$ 1,938,519	\$ 1,615,064	\$ -	\$ -	\$ 1,938,519	\$ 1,615,064
Judicial administration	666,374	691,588	-	-	666,374	691,588
Public safety	3,373,814	3,374,456	-	-	3,373,814	3,374,456
Public works	1,733,529	2,054,316	333,834	394,201	2,067,363	2,448,517
Health and welfare	2,356,458	2,586,290	-	-	2,356,458	2,586,290
Education	14,266,695	13,861,510	-	-	14,266,695	13,861,510
Parks, recreation and cultural	565,713	550,664	-	-	565,713	550,664
Community development	724,030	830,793	-	-	724,030	830,793
Interest on long-term debt	1,472,808	1,404,206	-	-	1,472,808	1,404,206
Total expenses	<u>\$ 27,097,940</u>	<u>\$ 26,968,887</u>	<u>\$ 333,834</u>	<u>\$ 394,201</u>	<u>\$ 27,431,774</u>	<u>\$ 27,363,088</u>
Increase (decrease) in net assets	\$ 2,995,824	\$ 2,472,294	\$ (102,918)	\$ 26,846	\$ 2,892,906	\$ 2,499,140
Beginning 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>
Ending net assets	<u>\$ 21,488,042</u>	<u>\$ 18,492,218</u>	<u>\$ 4,674,222</u>	<u>\$ 4,777,140</u>	<u>\$ 26,162,264</u>	<u>\$ 23,269,358</u>

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

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

- Overall revenues increased by \$462,452. The most significant increase in revenue was due to increased collections of delinquent property taxes.
- There were no capital grants to provide water and sewer infrastructure in the current year relative to business-type activities which reflects a reduction of \$331,500 due to the completion of significant capital projects in the prior year.
- Operating and capital grants included in program revenues for governmental activities reflected a net decrease of \$293,020. This is comprised of a decrease in the At-risk Youth Grant of \$190,678, decrease in Public Safety grants of \$159,159, and a decrease in Transportation Enhancement Act grants of \$238,372 over the previous fiscal year. There is also an increase of \$306,583 reflective of the receipt of a National Telecommunications and Information Administration grant available as a result of the American Recovery and Reinvestment Act of 2009 (ARRA) for the County's broadband project.
- The revenues from the use of money and property increased by \$150,682 primarily attributable to the receipt of proceeds from the sale of tax parcels for delinquent taxes.
- Expenses reflected an overall net increase of \$129,053.
- General government expenses increased by \$323,455 predominantly due to the cost of the required reassessment of tax parcels of \$241,387.
- The Public Works function reports a decrease in expenditures of \$320,787. This is mainly attributable to a reduction in the landfill closure and post closure monitoring liability accrual of \$223,328. The decrease is also attributable to a reduction of costs associated with refuse collection and disposal in the amount of \$59,928.
- Health and Welfare expenditures reflect a decrease of \$229,832. This is primarily due to a decrease of \$269,187 relative to the Comprehensive Services Act expenditures for at risk youth.
- Education expenses increased by \$405,185 which is primarily attributable to an increase in local appropriations designated to school capital projects.
- The business activities reported a decrease in expenses of \$60,367. This reflects a combined reduction in maintenance and repair and the cost of water and sewer service expenditures in the amount of \$62,242.

## **Financial Analysis of the Government's Funds**

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

### **Governmental funds**

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$21,322,922, an increase of \$3,004,702 from the prior year. Approximately, 75.0 percent of this total amount constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified to indicate that it is not available for new spending because it is constrained as follows:

- Nonspendable fund balance of \$78,399
- Restricted fund balance of \$1,213,500
- Committed fund balance of \$4,040,442
- Assigned fund balance of \$2,486

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

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

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

The general fund is the chief operating fund of the County. As of June 30, 2011, total fund balance of the general fund was \$16,041,206, of which \$15,988,130 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total general fund expenditures. The unassigned fund balance represents 65.6 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$12,603,104. Total fund balance represents 65.8 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$2,917,230 during the current fiscal year. Key factors in this increase are as follows:

- Collections of general property taxes increased by \$946,562 primarily attributable to the aggressive collection efforts of the Treasurer's Office.
- Other local taxes increased by \$383,458 which is attributable to increases in the following taxes: (1) Local sales and use tax of \$89,748 (2) Motor Vehicle Licenses of \$173,453 (3) Meals tax of \$83,781.
- There was an issuance of lease revenue bonds in the amount of \$3,188,900 for the Courthouse construction project. This is treated as an other financing source and increased the Capital Projects fund balance for the year.
- Overall governmental fund expenditures decreased by \$453,606. This reduction is associated with a Capital Project expenditure decrease of \$970,099 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 project in FY2009-2010. Additionally, Education expenditures increased by \$627,755.

### **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 \$87,456. This is an increase over the prior year of \$67,271 primarily attributable to a reduction in maintenance and repair and cost of water and sewer services.

### **General Fund Budgetary Highlights**

The final amended budget appropriations were \$250,715 more than the original budgeted expenditure appropriations, which is .9 percent of the total original budget, and can be briefly summarized as follows:

- Supplemental appropriation in the amount of \$55,000 to fund design of Blue Ridge Tunnel supported by grant proceeds.
- Supplemental appropriation in the amount of \$51,647 for Public assistance and administration expenditures. This appropriation was supported by state and federal funding.
- Supplemental appropriation in the amount of \$48,000 for Regional Jail services.
- Supplemental appropriation in the amount of \$25,500 for the Domestic Preparedness grant for E911 equipment.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The County's investment in capital assets for its governmental activities as of June 30, 2011 is \$33,589,261 (net of accumulated depreciation and is an increase of \$1,532,568 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 425,761	\$ 425,761	\$ 40,000	\$ 40,000	\$ 465,761	\$ 465,761
Infrastructure	-	-	5,674,066	5,866,557	5,674,066	5,866,557
Buildings and improvements	22,537,747	24,596,017	-	-	22,537,747	24,596,017
Machinery and equipment	877,275	1,040,601	-	-	877,275	1,040,601
Construction in progress	9,748,478	5,994,314	-	-	9,748,478	5,994,314
Total	<u>\$ 33,589,261</u>	<u>\$ 32,056,693</u>	<u>\$ 5,714,066</u>	<u>\$ 5,906,557</u>	<u>\$ 39,303,327</u>	<u>\$ 37,963,250</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, 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Lease Revenue School Bonds	\$ 10,985,000	\$ 11,260,000	\$ -	\$ -	\$ 10,985,000	\$ 11,260,000
Lease Revenue Bonds	6,317,738	3,188,900	-	-	6,317,738	3,188,900
General Obligation Bonds	11,370,000	12,220,000	-	-	11,370,000	12,220,000
State Literary Fund Loans	2,000,000	2,250,000	-	-	2,000,000	2,250,000
Revenue Bonds	1,745,000	1,990,000	1,143,594	1,156,111	2,888,594	3,146,111
Capital Leases	71,134	214,155	-	-	71,134	214,155
Retirement Incentive Loan	382,568	424,231	-	-	382,568	424,231
Total	<u>\$ 32,871,440</u>	<u>\$ 31,547,286</u>	<u>\$ 1,143,594</u>	<u>\$ 1,156,111</u>	<u>\$ 34,015,034</u>	<u>\$ 32,703,397</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 5.2 percent (June 2011), which is a decrease from the rate of 6.4 percent a year ago (June 2010). This compares favorably to the state's average unemployment rate of 6.3 percent (June 2011) and the national average rate of 9.3 percent (June 2011). These rates were obtained from the Virginia Employment Commission's Labor Market Data.
- Due to current housing market conditions, the County anticipates a slight increase in building permit fees and recordation taxes as compared to the reductions in the last four 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.
- 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 2011-2012 fiscal year.

## **Requests for Information**

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

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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, 2011

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,109,055	\$ 60,916	18,169,971	\$ 2,095,855	\$ 57,118
Restricted cash	1,213,500	16,294	1,229,794	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,121,939	-	11,121,939	-	-
Accounts receivable	330,524	35,010	365,534	8,268	31,360
Notes receivable	-	-	-	-	128,000
Due from component unit	814,456	-	814,456	-	-
Due from other governmental units	1,388,907	151	1,389,058	814,555	-
Inventories	-	-	-	71,291	-
Prepaid expenses	78,399	-	78,399	20,934	-
Deferred charges	15,230	-	15,230	-	-
Capital assets (net of accumulated depreciation):					
Land and improvements	425,761	40,000	465,761	851,210	-
Buildings and improvements	22,537,747	-	22,537,747	9,777,326	-
Improvements other than buildings	-	5,674,066	5,674,066	-	-
Machinery and equipment	877,275	-	877,275	1,559,910	-
Construction in progress	9,748,478	-	9,748,478	-	-
<b>Total assets</b>	<b>\$ 66,661,271</b>	<b>\$ 5,826,437</b>	<b>\$ 72,487,708</b>	<b>\$ 15,199,349</b>	<b>\$ 216,478</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 855,716	\$ 5,618	\$ 861,334	\$ 69,497	\$ 75
Accrued liabilities	719,692	3,003	722,695	1,421,289	-
Amounts held for others	-	-	-	-	-
Due to primary government	-	-	-	814,456	-
Deferred revenue	9,094,227	-	9,094,227	-	-
Long-term liabilities:					
Due within one year	1,895,715	13,077	1,908,792	36,903	-
Due in more than one year	32,607,879	1,130,517	33,738,396	429,261	-
<b>Total liabilities</b>	<b>\$ 45,173,229</b>	<b>\$ 1,152,215</b>	<b>\$ 46,325,444</b>	<b>\$ 2,771,406</b>	<b>\$ 75</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 2,313,889	\$ 4,570,472	\$ 6,884,361	\$ 12,188,446	\$ -
Restricted for:					
Debt service and bond covenants	-	16,294	16,294	-	-
Unrestricted (deficit)	19,174,153	87,456	19,261,609	239,497	216,403
<b>Total net assets</b>	<b>\$ 21,488,042</b>	<b>\$ 4,674,222</b>	<b>\$ 26,162,264</b>	<b>\$ 12,427,943</b>	<b>\$ 216,403</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, 2011

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	\$ 1,938,519	\$ -	\$ 202,362	\$ 306,583
Judicial administration	666,374	386,908	391,991	-
Public safety	3,373,814	243,522	1,059,874	-
Public works	1,733,529	185,143	6,219	-
Health and welfare	2,356,458	-	1,307,938	-
Education	14,266,695	-	-	-
Parks, recreation, and cultural	565,713	47,310	5,000	181,789
Community development	724,030	2,742	6,564	21,500
Interest on long-term debt	1,472,808	-	-	-
Total governmental activities	\$ 27,097,940	\$ 865,625	\$ 2,979,948	\$ 509,872
Business-type activities:				
Piney River Water & Sewer	333,834	116,537	-	-
Total primary government	\$ 27,431,774	\$ 982,162	\$ 2,979,948	\$ 509,872
<b>COMPONENT UNITS:</b>				
School Board	\$ 23,663,305	\$ 447,412	\$ 9,745,767	\$ -
Nelson County Economic Development Authority	35,152	1,000	-	-
Total component units	\$ 23,698,457	\$ 448,412	\$ 9,745,767	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Meals taxes				
Transient occupancy tax				
Motor vehicle licenses				
Other local taxes				
Payment from County of Nelson -- 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
\$ (1,429,574)	\$ -	\$ (1,429,574)		
112,525	-	112,525		
(2,070,418)	-	(2,070,418)		
(1,542,167)	-	(1,542,167)		
(1,048,520)	-	(1,048,520)		
(14,266,695)	-	(14,266,695)		
(331,614)	-	(331,614)		
(693,224)	-	(693,224)		
(1,472,808)	-	(1,472,808)		
<u>\$ (22,742,495)</u>	<u>\$ -</u>	<u>\$ (22,742,495)</u>		
-	(217,297)	(217,297)		
<u>\$ (22,742,495)</u>	<u>\$ (217,297)</u>	<u>\$ (22,959,792)</u>		
			\$ (13,470,126)	\$ -
			<u>-</u>	<u>(34,152)</u>
			<u>\$ (13,470,126)</u>	<u>\$ (34,152)</u>
\$ 19,270,265	\$ -	\$ 19,270,265	\$ -	\$ -
959,891	-	959,891	-	-
456,854	-	456,854	-	-
666,957	-	666,957	-	-
408,500	-	408,500	-	-
557,126	-	557,126	-	-
447,101	-	447,101	-	-
-	-	-	13,648,868	-
331,077	-	331,077	169	8,994
84,056	-	84,056	257,429	-
2,670,871	-	2,670,871	-	-
(114,379)	114,379	-	-	-
<u>\$ 25,738,319</u>	<u>\$ 114,379</u>	<u>\$ 25,852,698</u>	<u>\$ 13,906,466</u>	<u>\$ 8,994</u>
\$ 2,995,824	\$ (102,918)	\$ 2,892,906	\$ 436,340	\$ (25,158)
<u>18,492,218</u>	<u>4,777,140</u>	<u>23,269,358</u>	<u>11,991,603</u>	<u>241,561</u>
<u>\$ 21,488,042</u>	<u>\$ 4,674,222</u>	<u>\$ 26,162,264</u>	<u>\$ 12,427,943</u>	<u>\$ 216,403</u>

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 At June 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 13,524,169	\$ 399,657	\$ 4,182,778	\$ 2,451	\$ 18,109,055
Restricted cash	-	-	1,213,500	-	1,213,500
Receivables (net of allowance):					
Property taxes receivable, net	11,121,939	-	-	-	11,121,939
Accounts receivable	330,524	-	-	-	330,524
Due from component unit	814,456	-	-	-	814,456
Due from other governmental units	1,388,907	-	-	-	1,388,907
Prepaid items	14,259	-	64,140	-	78,399
<b>Total assets</b>	<b>\$ 27,194,254</b>	<b>\$ 399,657</b>	<b>\$ 5,460,418</b>	<b>\$ 2,451</b>	<b>\$ 33,056,780</b>
<b>Liabilities</b>					
Accounts payable	\$ 274,906	\$ 2,694	\$ 578,116	-	\$ 855,716
Prepaid property taxes	167,477	-	-	-	167,477
Deferred revenue	10,710,665	-	-	-	10,710,665
<b>Total liabilities</b>	<b>\$ 11,153,048</b>	<b>\$ 2,694</b>	<b>\$ 578,116</b>	<b>\$ -</b>	<b>\$ 11,733,858</b>
<b>Fund balance</b>					
Nonspendable	\$ 14,259	-	\$ 64,140	-	\$ 78,399
Restricted	-	-	1,213,500	-	1,213,500
Committed	38,817	396,963	3,604,662	-	4,040,442
Assigned	-	-	-	2,486	2,486
Unassigned	15,988,130	-	-	(35)	15,988,095
<b>Total fund balances</b>	<b>\$ 16,041,206</b>	<b>\$ 396,963</b>	<b>\$ 4,882,302</b>	<b>\$ 2,451</b>	<b>\$ 21,322,922</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,194,254</b>	<b>\$ 399,657</b>	<b>\$ 5,460,418</b>	<b>\$ 2,451</b>	<b>\$ 33,056,780</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, 2011

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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 \$ 21,322,922

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	9,748,478	
Buildings and improvements, net of depreciation	2,790,326	
Equipment, net of depreciation	877,275	
School Board capital assets, net of depreciation	<u>19,747,421</u>	33,589,261

Deferred loan costs are not financial resources and, therefore, are not reported in funds. 15,230

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,783,915

Compensated absences are not payable with current assets and accordingly are not reported as fund liabilities. (234,703)

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	\$ (719,692)	
Bonds, notes and capital leases payable	(32,488,872)	
Bond premiums	(411,612)	
Early retirement incentive obligation	(382,568)	
Accrued landfill remediation costs	<u>(964,481)</u>	(34,967,225)

Net OPEB obligation not reported in the funds (21,358)

Net assets of governmental activities \$ 21,488,042

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, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 19,527,884	\$ -	\$ -	\$ -	\$ 19,527,884
Other local taxes	3,538,978	-	-	-	3,538,978
Permits, privilege fees, and regulatory licenses	243,522	-	-	-	243,522
Fines and forfeitures	358,244	-	-	-	358,244
Revenue from the use of money and property	330,965	-	112	-	331,077
Charges for services	263,859	-	-	-	263,859
Miscellaneous	84,056	-	-	-	84,056
Recovered costs	587,217	-	-	-	587,217
Intergovernmental revenues:					
Revenue from the Commonwealth	4,705,269	289,750	-	-	4,995,019
Revenue from the Federal Government	837,589	-	306,583	21,500	1,165,672
Total revenues	\$ 30,477,583	\$ 289,750	\$ 306,695	\$ 21,500	\$ 31,095,528
<b>Expenditures</b>					
Current:					
General government administration	\$ 1,803,127	\$ -	\$ -	\$ -	\$ 1,803,127
Judicial administration	666,374	-	-	-	666,374
Public safety	3,760,748	-	-	-	3,760,748
Public works	1,512,532	-	-	-	1,512,532
Health and welfare	2,400,582	-	-	-	2,400,582
Education	12,606,128	-	-	-	12,606,128
Parks, recreation, and cultural	437,357	-	-	-	437,357
Community development	736,372	-	-	6,500	742,872
Nondepartmental	119,572	-	-	-	119,572
Capital projects	321,511	-	3,483,726	-	3,805,237
Debt service:					
Principal retirement	-	1,804,684	1,722	-	1,806,406
Interest and other fiscal charges	-	1,369,183	76,889	-	1,446,072
Total expenditures	\$ 24,364,303	\$ 3,173,867	\$ 3,562,337	\$ 6,500	\$ 31,107,007
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 6,113,280	\$ (2,884,117)	\$ (3,255,642)	\$ 15,000	\$ (11,479)
<b>Other financing sources (uses)</b>					
Transfers in	\$ 755,700	\$ 3,171,676	\$ 766,037	\$ -	\$ 4,693,413
Transfers out	(3,951,750)	-	(841,042)	(15,000)	(4,807,792)
Issuance of lease revenue bonds	-	-	3,130,560	-	3,130,560
Total other financing sources (uses)	\$ (3,196,050)	\$ 3,171,676	\$ 3,055,555	\$ (15,000)	\$ 3,016,181
Net change in fund balances	\$ 2,917,230	\$ 287,559	\$ (200,087)	\$ -	\$ 3,004,702
Fund balance, beginning of year	13,123,976	109,404	5,082,389	2,451	18,318,220
Fund balance, end of year	\$ 16,041,206	\$ 396,963	\$ 4,882,302	\$ 2,451	\$ 21,322,922

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, 2011

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ 3,004,702

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	\$	3,837,938	
Depreciation expense		(1,142,873)	
Adjustment for jointly owned capital assets		<u>(1,162,497)</u>	1,532,568

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.

(300,168)

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	\$	(3,130,560)	
Increase in landfill liability		(8,769)	

Repayments:

General obligation school bonds		850,000	
Plus: Amortization of issuance premium		55,304	
Lease revenue bonds		276,722	
State Literary Fund loans		250,000	
Infrastructure revenue bonds		245,000	
Plus: Amortization of issuance premium		9,024	
Capital leases		143,021	
Early retirement incentive obligation		<u>41,663</u>	

Net adjustment (1,268,595)

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	\$	7,412	
Net OPEB obligation		(5,764)	
School insurance recovery		116,733	
Accrued interest on bonds and loans		<u>(88,164)</u>	<u>30,217</u>

Change in net assets of governmental activities \$ 2,995,824

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

Statement of Net Assets  
 Proprietary Fund  
 At June 30, 2011

	<b>Business-Type Activities - Enterprise Fund Piney River Water &amp; Sewer Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 60,916
Restricted cash	16,294
Accounts receivable, net	35,010
Prepaid expense	151
Total current assets	<u>\$ 112,371</u>
Noncurrent assets:	
Land	\$ 40,000
Other capital assets, net of accumulated depreciation	5,674,066
Total noncurrent assets	<u>\$ 5,714,066</u>
Total assets	<u>\$ 5,826,437</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 5,618
Accrued interest expense	3,003
Current portion of bonds payable	13,077
Total current liabilities	<u>\$ 21,698</u>
Long-term liabilities	
Bonds payable	\$ 1,130,517
Total long-term liabilities	<u>1,130,517</u>
Total liabilities	<u>\$ 1,152,215</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	\$ 4,570,472
Restricted for:	
Debt service and bond covenants	16,294
Unrestricted	<u>87,456</u>
Total net assets	<u>\$ 4,674,222</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, 2011

	<u>Business-Type Activities - Enterprise Fund Piney River Water &amp; Sewer Fund</u>
<b>Operating revenues:</b>	
Charges for services, net	\$ 116,537
Total operating revenues	<u>\$ 116,537</u>
<b>Operating expenses:</b>	
Water & sewer service	\$ 60,007
Maintenance & repairs	12,106
Other charges	18,735
Depreciation expense	192,490
Total operating expenses	<u>\$ 283,338</u>
<b>Operating loss</b>	<u>\$ (166,801)</u>
<b>Nonoperating expense:</b>	
Interest expense	\$ 50,496
Net nonoperating expense	<u>\$ 50,496</u>
<b>Loss before capital contributions and transfers</b>	<u>\$ (217,297)</u>
<b>Transfers:</b>	
Transfers in	\$ 114,379
Total transfers	<u>\$ 114,379</u>
<b>Change in net assets</b>	\$ (102,918)
Net assets, beginning of year	<u>4,777,140</u>
Net assets, end of year	<u><u>\$ 4,674,222</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, 2011

	Business-Type Activities - Enterprise Fund Piney River Water & Sewer Fund
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 102,279
Payments to suppliers	(92,872)
Net cash provided by (used in) operating activities	<u>\$ 9,407</u>
<b>Cash flows from capital and related financing activities</b>	
Principal repayments on bonds payable	\$ (12,516)
Interest paid on bonds payable	(50,555)
Net cash provided by (used in) capital and related financing activities	<u>\$ (63,071)</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers to/from local government (net)	<u>\$ 114,379</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 60,715
<b>Cash and cash equivalents, beginning of year</b>	<u>16,495</u>
<b>Cash and cash equivalents, end of year (including restricted cash of \$16,294)</b>	<u><u>\$ 77,210</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (166,801)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	192,490
Changes in assets and liabilities:	
Accounts receivable	(14,258)
Prepaid expenses	(151)
Accounts payable	(1,873)
Net cash provided by (used in) operating activities	<u>\$ 9,407</u>
Supplemental information:	
Interest paid during year	\$ 50,555
Change in accrued interest payable	(59)
Interest expense for year	<u><u>\$ 50,496</u></u>

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

Statement of Fiduciary Net Assets  
 At June 30, 2011

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>478,780</u>
Total assets	\$ <u><u>478,780</u></u>
<b>Liabilities:</b>	
Amounts held for others	\$ <u>478,780</u>
Total liabilities	\$ <u><u>478,780</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, 2011

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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, 2011 (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 2011 and provides space for its administrative offices. The County also paid \$160,052 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 \$246,648 for operations to the Jefferson-Madison Regional Library, \$72,078 to the Region Ten Community Services Board, \$19,629 to the Thomas Jefferson Planning District Commission, \$487,185 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 2011, the County paid the Region 2000 Services Authority \$240,910 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 2011.

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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)

- 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.
- 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, 2011 (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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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#### F. Restricted Cash:

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

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 \$16,294 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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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

2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, the Housing Improvement Fund, the Piney River Water/Sewer Fund, the Street Lights Fund, the Capital Projects Fund, the Debt Service Fund, and the School Operating Fund.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.
7. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2011, 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 \$954,480 at June 30, 2011. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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

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.

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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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#### N. Fund Equity

##### Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to insure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications described the relative strength of the spending constraints placed on the purposes for which resources can be used:

When fund balances resources are available for a specific purpose in more than one classification, it the County's policy to use the most restrictive fund first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Under GASB 54, fund balances are required to be reported according to the following classifications:

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

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

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

N. Fund Equity: (Continued)

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

<u>Category</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
<b>Nonspendable:</b>						
Prepaid Expenses	\$ 14,259	\$ -	\$ 64,140	\$ -	\$ 78,399	\$ 20,934
Inventory	-	-	-	-	-	71,291
Total Nonspendable	<u>\$ 14,259</u>	<u>\$ -</u>	<u>\$ 64,140</u>	<u>\$ -</u>	<u>\$ 78,399</u>	<u>\$ 92,225</u>
<b>Restricted:</b>						
Unexpended Bond Proceeds	\$ -	\$ -	\$ 1,213,500	\$ -	\$ 1,213,500	-
Total Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,213,500</u>	<u>\$ -</u>	<u>\$ 1,213,500</u>	<u>\$ -</u>
<b>Committed:</b>						
Ryan School Reserve	\$ 38,817	\$ -	\$ -	\$ -	\$ 38,817	-
Debt Service	-	396,963	-	-	396,963	-
Courthouse Construction	-	-	1,456,833	-	1,456,833	-
Capital Projects	-	-	1,797,255	-	1,797,255	-
Broadband Project	-	-	350,574	-	350,574	-
Total Committed	<u>\$ 38,817</u>	<u>\$ 396,963</u>	<u>\$ 3,604,662</u>	<u>\$ -</u>	<u>\$ 4,040,442</u>	<u>\$ -</u>
<b>Assigned:</b>						
Community Development	\$ -	\$ -	\$ -	\$ 2,486	\$ 2,486	-
Textbooks	-	-	-	-	-	497,505
Cafeteria	-	-	-	-	-	186,054
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,486</u>	<u>\$ 2,486</u>	<u>\$ 683,559</u>

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### Investments

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

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

#### Custodial Credit Risk (Investments)

The County’s investments at June 30, 2011 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, 2011 (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, 2011 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	48,234
Total	\$ <u>1,261,734</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>8,765</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, 2011 (Continued)

**NOTE 3—RECEIVABLES:**

Receivables at June 30, 2011 consist of the following:

	Primary Government		Component Units	
	Governmental Activities	Business- Type Activities	School Board	Economic Development Authority
Property taxes	\$ 11,054,622	\$ -	\$ -	\$ -
Vehicle license taxes	262,806	-	-	-
Utility taxes	43,028	-	-	-
Recordation taxes	23,915	-	-	-
Lodging fees	25,904	-	-	-
Meals taxes	63,904	-	-	-
Landfill fees	19,600	-	-	-
EMS revenue recovery	834,958	-	-	-
Note receivable	-	-	-	128,000
E-rate reimbursement	-	-	6,533	-
Sewer charges	-	37,468	-	-
Other	75,748	-	1,735	31,360
	<u>12,404,485</u>	<u>37,468</u>	<u>8,268</u>	<u>159,360</u>
Total receivables	\$ 12,404,485	\$ 37,468	\$ 8,268	\$ 159,360
Allowance for uncollectibles	(952,022)	(2,458)	-	-
	<u>11,452,463</u>	<u>35,010</u>	<u>8,268</u>	<u>159,360</u>
Net receivables	\$ 11,452,463	\$ 35,010	\$ 8,268	\$ 159,360

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 2011. The note accrues interest at 7% per annum and is secured by a deed of trust. During 2011, the Board of the EDA agreed to extend the maturity date of the note to June 2012.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Component
	Governmental			Unit
	Activities			School Board
General Fund	Special Revenue	Total		
<b>Commonwealth of Virginia:</b>				
Local sales taxes	\$ 151,116	\$ -	\$ 151,116	-
State sales taxes	-	-	-	339,991
Personal property tax relief act	734,930	-	734,930	-
Comprehensive Services Act	77,057	-	77,057	-
Public assistance	30,864	-	30,864	-
Communications tax	75,164	-	75,164	-
Rolling stock tax	1,553	-	1,553	-
Shared expenses and grants	104,424	-	104,424	-
Other	68,836	-	68,836	-
<b>Federal government:</b>				
Public assistance	42,068	-	42,068	-
TEA-21 grant	87,706	-	87,706	-
Other	15,189	-	15,189	-
Federal pass-through school funds	-	-	-	474,564
Total	\$ 1,388,907	\$ -	\$ 1,388,907	\$ 814,555

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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	\$ (3,071,334)
Transfer from the Capital project fund	740,700
Transfer from the Housing Improvement Fund	15,000
Transfer to the Piney River Water & Sewer fund to support operations	(114,379)
Transfer to the Capital Projects fund to pay for Courthouse construction and broadband project	<u>(766,037)</u>

Net transfers from General Fund \$ (3,196,050)

Transfer from the General Fund to pay principal and interest on long-term debt	\$ 3,071,334
Transfer from the Capital Projects fund to pay principal and interest on long-term debt	<u>100,342</u>

Net transfers to Debt Service Fund \$ 3,171,676

Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ (100,342)
Transfer to the General Fund	(740,700)
Transfer from the General Fund fund to pay for Courthouse construction and broadband project	<u>766,037</u>

Net transfers to the Capital Projects Fund \$ (75,005)

Transfer to the General Fund	\$ <u>(15,000)</u>
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Net transfers from the Housing Improvement Fund \$ (15,000)

Transfer from the General Fund to support operations	\$ <u>114,379</u>
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Net transfers to the Piney River Water & Sewer Fund \$ 114,379

The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2011:

**Governmental Activities:**

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and land improvements	\$ 425,761	\$ -	\$ -	\$ 425,761
Construction in progress	5,994,314	3,754,164	-	9,748,478
Total capital assets not being depreciated	<u>\$ 6,420,075</u>	<u>\$ 3,754,164</u>	<u>\$ -</u>	<u>\$ 10,174,239</u>
Other capital assets:				
Buildings and improvements	\$ 4,873,868	\$ 8,710	\$ -	\$ 4,882,578
Furniture, equipment and vehicles	2,822,986	75,064	82,800	2,815,250
School buildings, improvements and equipment *	25,944,154	-	1,518,021	24,426,133
Total other capital assets	<u>\$ 33,641,008</u>	<u>\$ 83,774</u>	<u>\$ 1,600,821</u>	<u>\$ 32,123,961</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,802,572	\$ 289,680	\$ -	\$ 2,092,252
Furniture, equipment and vehicles	1,782,385	238,390	82,800	1,937,975
School buildings, improvements and equipment *	4,419,433	614,803	355,524	4,678,712
Total accumulated depreciation	<u>\$ 8,004,390</u>	<u>\$ 1,142,873</u>	<u>\$ 438,324</u>	<u>\$ 8,708,939</u>
Other capital assets, net	<u>\$ 25,636,618</u>	<u>\$ (1,059,099)</u>	<u>\$ 1,162,497</u>	<u>\$ 23,415,022</u>
Net capital assets	<u><u>\$ 32,056,693</u></u>	<u><u>\$ 2,695,065</u></u>	<u><u>\$ 1,162,497</u></u>	<u><u>\$ 33,589,261</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 18,670		
Public safety		87,972		
Public works		258,239		
Health and welfare		20,011		
Education		614,803		
Parks, recreation and cultural		128,574		
Community development		14,604		
Total depreciation expense		<u><u>\$ 1,142,873</u></u>		

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
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	\$ 43,793,661	\$ 132,448	\$ -	\$ 43,926,109
Furniture, equipment and vehicles	4,112,154	172,701	-	4,284,855
School buildings, improvements and equipment allocated to County *	(25,944,154)	1,518,021	-	(24,426,133)
Total other capital assets	<u>\$ 21,961,661</u>	<u>\$ 1,823,170</u>	<u>\$ -</u>	<u>\$ 23,784,831</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 13,209,605	\$ 1,191,757	\$ -	\$ 14,401,362
Furniture, equipment and vehicles	2,414,570	310,375	-	2,724,945
School buildings, improvements and equipment allocated to County *	(4,419,433)	(614,803)	(355,524)	(4,678,712)
Total accumulated depreciation	<u>\$ 11,204,742</u>	<u>\$ 887,329</u>	<u>\$ (355,524)</u>	<u>\$ 12,447,595</u>
Other capital assets, net	<u>\$ 10,756,919</u>	<u>\$ 935,841</u>	<u>\$ 355,524</u>	<u>\$ 11,337,236</u>
Net capital assets	<u>\$ 11,608,129</u>	<u>\$ 935,841</u>	<u>\$ 355,524</u>	<u>\$ 12,188,446</u>
Depreciation expense allocated to education		<u>\$ 887,329</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	\$ 33,589,261
Less: Long-term debt applicable to capital assets at June 30, 2011	\$ 32,900,484
Less: Bond proceeds and related premium received but not expended on capital assets at June 30, 2011	<u>1,625,112</u>
Net assets invested in capital assets, less related debt	<u>\$ 2,313,889</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business Type Activities:  
Piney River Water & Sewer Operations

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and land improvements	\$ 40,000	\$ -	\$ -	\$ 40,000
Total capital assets not being depreciated	\$ 40,000	\$ -	\$ -	\$ 40,000
Other capital assets:				
Infrastructure	\$ 6,557,827	\$ -	\$ -	\$ 6,557,827
Equipment	25,619	-	-	25,619
Total other capital assets	\$ 6,583,446	\$ -	\$ -	\$ 6,583,446
Less: Accumulated depreciation for:				
Infrastructure	\$ 711,765	\$ 187,366	\$ -	\$ 899,131
Equipment	5,124	5,125	-	10,249
Total accumulated depreciation	\$ 716,889	\$ 192,491	\$ -	\$ 909,380
Other capital assets, net	\$ 5,866,557	\$ (192,491)	\$ -	\$ 5,674,066
Net capital assets	\$ 5,906,557	\$ (192,491)	\$ -	\$ 5,714,066

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

Net capital assets	\$ 5,714,066
Less: Long-term debt applicable to capital assets at June 30, 2011	1,143,594
Net assets invested in capital assets, less related debt	\$ 4,570,472

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2011</u>
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
Lease revenue school bonds	\$ 11,260,000	\$ -	\$ 275,000	\$ 10,985,000
Lease revenue bonds	3,188,900	3,130,560	1,722	6,317,738
General obligation bonds:				
School	12,220,000	-	850,000	11,370,000
Premium on issuance	441,906	-	55,304	386,602
State Literary Fund loans:				
School	2,250,000	-	250,000	2,000,000
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	1,990,000	-	245,000	1,745,000
Premium on issuance	34,034	-	9,024	25,010
Capital leases	214,155	-	143,021	71,134
Retirement incentive obligation loan	424,231	-	41,663	382,568
Compensated absences	242,115	-	7,412	234,703
Other post-employment benefits	15,594	29,764	24,000	21,358
Landfill liability	955,712	8,769	-	964,481
<b>Total</b>	<b>\$ 33,236,647</b>	<b>\$ 3,169,093</b>	<b>\$ 1,902,146</b>	<b>\$ 34,503,594</b>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 1,895,715
Long-term liabilities due in more than one year				<u>32,607,879</u>
<b>Total</b>				<b>\$ 34,503,594</b>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2011</u>
<b>Business-type activities:</b>				
USDA Water Revenue Bond	\$ 490,721	\$ -	\$ 5,480	\$ 485,241
USDA Sewer Revenue Bond	665,390	-	7,037	658,353
	<u>\$ 1,156,111</u>	<u>\$ -</u>	<u>\$ 12,517</u>	<u>\$ 1,143,594</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 13,077
Long-term liabilities due in more than one year				<u>1,130,517</u>
Total				<u>\$ 1,143,594</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>
2012	\$ 1,785,873	\$ 1,516,622
2013	1,879,104	1,735,381
2014	1,757,102	1,405,554
2015	1,794,427	1,321,903
2016	1,872,151	1,235,362
2017-2021	8,531,181	4,846,783
2022-2026	7,623,675	2,760,060
2027-2031	3,739,098	1,347,902
2032-2036	1,051,653	929,223
2037-2041	1,294,942	685,934
2041-2046	1,594,563	386,312
2047-2049	1,020,131	63,605
Total	<u>\$ 33,943,900</u>	<u>\$ 18,234,641</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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%	\$ 105,000	\$ 55,000
\$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%	310,000	165,000
\$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%	115,000	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%	10,840,000	600,000
Unamortized premium on issuance of 2003 School Bonds	386,602	52,329
Total general obligation school bonds	<u>\$ 11,756,602</u>	<u>\$ 912,329</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%	\$ 10,985,000	\$ 350,000
<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%	\$ 2,000,000	\$ 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, 2011 was \$6,319,460	\$ 6,317,738	\$ -

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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%.	\$ 1,745,000	\$ 260,000
 Unamortized premium	<u>25,010</u>	<u>7,760</u>
 Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 1,770,010</u>	<u>\$ 267,760</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>382,568</u>	\$ <u>44,492</u>
 Total governmental loans and bonds	<u>\$ 33,211,918</u>	<u>\$ 1,824,581</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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%	\$ 485,241	\$ 5,717
\$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>658,353</u>	<u>7,360</u>
Total business-type long-term obligations	<u>\$ 1,143,594</u>	<u>\$ 13,077</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, 2011.

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 \$16,294 at June 30, 2011. 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, 2011 (Continued)

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

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USDA Revenue Bonds: (Continued)

The County paid \$50,555 in interest on the USDA Water and Sewer Bonds in fiscal 2011, 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	\$	337,525
Less accumulated depreciation		<u>(113,228)</u>
Total	\$	<u><u>224,297</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30,</u>		<u>Governmental Activities</u>
2012	\$	<u>74,657</u>
Total minimum lease payments	\$	74,657
Less: amount representing interest		<u>(3,523)</u>
Present value of minimum lease payments	\$	<u><u>71,134</u></u>

Federal Arbitrage Regulations:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

The following is summary of long-term debt transactions of the School Board for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2011</u>
<b>School Board</b>				
Compensated absences	\$ 401,847	\$ -	\$ 32,815	\$ 369,032
Other post-employment benefits	<u>58,576</u>	<u>121,756</u>	<u>83,200</u>	<u>97,132</u>
 Total	 <u>\$ 460,423</u>	 <u>\$ 121,756</u>	 <u>\$ 116,015</u>	 <u>\$ 466,164</u>
 Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 36,903
Long-term liabilities due in more than one year				<u>429,261</u>
 Total				 <u>\$ 466,164</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.

	<u>Balance July 1, 2010</u>	<u>Net Increase/ (Decrease)</u>	<u>Balance June 30, 2011</u>
Primary Government:			
Governmental activities	\$ 242,115	\$ (7,412)	\$ 234,703
Component Unit School Board	<u>\$ 401,847</u>	<u>\$ (32,815)</u>	<u>\$ 369,032</u>

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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### 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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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#### A. Plan Description: (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### 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 compensation toward their retirement. All or part of the 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 2011 were 10.76% and 12.67% of annual covered payroll, respectively.

The School Board's contribution rate for the fiscal year ended 2011, 2010, and 2009 to the VRS statewide sharing pool for its employees was 3.93%, 8.81%, and 8.81%, respectively.

The School Board's contributions to VRS for the years ended June 30, 2011, 2010, 2009 were \$923,974, \$673,560, and \$961,614. The contributions made by the School Board for current year and the two preceding years represented 100% of the required contribution for each year.

#### C. Annual Pension Cost:

For fiscal year 2011, the County's annual pension cost of \$352,551 (does not include the employee share assumed by the County which was \$163,825) was equal to the County's required and actual contributions.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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

For fiscal year 2011, the County School Board’s annual pension cost for the Board’s non-professional employees was \$196,341 (does not include the employee share assumed by the Board which was \$77,482) which was equal to the Board’s required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2009	\$ 348,784	100%	-
June 30, 2010	340,945	100%	-
June 30, 2011	352,551	100%	-
School Board Non-Professional:			
June 30, 2009	135,509	100%	-
June 30, 2010	134,932	100%	-
June 30, 2011	196,341	100%	-

(1) Employer portion only

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 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 and 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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**D. Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the County’s plan was 78.26% funded. The actuarial accrued liability for benefits was \$15,768,810, and the actuarial value of assets was \$12,341,225, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,427,585. The covered payroll (annual payroll of active employees covered by the plan) was \$3,256,900, and ratio of the UAAL to the covered payroll was 105.24%.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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**D. Funded Status and Funding Progress: (Continued)**

As of June 30, 2010, the most recent actuarial valuation date, the County School Board's plan was 81.07% funded. The actuarial accrued liability for benefits was \$5,872,301, and the actuarial value of assets was \$4,760,768, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,111,533. The covered payroll (annual payroll of active employees covered by the plan) was \$1,568,454, and ratio of the UAAL to the covered payroll was 70.87%.

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.

**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.

The authority to establish and amend the benefit provisions of the School Plan rests with the School Board. There is no publicly available financial report for the School Plan.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

**B. Funding Policies**

County

The contribution requirements of plan members and the County are established and may be amended by the County Board of Supervisors. For eligible retirees, 100% of the nominal premium is the responsibility of the retiree. As of July 1, 2011, monthly required premiums were as follows:

	<u>Monthly premium owed by retiree</u>		
	Retiree and one dependent		
	<u>Retiree</u>	<u>Retiree and one dependent</u>	<u>Family</u>
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, 2010, monthly required premiums were as follows:

	<u>Monthly premium owed by retiree</u>		
	Retiree and one dependent		
	<u>Retiree</u>	<u>Retiree and one dependent</u>	<u>Family</u>
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, 2011 (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 based on the *annual required contribution* (ARC) of the employer. The County and the School Board have elected to calculate the ARC as the normal cost plus the amortization of the unfunded portion of the actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 29,700	\$ 122,800
Interest on OPEB obligation	624	2,343
Adjustment to ARC	<u>(560)</u>	<u>(3,387)</u>
Annual OPEB cost	\$ 29,764	\$ 121,756
Estimated contributions made	<u>(24,000)</u>	<u>(83,200)</u>
Increase in net OPEB obligation	\$ 5,764	\$ 38,556
Net OPEB obligation at beginning of year	<u>15,594</u>	<u>58,576</u>
Net OPEB obligation at end of year	<u><u>\$ 21,358</u></u>	<u><u>\$ 97,132</u></u>

The County's and the School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2011 and preceding year 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
June 30, 2011	29,764	80.63%	21,358
School Board:			
June 30, 2010	\$ 112,476	74.00%	\$ 58,576
June 30, 2011	121,756	68.33%	97,132

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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, 2011, the most recent actuarial valuation date, the County Plan was unfunded. The actuarial accrued liability for benefits was \$422,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$422,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,213,000, and the ratio of the UAAL to the covered payroll was 13.13%.

At January 1, 2011, the most recent actuarial valuation date, the School Board Plan was unfunded. The actuarial accrued liability for benefits was \$1,151,100, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,151,100. The covered payroll (annual payroll of active employees covered by the plan) was \$12,281,000, and the ratio of the UAAL to the covered payroll was 9.37%.

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, 2011 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 (6.40% graded to 4.70% 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 January 1, 2011 was 30 years.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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, 2011 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 (6.40% graded to 4.70% graded over 80 years). The payroll growth rate was assumed to be 3.75%.

The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at January 1, 2011 was 30 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 .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$62,081, \$79,528, and \$95,309, 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, 2011.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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.	\$ 8,926,750	\$ 10,490,674
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.	-	219,991
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	167,477	167,477
Total primary government	<u>\$ 9,094,227</u>	<u>\$ 10,878,142</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 were \$553,475 at June 30, 2011. 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, 2011 (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 \$857,662 for school roof replacement. The outstanding commitment under the contract was \$414,788 at June 30, 2011.

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 \$108,216.

**NOTE 15—LITIGATION:**

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At June 30, 2011 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, 2011 (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 \$964,481 as of June 30, 2011. 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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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### **NOTE 18—ACCRUED LANDFILL REMEDIATION COST: (CONTINUED)**

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

### **NOTE 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 \$160,052 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:**

---

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 2011. Eligible employees age 50 and over may defer up to \$22,000 in 2011. 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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 18,308,874	\$ 18,308,874	\$ 19,527,884	\$ 1,219,010
Other local taxes	3,117,101	3,117,101	3,538,978	421,877
Permits, privilege fees, and regulatory licenses	135,400	156,150	243,522	87,372
Fines and forfeitures	241,600	261,600	358,244	96,644
Revenue from the use of money and property	218,000	231,980	330,965	98,985
Charges for services	200,600	200,600	263,859	63,259
Miscellaneous	20,200	20,200	84,056	63,856
Recovered costs	558,029	560,600	587,217	26,617
Intergovernmental revenues:				
Commonwealth	4,794,492	4,827,275	4,705,269	(122,006)
Federal	1,828,050	1,941,143	837,589	(1,103,554)
Total revenues	\$ 29,422,346	\$ 29,625,523	\$ 30,477,583	\$ 852,060
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,802,428	\$ 1,893,528	\$ 1,803,127	\$ 90,401
Judicial administration	741,216	751,381	666,374	85,007
Public safety	3,984,994	4,134,696	3,760,748	373,948
Public works	1,883,200	1,886,432	1,512,532	373,900
Health and welfare	2,397,050	2,433,268	2,400,582	32,686
Education	13,050,142	13,082,035	12,606,128	475,907
Parks, recreation, and cultural	455,832	455,832	437,357	18,475
Community development	739,311	787,094	736,372	50,722
Nondepartmental	497,231	322,853	119,572	203,281
Capital projects	1,541,284	1,596,284	321,511	1,274,773
Total expenditures	\$ 27,092,688	\$ 27,343,403	\$ 24,364,303	\$ 2,979,100
Excess (deficiency) of revenues over (under) expenditures	\$ 2,329,658	\$ 2,282,120	\$ 6,113,280	\$ 3,831,160
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 740,700	\$ 755,700	\$ 755,700	\$ -
Transfers out	(3,951,750)	(3,951,750)	(3,951,750)	-
Total other financing sources and uses	\$ (3,211,050)	\$ (3,196,050)	\$ (3,196,050)	\$ -
Net change in fund balances	\$ (881,392)	\$ (913,930)	\$ 2,917,230	\$ 3,831,160
Fund balances - beginning	881,392	913,930	13,123,976	12,210,046
Fund balances - ending	\$ -	\$ -	\$ 16,041,206	\$ 16,041,206

Schedule of Pension and OPEB Funding Progress  
At June 30, 2011

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, 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%
June 30, 2010	12,341,225	15,768,810	3,427,585	78.26%	3,256,900	105.24%

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%
January 1, 2011	-	422,000	422,000	0.00%	3,213,000	13.13%

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, 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%
June 30, 2010	4,760,768	5,872,301	1,111,533	81.07%	1,568,454	70.87%

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%
January 1, 2011	-	1,151,100	1,151,100	0.00%	12,281,000	9.37%

## **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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues:				
Commonwealth	\$ -	\$ -	\$ 289,750	\$ 289,750
Total revenues	\$ -	\$ -	\$ 289,750	\$ 289,750
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 1,804,704	\$ 1,804,704	\$ 1,804,684	\$ 20
Interest and other fiscal charges	1,366,972	1,366,972	1,369,183	(2,211)
Total expenditures	\$ 3,171,676	\$ 3,171,676	\$ 3,173,867	\$ (2,191)
Excess (deficiency) of revenues over (under) expenditures	\$ (3,171,676)	\$ (3,171,676)	\$ (2,884,117)	\$ 287,559
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,171,676	\$ 3,171,676	\$ 3,171,676	\$ -
Total other financing sources and uses	\$ 3,171,676	\$ 3,171,676	\$ 3,171,676	\$ -
Net change in fund balances	\$ -	\$ -	\$ 287,559	\$ 287,559
Fund balances - beginning	-	-	109,404	109,404
Fund balances - ending	\$ -	\$ -	\$ 396,963	\$ 396,963

Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 112	\$ (888)
Intergovernmental revenues:				
Federal	1,826,646	1,826,646	306,583	(1,520,063)
Total revenues	\$ 1,827,646	\$ 1,827,646	\$ 306,695	\$ (1,520,951)
<b>EXPENDITURES</b>				
Capital projects	\$ 7,458,708	\$ 7,458,708	\$ 3,483,726	\$ 3,974,982
Debt service:				
Principal retirement	-	-	1,722	(1,722)
Interest and other fiscal charges	309,375	309,375	76,889	232,486
Total expenditures	\$ 7,768,083	\$ 7,768,083	\$ 3,562,337	\$ 4,205,746
Excess (deficiency) of revenues over (under) expenditures	\$ (5,940,437)	\$ (5,940,437)	\$ (3,255,642)	\$ 2,684,795
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 766,037	\$ 766,037	\$ 766,037	\$ -
Transfers out	(841,042)	(841,042)	(841,042)	-
Issuance of lease revenue bonds	4,450,000	4,450,000	3,130,560	(1,319,440)
Total other financing sources and uses	\$ 4,374,995	\$ 4,374,995	\$ 3,055,555	\$ (1,319,440)
Net change in fund balances	\$ (1,565,442)	\$ (1,565,442)	\$ (200,087)	\$ 1,365,355
Fund balances - beginning	1,565,442	1,565,442	5,082,389	3,516,947
Fund balances - ending	\$ -	\$ -	\$ 4,882,302	\$ 4,882,302

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 At June 30, 2011

	Housing Improvement Fund	Street Lights Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,486	\$ (35)	\$ 2,451
Total assets	<u>\$ 2,486</u>	<u>\$ (35)</u>	<u>\$ 2,451</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance</b>			
Assigned	\$ 2,486	\$ -	\$ 2,486
Unassigned	<u>-</u>	<u>(35)</u>	<u>(35)</u>
Total fund balance	<u>\$ 2,486</u>	<u>\$ (35)</u>	<u>\$ 2,451</u>
Total liabilities and fund balances	<u>\$ 2,486</u>	<u>\$ (35)</u>	<u>\$ 2,451</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2011

	Housing Improvement Fund	Street Lights Fund	Total
<b>Revenues</b>			
Intergovernmental revenues:			
Federal	\$ 21,500	\$ -	\$ 21,500
Total revenues	\$ 21,500	\$ -	\$ 21,500
<b>Expenditures</b>			
Current:			
Community development	\$ 6,500	\$ -	\$ 6,500
Total expenditures	\$ 6,500	\$ -	\$ 6,500
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 15,000	\$ -	\$ 15,000
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	\$ (15,000)	\$ -	\$ (15,000)
Total other financing sources and uses	\$ (15,000)	\$ -	\$ (15,000)
Net change in fund balances	\$ -	\$ -	\$ -
<b>Fund balances - beginning</b>	2,486	(35)	2,451
<b>Fund balances - ending</b>	\$ 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, 2011

	Housing Improvement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues:				
Federal	\$ 22,000	\$ 734,000	\$ 21,500	\$ (712,500)
Total revenues	\$ 22,000	\$ 734,000	\$ 21,500	\$ (712,500)
<b>EXPENDITURES</b>				
Current:				
Community development	\$ 22,000	\$ 734,000	\$ 6,500	\$ 727,500
Total expenditures	\$ 22,000	\$ 734,000	\$ 6,500	\$ 727,500
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 15,000	\$ 15,000
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 15,000	\$ 15,000
Fund balances - beginning	-	-	2,486	2,486
Fund balances - ending	\$ -	\$ -	\$ 17,486	\$ 17,486

Street Lights Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ (35)	\$ (35)
\$ -	\$ -	\$ (35)	\$ (35)

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 At June 30, 2011

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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	\$ 23,099	\$ 455,681	\$ 478,780
Total assets	<u>\$ 23,099</u>	<u>\$ 455,681</u>	<u>\$ 478,780</u>
<b>Liabilities</b>			
Amounts held for others	\$ 23,099	\$ 455,681	\$ 478,780
Total liabilities	<u>\$ 23,099</u>	<u>\$ 455,681</u>	<u>\$ 478,780</u>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2011

	<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	\$ 25,046	\$ 18,792	\$ 20,739	\$ 23,099
<b>Liabilities</b>				
Amounts held for others	\$ 25,046	\$ 18,792	\$ 20,739	\$ 23,099
<b>EMS Loan Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 320,543	\$ 205,138	\$ 70,000	\$ 455,681
<b>Liabilities</b>				
Amounts held for others	\$ 320,543	\$ 205,138	\$ 70,000	\$ 455,681
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 345,589	\$ 223,930	\$ 90,739	\$ 478,780
<b>Liabilities</b>				
Amounts held for others	\$ 345,589	\$ 223,930	\$ 90,739	\$ 478,780

Component Unit School Board  
 Balance Sheet  
 At June 30, 2011

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	<u>School Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,095,855
Receivables (net of allowance for uncollectibles):	
Accounts receivable	8,268
Due from other governments	814,555
Inventories	71,291
Prepaid items	<u>20,934</u>
Total assets	<u>\$ 3,010,903</u>
<b>Liabilities</b>	
Accounts payable	\$ 69,497
Accrued liabilities	1,421,289
Due to primary government	<u>814,456</u>
Total liabilities	<u>\$ 2,305,242</u>
<b>Fund balance</b>	
Nonspendable	\$ 92,225
Assigned	683,559
Unassigned	<u>(70,123)</u>
Total fund balances	<u>\$ 705,661</u>
Total liabilities and fund balance	<u>\$ 3,010,903</u>

Component Unit School Board  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets  
 At June 30, 2011

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Total fund balance for governmental fund (Exhibit 20) \$ 705,661

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		29,524,747	
Equipment, net of depreciation		1,559,910	
School Board capital assets in primary government, net of depreciation		<u>(19,747,421)</u>	12,188,446

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	\$	(369,032)	
Net OPEB obligation		<u>(97,132)</u>	<u>(466,164)</u>

Total net assets of governmental activities (Exhibit 1) \$ 12,427,943

Component Unit School Board  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Fund  
 For the Year Ended June 30, 2011

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	<u>School Fund</u>
<b>Revenues</b>	
Revenue from the use of money and property	\$ 169
Charges for services	447,412
Miscellaneous	257,429
Recovered costs	127,843
Intergovernmental revenues:	
Appropriations from primary government	12,603,104
Commonwealth	7,149,284
Federal	<u>2,596,483</u>
Total revenues	<u>\$ 23,181,724</u>
<b>Expenditures</b>	
Current:	
Education	
Instruction	\$ 14,451,599
Administration, attendance and health	1,159,410
Transportation	2,258,994
Facilities operations	2,783,729
School food services	1,019,336
Facilities	538,637
Technology	<u>991,522</u>
Total expenditures	<u>\$ 23,203,227</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (21,503)</b>
<b>Fund balance, beginning of year</b>	<u>727,164</u>
<b>Fund balance, end of year</b>	<u><u>\$ 705,661</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, 2011

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Net change in fund balance - total governmental fund (Exhibit 22) \$ (21,503)

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	\$ 305,149	
Depreciation expense	(887,329)	
Adjustment for jointly owned capital assets	1,162,497	580,317

School insurance recovery (116,733)

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	\$ 32,815	
Net OPEB obligation	(38,556)	(5,741)

Change in net assets of governmental activities (Exhibit 2) \$ 436,340

Component Unit School Board  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2011

	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	\$ 100	\$ 100	\$ 169	\$ 69
Charges for services	570,509	446,767	447,412	645
Miscellaneous	337,703	255,463	257,429	1,966
Recovered costs	103,101	100,876	127,843	26,967
Intergovernmental revenues:				
Local government	13,047,118	13,079,011	12,603,104	(475,907)
Commonwealth	7,362,515	7,153,857	7,149,284	(4,573)
Federal	1,534,291	3,032,986	2,596,483	(436,503)
Total revenues	<u>\$ 22,955,337</u>	<u>\$ 24,069,060</u>	<u>\$ 23,181,724</u>	<u>\$ (887,336)</u>
<b>EXPENDITURES</b>				
Current:				
Education				
Instruction	\$ 15,073,793	\$ 15,622,317	\$ 14,451,599	\$ 1,170,718
Administration, attendance and health	1,269,450	1,161,243	1,159,410	1,833
Transportation	2,063,532	2,230,178	2,258,994	(28,816)
Facilities operations	2,764,292	2,838,373	2,783,729	54,644
School food services	1,029,444	974,406	1,019,336	(44,930)
Facilities	740,700	788,810	538,637	250,173
Technology	731,773	986,834	991,522	(4,688)
Total expenditures	<u>\$ 23,672,984</u>	<u>\$ 24,602,161</u>	<u>\$ 23,203,227</u>	<u>\$ 1,398,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (717,647)</u>	<u>\$ (533,101)</u>	<u>\$ (21,503)</u>	<u>\$ 511,598</u>
Fund balances - beginning	<u>717,647</u>	<u>533,101</u>	<u>727,164</u>	<u>194,063</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,661</u>	<u>\$ 705,661</u>

## Supporting Schedules

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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	\$ 15,399,398	\$ 15,399,398	\$ 16,083,713	\$ 684,315
Real and personal public service corporation taxes	556,863	556,863	578,194	21,331
Personal property taxes	2,065,613	2,065,613	2,455,289	389,676
Mobile home taxes	22,000	22,000	30,903	8,903
Machinery and tools taxes	5,000	5,000	4,880	(120)
Penalties	130,000	130,000	192,052	62,052
Interest	130,000	130,000	182,853	52,853
Total general property taxes	<u>\$ 18,308,874</u>	<u>\$ 18,308,874</u>	<u>\$ 19,527,884</u>	<u>\$ 1,219,010</u>
Other local taxes:				
Local sales and use taxes	\$ 810,269	\$ 810,269	\$ 959,891	\$ 149,622
Consumers' utility taxes	453,490	453,490	456,854	3,364
Business license taxes	30,000	30,000	29,230	(770)
Utility franchise taxes	100,000	100,000	102,380	2,380
Motor vehicle licenses	512,342	512,342	599,675	87,333
Bank franchise tax	50,000	50,000	80,411	30,411
Taxes on recordation and wills	221,000	221,000	234,477	13,477
Transient occupancy tax	360,000	360,000	408,500	48,500
Meals tax	580,000	580,000	666,957	86,957
Street light tax	-	-	603	603
Total other local taxes	<u>\$ 3,117,101</u>	<u>\$ 3,117,101</u>	<u>\$ 3,538,978</u>	<u>\$ 421,877</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 8,206	\$ (1,794)
Dog pound fees	1,400	1,400	2,568	1,168
Land use application fees	3,000	3,000	11,389	8,389
Transfer fees	-	750	795	45
Zoning & Subdivision fees	1,000	1,000	950	(50)
Building permits	85,000	85,000	154,147	69,147
Building inspection fees	6,000	6,000	5,366	(634)
Special use permits	500	500	3,545	3,045
Well & Septic fees	6,500	6,500	5,525	(975)
Land disturbing fees	15,000	15,000	12,285	(2,715)
Tourism collections	7,000	27,000	38,746	11,746
Total permits, privilege fees, and regulatory licenses	<u>\$ 135,400</u>	<u>\$ 156,150</u>	<u>\$ 243,522</u>	<u>\$ 87,372</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 241,600	\$ 261,600	\$ 358,244	\$ 96,644
Total fines and forfeitures	<u>\$ 241,600</u>	<u>\$ 261,600</u>	<u>\$ 358,244</u>	<u>\$ 96,644</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 65,000	\$ 65,000	\$ 110,769	\$ 45,769
Revenue from use of property	153,000	166,980	220,196	53,216
Total revenue from use of money and property	<u>\$ 218,000</u>	<u>\$ 231,980</u>	<u>\$ 330,965</u>	<u>\$ 98,985</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services:				
Sheriff's fees	\$ 6,000	\$ 6,000	\$ 5,589	\$ (411)
Law library fees	1,500	1,500	3,964	2,464
Courthouse maintenance fees	11,000	11,000	10,795	(205)
Document reproduction fees	4,000	4,000	7,081	3,081
Court appointed attorney fees	-	-	243	243
Fingerprint/Report fees	100	100	291	191
Cost of postage - Circuit Court	-	-	99	99
Charges for Commonwealth's Attorney	500	500	602	102
Charges for sanitation and waste removal	125,000	125,000	185,143	60,143
Charges for parks and recreation	50,000	50,000	47,310	(2,690)
Sale of literature	2,500	2,500	2,742	242
Total charges for services	<u>\$ 200,600</u>	<u>\$ 200,600</u>	<u>\$ 263,859</u>	<u>\$ 63,259</u>
Miscellaneous revenue:				
Expenditure refunds	\$ 15,000	\$ 15,000	\$ 32,125	\$ 17,125
Other miscellaneous	5,200	5,200	51,931	46,731
Total miscellaneous revenue	<u>\$ 20,200</u>	<u>\$ 20,200</u>	<u>\$ 84,056</u>	<u>\$ 63,856</u>
Recovered costs:				
DSS Reimbursement	\$ 50,000	\$ 50,000	\$ 41,719	\$ (8,281)
School Resource officer and other costs	30,000	30,000	28,810	(1,190)
Jaunt Wintergreen	39,029	23,600	30,600	7,000
Colleen water & sewer connection fees	4,000	4,000	39,000	35,000
DMV stop fees	5,000	23,000	28,619	5,619
EMS revenue recovery	425,000	425,000	416,240	(8,760)
Forest Service Coop. agreement	5,000	5,000	2,184	(2,816)
Other recovered costs	-	-	45	45
Total recovered costs	<u>\$ 558,029</u>	<u>\$ 560,600</u>	<u>\$ 587,217</u>	<u>\$ 26,617</u>
Total revenue from local sources	<u>\$ 22,799,804</u>	<u>\$ 22,857,105</u>	<u>\$ 24,934,725</u>	<u>\$ 2,077,620</u>
Revenue from the Commonwealth:				
Payments in lieu of taxes				
Timber sales	\$ -	\$ -	\$ 30,091	\$ 30,091
Total payments in lieu of taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,091</u>	<u>\$ 30,091</u>
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 89,635	\$ 89,635	\$ 1,553	\$ (88,082)
Mobile home titling tax	3,500	3,500	13,368	9,868
Tax on deeds	68,000	68,000	80,567	12,567
Communication sales & use tax	451,000	451,000	493,578	42,578
Personal property tax relief funds	1,708,217	1,708,217	1,708,217	-
Total noncategorical aid	<u>\$ 2,320,352</u>	<u>\$ 2,320,352</u>	<u>\$ 2,297,283</u>	<u>\$ (23,069)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 198,791	\$ 198,791	\$ 197,820	\$ (971)
Sheriff	736,347	736,347	729,757	(6,590)
Commissioner of revenue	71,860	71,860	78,915	7,055
Treasurer	76,568	76,568	88,214	11,646
Registrar/electoral board	39,884	39,884	35,233	(4,651)
Clerk of the Circuit Court	187,630	187,630	194,171	6,541
Total shared expenses	<u>\$ 1,311,080</u>	<u>\$ 1,311,080</u>	<u>\$ 1,324,110</u>	<u>\$ 13,030</u>
Welfare:				
Public assistance and welfare administration	\$ 400,559	\$ 420,559	\$ 344,073	\$ (76,486)
Other categorical aid:				
E911 wireless grant	\$ 197,000	\$ 197,000	\$ 189,720	\$ (7,280)
DMV animal friendly plates	400	400	550	150
Fire programs	42,000	42,000	41,708	(292)
Four for life	21,300	21,300	17,354	(3,946)
Litter control grant	-	6,219	6,219	-
Victim-witness grant	19,408	19,408	5,063	(14,345)
VJCCCA Dept - Juvenile Justice	13,539	13,539	9,736	(3,803)
Comprehensive services act	463,854	463,854	419,794	(44,060)
Sheriff's department grant	-	-	946	946
Asset forfeiture proceeds	-	-	5,381	5,381
Virginia Tourism Corp grant	-	6,564	6,564	-
Performing arts grant	5,000	5,000	5,000	-
Other categorical	-	-	1,677	1,677
Total other categorical aid	<u>\$ 762,501</u>	<u>\$ 775,284</u>	<u>\$ 709,712</u>	<u>\$ (65,572)</u>
Total categorical aid	<u>\$ 2,474,140</u>	<u>\$ 2,506,923</u>	<u>\$ 2,377,895</u>	<u>\$ (129,028)</u>
Total revenue from the Commonwealth	<u>\$ 4,794,492</u>	<u>\$ 4,827,275</u>	<u>\$ 4,705,269</u>	<u>\$ (122,006)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 44,864	\$ 44,864	\$ 53,747	\$ 8,883
Categorical aid:				
Public assistance and welfare administration	\$ 457,964	\$ 489,611	\$ 532,411	\$ 42,800
Public assistance and welfare administration - ARRA	-	-	11,660	11,660
Victim witness program	-	-	15,189	15,189
Public Safety Interoperability	1,200,000	1,200,000	-	(1,200,000)
SCAAP (federal prisoners)	-	-	2,510	2,510
Law Enforcement Terror Prevention	13,938	13,938	-	(13,938)
Domestic preparedness grant	-	25,500	28,286	2,786
FEMA disaster relief	-	-	7,723	7,723
Sheriff JAG Grant	-	946	-	(946)
Recovery Act BJA Byrne JAG Grant	-	-	4,274	4,274
Trail grant (TEA-21)	-	-	9,843	9,843
Tunnel Grant (TEA-21)	111,284	166,284	171,946	5,662
Total categorical aid	<u>\$ 1,783,186</u>	<u>\$ 1,896,279</u>	<u>\$ 783,842</u>	<u>\$ (1,112,437)</u>
Total revenue from the federal government	<u>\$ 1,828,050</u>	<u>\$ 1,941,143</u>	<u>\$ 837,589</u>	<u>\$ (1,103,554)</u>
Total General Fund	<u>\$ 29,422,346</u>	<u>\$ 29,625,523</u>	<u>\$ 30,477,583</u>	<u>\$ 852,060</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds:</b>				
<b>Housing Improvement Fund:</b>				
Revenue from the Federal Government:				
Categorical aid:				
Community Development Block Grant	\$ 22,000	\$ 734,000	\$ 21,500	\$ (712,500)
Total categorical aid	<u>\$ 22,000</u>	<u>\$ 734,000</u>	<u>\$ 21,500</u>	<u>\$ (712,500)</u>
Total revenue from the Federal Government	<u>\$ 22,000</u>	<u>\$ 734,000</u>	<u>\$ 21,500</u>	<u>\$ (712,500)</u>
Total Housing Improvement Fund	<u><u>\$ 22,000</u></u>	<u><u>\$ 734,000</u></u>	<u><u>\$ 21,500</u></u>	<u><u>\$ (712,500)</u></u>
<b>Debt Service Fund:</b>				
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
VPSA savings credit	\$ -	\$ -	\$ 289,750	\$ 289,750
Total noncategorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,750</u>	<u>\$ 289,750</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,750</u>	<u>\$ 289,750</u>
Total Debt Service Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 289,750</u></u>	<u><u>\$ 289,750</u></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	\$ 1,000	\$ 1,000	\$ 112	\$ (888)
Total revenue from local sources	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 112</u>	<u>\$ (888)</u>
Revenue from the federal government:				
Categorical aid:				
NTIA ARRA grant	\$ 1,826,646	\$ 1,826,646	\$ 306,583	\$ (1,520,063)
Total categorical aid	<u>1,826,646</u>	<u>1,826,646</u>	<u>306,583</u>	<u>(1,520,063)</u>
Total revenue from the federal government	<u>\$ 1,826,646</u>	<u>\$ 1,826,646</u>	<u>\$ 306,583</u>	<u>\$ (1,520,063)</u>
Total Capital Improvements Fund	<u><u>\$ 1,827,646</u></u>	<u><u>\$ 1,827,646</u></u>	<u><u>\$ 306,695</u></u>	<u><u>\$ (1,520,951)</u></u>
Total Primary Government	<u><u>\$ 31,271,992</u></u>	<u><u>\$ 32,187,169</u></u>	<u><u>\$ 31,095,528</u></u>	<u><u>\$ (1,091,641)</u></u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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>School Operating Fund:</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 169	\$ 69
Charges for services:				
Charges for education	\$ 570,509	\$ 809	\$ 809	\$ -
Charges for cafeteria	-	445,958	446,603	645
Total charges for services	\$ 570,509	\$ 446,767	\$ 447,412	\$ 645
Miscellaneous revenue:				
Other miscellaneous	\$ 337,703	\$ 255,463	\$ 257,429	\$ 1,966
Total miscellaneous revenue	\$ 337,703	\$ 255,463	\$ 257,429	\$ 1,966
Recovered costs:				
Other recovered costs	\$ 103,101	\$ 100,876	\$ 127,843	\$ 26,967
Total recovered costs	\$ 103,101	\$ 100,876	\$ 127,843	\$ 26,967
Total revenue from local sources	\$ 1,011,413	\$ 803,206	\$ 832,853	\$ 29,647
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 13,047,118	\$ 13,079,011	\$ 12,603,104	\$ (475,907)
Total revenues from local governments	\$ 13,047,118	\$ 13,079,011	\$ 12,603,104	\$ (475,907)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,912,464	\$ 1,987,433	\$ 1,990,644	\$ 3,211
Basic school aid	3,444,341	3,255,489	3,255,489	-
GED funding	15,717	15,717	15,717	-
Remedial summer education	36,927	30,089	30,089	-
Regular foster care	65,545	49,967	49,967	-
Gifted and talented	36,474	36,488	36,488	-
Remedial education	110,233	110,274	110,274	-
Special education	453,902	454,070	454,070	-
Textbook payment	42,586	42,601	42,601	-
Vocational standards of quality payments	107,802	107,842	107,842	-
Social security fringe benefits	214,793	214,872	214,872	-
Retirement fringe benefits	127,255	127,302	127,302	-
Group life insurance instructional	8,105	8,108	8,108	-
Early reading intervention	19,443	11,666	11,666	-
VPSA technology	154,000	154,000	154,000	-
Homebound education	4,807	5,791	5,791	-
Regional program tuition	134,538	79,524	79,524	-

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education - occupational/tech ed	31,966	24,635	24,635	-
At risk payments	106,286	106,439	106,439	-
Pre-school initiative	126,000	105,000	105,000	-
Primary class size	125,567	127,338	127,338	-
Other state funds	83,764	99,212	91,428	(7,784)
Total categorical aid	\$ 7,362,515	\$ 7,153,857	\$ 7,149,284	\$ (4,573)
Total revenue from the Commonwealth	\$ 7,362,515	\$ 7,153,857	\$ 7,149,284	\$ (4,573)
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ -	\$ 5,176	\$ 5,176	\$ -
ARRA-State fiscal stabilization	-	595,596	409,238	(186,358)
ARRA-Title I	-	130,629	97,985	(32,644)
Title 1/A grants to LEAs	417,086	557,157	439,438	(117,719)
ARRA Education jobs fund	-	-	134,868	134,868
IDEA 611 flow-through (Title VI-B)	-	590,024	416,047	(173,977)
ARRA-Title VI-B	-	263,855	250,594	(13,261)
Title 1 - Carl Perkins vocational	36,543	43,647	38,528	(5,119)
Preschool grants/special ed	13,511	16,406	15,533	(873)
ARRA Pre-K 619	-	17,430	15,486	(1,944)
Title II/D education technical	-	19,939	1,907	(18,032)
ARRA-Title II/D	4,453	9,105	6,953	(2,152)
Title 1/B reading first grant	-	90,406	63,707	(26,699)
Other federal revenues	475,692	7,348	-	(7,348)
Title III language acquisition	21,888	65,933	44,825	(21,108)
Title II part A	111,890	117,062	99,147	(17,915)
School food	453,228	503,273	503,273	-
School food commodities	-	-	53,778	53,778
Total categorical aid	\$ 1,534,291	\$ 3,032,986	\$ 2,596,483	\$ (436,503)
Total School Operating Fund	\$ 22,955,337	\$ 24,069,060	\$ 23,181,724	\$ (887,336)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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	\$ 112,772	\$ 136,072	\$ 132,102	\$ 3,970
General government administration:				
County administrator	\$ 305,869	\$ 305,869	\$ 288,872	\$ 16,997
County attorney	40,000	87,000	91,693	(4,693)
Commissioner of revenue	228,172	228,172	229,140	(968)
Reassessment	245,000	245,000	241,387	3,613
Treasurer	313,259	334,059	330,137	3,922
Finance and accounting	224,777	224,777	221,053	3,724
Technology	211,358	211,358	158,316	53,042
Land use panel	8,812	8,812	2,407	6,405
Total general and financial administration	\$ 1,577,247	\$ 1,645,047	\$ 1,563,005	\$ 82,042
Board of elections:				
Board of elections	\$ 31,344	\$ 31,344	\$ 28,309	\$ 3,035
Registrar	81,065	81,065	79,711	1,354
Total board of elections	\$ 112,409	\$ 112,409	\$ 108,020	\$ 4,389
Total general government administration	\$ 1,802,428	\$ 1,893,528	\$ 1,803,127	\$ 90,401
Judicial administration:				
Courts:				
Circuit court	\$ 29,550	\$ 29,550	\$ 21,761	\$ 7,789
General district court	6,565	6,565	3,720	2,845
VJCCA	53,743	59,265	15,611	43,654
Juvenile and domestic relations court	6,092	6,092	5,028	1,064
Clerk of the circuit court	317,435	321,435	299,981	21,454
Total courts	\$ 413,385	\$ 422,907	\$ 346,101	\$ 76,806
Commonwealth's attorney:				
Commonwealth's attorney	\$ 327,831	\$ 328,474	\$ 320,273	\$ 8,201
Total commonwealth's attorney	\$ 327,831	\$ 328,474	\$ 320,273	\$ 8,201
Total judicial administration	\$ 741,216	\$ 751,381	\$ 666,374	\$ 85,007
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,286,304	\$ 1,353,741	\$ 1,310,390	\$ 43,351
E-911	637,783	663,283	489,253	174,030
Emergency services council	555,472	564,237	550,734	13,503
Emergency services	38,971	38,971	35,537	3,434
T.J. EMS Council	19,629	19,629	19,629	-
Fire protection	156,000	156,000	156,000	-
Paid EMS	421,292	421,292	395,890	25,402
Forestry service	20,338	20,338	20,337	1

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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	\$ 486,696	\$ 534,696	\$ 487,756	\$ 46,940
Building inspector	279,867	279,867	220,253	59,614
Animal control	82,442	82,442	74,849	7,593
Medical examiner	200	200	120	80
Total law enforcement and traffic control	<u>\$ 3,984,994</u>	<u>\$ 4,134,696</u>	<u>\$ 3,760,748</u>	<u>\$ 373,948</u>
Total public safety	<u>\$ 3,984,994</u>	<u>\$ 4,134,696</u>	<u>\$ 3,760,748</u>	<u>\$ 373,948</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 231,000	\$ 234,232	\$ 216,186	\$ 18,046
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 231,000</u>	<u>\$ 234,232</u>	<u>\$ 216,186</u>	<u>\$ 18,046</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,041,733	\$ 1,041,733	\$ 849,974	\$ 191,759
Total sanitation and waste removal	<u>\$ 1,041,733</u>	<u>\$ 1,041,733</u>	<u>\$ 849,974</u>	<u>\$ 191,759</u>
Maintenance of general buildings and grounds:				
General properties	\$ 610,467	\$ 610,467	\$ 446,372	\$ 164,095
Total maintenance of general buildings and grounds	<u>\$ 610,467</u>	<u>\$ 610,467</u>	<u>\$ 446,372</u>	<u>\$ 164,095</u>
Total public works	<u>\$ 1,883,200</u>	<u>\$ 1,886,432</u>	<u>\$ 1,512,532</u>	<u>\$ 373,900</u>
Health and welfare:				
Health:				
Health department	\$ 220,021	\$ 220,021	\$ 215,339	\$ 4,682
Total health	<u>\$ 220,021</u>	<u>\$ 220,021</u>	<u>\$ 215,339</u>	<u>\$ 4,682</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, 2011

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	\$ 1,160,562	\$ 1,212,209	\$ 1,183,975	\$ 28,234
MACAA	29,914	29,914	29,914	-
Senior center meals	13,696	13,696	13,696	-
At risk youth program	713,700	713,700	629,508	84,192
JAUNT	98,981	83,552	83,552	-
JABA	88,098	88,098	88,098	-
Tax relief for the elderly	-	-	84,422	(84,422)
Total welfare	<u>\$ 2,104,951</u>	<u>\$ 2,141,169</u>	<u>\$ 2,113,165</u>	<u>\$ 28,004</u>
Total health and welfare	<u>\$ 2,397,050</u>	<u>\$ 2,433,268</u>	<u>\$ 2,400,582</u>	<u>\$ 32,686</u>
Education:				
Other instructional costs:				
Community College	\$ 3,024	\$ 3,024	\$ 3,024	\$ -
Appropriation to public school system	13,047,118	13,079,011	12,603,104	475,907
Total education	<u>\$ 13,050,142</u>	<u>\$ 13,082,035</u>	<u>\$ 12,606,128</u>	<u>\$ 475,907</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 199,184	\$ 199,184	\$ 180,709	\$ 18,475
Total parks and recreation	<u>\$ 199,184</u>	<u>\$ 199,184</u>	<u>\$ 180,709</u>	<u>\$ 18,475</u>
Cultural enrichment:				
Wintergreen Performing Arts	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total cultural enrichment	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Library:				
Regional library	\$ 246,648	\$ 246,648	\$ 246,648	\$ -
Total library	<u>\$ 246,648</u>	<u>\$ 246,648</u>	<u>\$ 246,648</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 455,832</u>	<u>\$ 455,832</u>	<u>\$ 437,357</u>	<u>\$ 18,475</u>
Community development:				
Planning and community development:				
Planning	\$ 175,766	\$ 175,766	\$ 166,982	\$ 8,784
Community development	256,847	298,411	274,450	23,961
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	160,052	11,042
Anti-litter program	-	6,219	2,232	3,987
Piedmont Housing Alliance	500	500	500	-
Total planning and community development	<u>\$ 665,036</u>	<u>\$ 712,819</u>	<u>\$ 665,045</u>	<u>\$ 47,774</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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	\$ 45,827	\$ 2,948
Total cooperative extension program	\$ 48,775	\$ 48,775	\$ 45,827	\$ 2,948
Total community development	\$ 739,311	\$ 787,094	\$ 736,372	\$ 50,722
Nondepartmental:				
Refunds	\$ 34,000	\$ 34,000	\$ 24,784	\$ 9,216
Reserve for contingency	361,039	153,263	-	153,263
Other nondepartmental	102,192	135,590	94,788	40,802
Total nondepartmental	\$ 497,231	\$ 322,853	\$ 119,572	\$ 203,281
Capital projects:				
Blue Ridge Tunnel (TEA-21)	\$ 111,284	\$ 166,284	\$ 176,834	\$ (10,550)
Convenience centers	-	-	9,145	(9,145)
Microwave network (PSIC)	1,430,000	1,430,000	130,732	1,299,268
Other capital projects	-	-	4,800	(4,800)
Total capital projects	\$ 1,541,284	\$ 1,596,284	\$ 321,511	\$ 1,274,773
Total General Fund	\$ 27,092,688	\$ 27,343,403	\$ 24,364,303	\$ 2,979,100
<b>Special Revenue Funds:</b>				
<b>Housing Improvement Fund:</b>				
Community development:				
Planning and community development:				
Dental health planning	\$ 22,000	\$ 22,000	\$ 6,500	\$ 15,500
Dental center renovation	-	700,000	-	700,000
Housing production planning	-	12,000	-	12,000
Total community development	\$ 22,000	\$ 734,000	\$ 6,500	\$ 727,500
Total Housing Improvement Fund	\$ 22,000	\$ 734,000	\$ 6,500	\$ 727,500

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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	\$ 1,804,704	\$ 1,804,704	\$ 1,804,684	\$ 20
Interest and other fiscal charges	1,366,972	1,366,972	1,369,183	(2,211)
Total Debt Service Fund	<u>\$ 3,171,676</u>	<u>\$ 3,171,676</u>	<u>\$ 3,173,867</u>	<u>\$ (2,191)</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	5,146,400	5,146,400	3,035,345	2,111,055
Health department	-	-	35,710	(35,710)
Broadband project	2,283,308	2,283,308	412,671	1,870,637
Total capital projects	<u>\$ 7,458,708</u>	<u>\$ 7,458,708</u>	<u>\$ 3,483,726</u>	<u>\$ 3,974,982</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 1,722	\$ (1,722)
Interest and other fiscal charges	309,375	309,375	76,889	232,486
Total debt service	<u>\$ 309,375</u>	<u>\$ 309,375</u>	<u>\$ 78,611</u>	<u>\$ 230,764</u>
Total Capital Projects Fund	<u>\$ 7,768,083</u>	<u>\$ 7,768,083</u>	<u>\$ 3,562,337</u>	<u>\$ 4,205,746</u>
Total Primary Government	<u>\$ 38,054,447</u>	<u>\$ 39,017,162</u>	<u>\$ 31,107,007</u>	<u>\$ 7,910,155</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Instructional costs	\$ 15,073,793	\$ 15,622,317	\$ 14,451,599	\$ 1,170,718
Total instruction costs	<u>\$ 15,073,793</u>	<u>\$ 15,622,317</u>	<u>\$ 14,451,599</u>	<u>\$ 1,170,718</u>
Operating costs:				
Administration, attendance and health services	\$ 1,269,450	\$ 1,161,243	\$ 1,159,410	\$ 1,833
Pupil transportation	2,063,532	2,230,178	2,258,994	(28,816)
Operation and maintenance of school plant	2,764,292	2,838,373	2,783,729	54,644
School food	1,029,444	974,406	1,019,336	(44,930)
Facilities	740,700	788,810	538,637	250,173
Technology	731,773	986,834	991,522	(4,688)
Total operating costs	<u>\$ 8,599,191</u>	<u>\$ 8,979,844</u>	<u>\$ 8,751,628</u>	<u>\$ 228,216</u>
Total education	<u>\$ 23,672,984</u>	<u>\$ 24,602,161</u>	<u>\$ 23,203,227</u>	<u>\$ 1,398,934</u>
Total Discretely Presented Component Unit-School Board	<u>\$ 23,672,984</u>	<u>\$ 24,602,161</u>	<u>\$ 23,203,227</u>	<u>\$ 1,398,934</u>

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## STATISTICAL INFORMATION

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COUNTY OF NELSON, VIRGINIA

Table 1

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

Fiscal Year	General				Parks, Recreation, and Cultural				Interest on Long-Term Debt	Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	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
2010-11	1,938,519	666,374	3,373,814	2,067,363	2,356,458	14,266,695	565,713	724,030	1,472,808	27,431,774

(1) Information has only been available for 9 years.

(2) Primary government only

COUNTY OF NELSON, VIRGINIA

Table 2

Government-Wide Revenues by Source  
Last Nine 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	\$ 283,732	\$ 108,161	\$ 1,880,848	\$ 20,840,873	
2003-04	823,348	2,536,899	-	-	8,213,965	2,839,896	132,379	13,741	2,365,198	16,925,426	
2004-05	1,001,111	3,644,002	-	-	12,267,305	3,170,478	248,884	31,176	1,911,689	22,274,645	
2005-06	936,052	2,798,169	291,992	291,992	12,879,059	3,464,371	544,498	301,915	2,105,442	23,321,498	
2006-07	896,876	3,141,611	140,524	140,524	13,654,498	3,551,448	739,478	58,374	2,058,042	24,240,851	
2007-08	838,119	3,301,632	3,095,040	3,095,040	16,116,702	3,776,293	535,958	216,226	1,923,332	29,803,302	
2008-09	838,161	2,978,055	1,212,338	1,212,338	18,681,477	3,612,363	264,340	136,135	1,946,684	29,669,553	
2009-10	829,726	3,183,247	931,093	931,093	18,800,138	3,867,866	180,395	169,732	1,900,031	29,862,228	
2010-11	982,162	2,979,948	509,872	509,872	19,270,265	3,496,429	331,077	84,056	2,670,871	30,324,680	

(1) Information has only been available for 9 years.

(2) Primary government only

COUNTY OF NELSON, VIRGINIA

Table 3

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes		Permit Privilege Fees & Regulatory Licenses		Fines & Forfeitures		Revenues from the Use of Money & Property		Charges for Services		Miscellaneous		Recovered Costs		Inter-governmental		Total
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									
2011	19,527,884	3,538,978	243,522	358,244	331,246	711,271	341,485	715,060	15,906,458	41,674,148									

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

COUNTY OF NELSON, VIRGINIA

Table 4

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2) (3)	Recreation and Cultural	Community Development	Nondepartmental	Capital Projects		Debt Service		Total
										Projects	Service	Service	Total	
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		
2011	1,803,127	666,374	3,760,748	1,512,532	2,400,582	23,206,251	437,357	742,872	119,572	3,805,237	3,252,478	41,707,130		

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

(2) Includes School Debt Service and Capital Leases - Fiscal 2002

(3) 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)		Current Tax (1) (3) Collections	Percent of Levy Collected	Delinquent (1)		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1)		Percent of Delinquent Taxes to Tax Levy
	Tax Levy				Tax Collections			Tax Collections		Tax Collections		
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%
2011	20,358,566		19,585,235	96.20%	1,275,961		20,861,196	102.47%		2,390,679		11.74%

(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 2002 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
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
2011	2,893,059,995	131,627,375	5,401,696	398,183	99,695,437	3,130,182,686

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
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
2011	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	Debt		Debt to Assessed Value	Bonded Debt per Capita	
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		
2011	15,161	3,130,182,686	33,211,918	1,613,157	31,598,761	1.01%	2,084		

(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
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%
2011	1,806,406	1,446,072	3,252,478	41,707,130	7.80%

(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, 2011, which collectively comprise the County of Nelson, Virginia's basic financial statements and have issued our report thereon dated December 21, 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 deficiencies, 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  
December 21, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' 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

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, 2011. 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, 2011.

### 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, Turner, Cox Associates*

Charlottesville, Virginia  
December 21, 2011

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

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	\$ 546
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	99,589
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	259
Low Income Home Energy Assistance	93.568	0600409/0600410	9,012
Child Care and Development Block Grant (Child Care Cluster)	93.575	0770109/0770110	35,654
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Child Care Cluster)	93.596	0760109/0760110	33,723
ARRA - Child Care and Development Block Grant (Child Care Cluster)	93.713	0740109/0780109	3,281
Child Welfare Services - State Grants	93.645	0900109/0900110	434
 Foster Care - Title IV-E (Foster Care Cluster)	93.658	1100109/1100110	56,727
ARRA - Foster Care - Title IV-E (Foster Care Cluster)	93.658	1100110/1100109	1,768
			<u>58,495</u>
 Adoption Assistance	93.659	1120109/1120110	2,754
Social Services Block Grant	93.667	1000109/1000110	74,393
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110	955
State Children's Insurance Program	93.767	0540109/0540110	4,436
Medical Assistance Program	93.778	1200109/1200110	80,631
			<u>80,631</u>
Total Department of Health and Human Services			<u>\$ 404,162</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	N/A	\$ 3,130,560
Total Department of Agriculture - direct payments			<u>\$ 3,130,560</u>
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	N/A	\$ 53,778
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	10.555/2009/2010	380,342
			<u>434,120</u>
National School Breakfast Program (Child Nutrition Cluster)	10.553	10.553/2009/2010	122,931
Secure Payments for States and Counties Containing Federal Lands	10.665	10.665	5,176
Department of Social Services:			
ARRA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010109/0010110/0040109/0040110	6,611
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010109/0010110/0040109/0040110	133,297
			<u>133,297</u>
Total Department of Agriculture - pass-through payments			<u>\$ 702,135</u>
Total Department of Agriculture			<u>\$ 3,832,695</u>
Department of Housing and Urban Development:			
Pass-through payments:			
Department of housing and community development:			
Community development block grant	14.228	N/A	\$ 21,500
Total Department of Housing and Urban Development			<u>\$ 21,500</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2011

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	\$ 2,510
Total Department of Justice - direct payments			<u>\$ 2,510</u>
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime victims assistance	16.575		\$ 15,189
ARRA-Edward Byrne Memorial justice assistance grant program/ grants to units of local government	16.804	N/A	\$ 4,274
Total Department of Justice - pass-through			<u>\$ 19,463</u>
Total Department of Justice			<u>\$ 21,973</u>
Department of Commerce:			
Direct payments:			
ARRA-Broadband technology opportunities program	11.557	N/A	\$ 306,583
Department of Transportation:			
Pass Through Payments:			
Department of Conservation and Recreation:			
Recreational Trails Program	20.219	N/A	\$ 181,790
Department of Homeland Security:			
Pass-through payments:			
Department of Emergency Services:			
State homeland security program	97.073	N/A	\$ 28,286
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	7,723
Total Department of Homeland Security			<u>\$ 36,009</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	\$ 439,438
ARRA-Title I Grants to Local Educational Agencies (Title I Part A Cluster)	84.389	S389A090046	97,985
Special Education -- Grants to States (Special Education Cluster)	84.027	H027A080107/H027A090107/H027A070107	416,047
ARRA-Special Education -- Grants to States (Special Education Cluster)	84.391	H391A090107	250,594
Special Education -- Preschool Grants (Special Education Cluster)	84.173	H173A090112	15,533
ARRA-Special Education -- Preschool Grants (Special Education Cluster)	84.392	H392A090112	15,486
Career and Technical Education - Basic Grants to States	84.048	V048A080046/V048A090046	38,528
ARRA-State Fiscal Stabilization Fund-Education State Grants	84.394	S394A090047	409,238
Education Technology State Grants (Educational Technology Cluster)	84.318	S410A10047	1,907
ARRA-Education Technology State Grants (Educational Technology Cluster)	84.386	S386A090046	6,953
Reading First State Grants	84.357	S357A070048/S357A080048	63,707
English Language Acquisition Grants	84.365	T365A080046/S365A090046	44,825
ARRA-Education Jobs Fund	84.410		134,868
Improving Teacher Quality State Grants	84.367	S367A080044/S367A090044	99,147
Total Department of Education			<u>\$ 2,034,256</u>
Total Expenditures of Federal Awards			<u>\$ 6,838,968</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, 2011

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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, 2011. 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	\$ 837,589
Housing Improvement Fund	21,500
Capital Projects Fund	306,583
Loans - Community Facilities Loans and Grants	<u>3,130,560</u>
Total primary government	<u>\$ 4,296,232</u>

Component Unit Public Schools:

School Operating Fund	<u>\$ 2,596,483</u>
Total component unit public schools	<u>\$ 2,596,483</u>

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

\$ (53,747)

Total federal expenditures per basic financial statements

\$ 6,838,968

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 6,838,968

COUNTY OF NELSON, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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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? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

    Material weaknesses identified? No

    Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
11.557	ARRA-Broadband Technologies Opportunities Program
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
84.410	ARRA-Education Jobs Fund

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, 2011

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There were no findings reported for the year ended June 30, 2010.

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