



COUNTY OF NELSON, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012



**COUNTY OF NELSON, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2012**

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COUNTY OF NELSON, VIRGINIA  
DIRECTORY OF PRINCIPAL OFFICIALS  
FISCAL YEAR ENDED JUNE 30, 2012

BOARD OF SUPERVISORS

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Thomas D. Harvey, Chairman  
Thomas H. Bruguiera, Jr., Vice-Chairman

Allen M. Hale, East District  
Constance Brennan, Central District  
Larry D. Saunders, South District

COUNTY SCHOOL BOARD

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

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Connie Brennan Joe Williamson	Cliff Savell, Chairperson Donald Gray, Vice-Chairperson	Pauline Page Joan Giles
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OTHER OFFICIALS

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Michael Gamble  
Judy Smythers  
Anthony Martin  
Jean W. Payne  
Angela F. Johnson  
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, 2012, 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2013, 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 and schedules. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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, budgetary comparison 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

January 3, 2013

## 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, 2012.

### 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 \$29,228,088. Of this amount, \$20,379,138 is unrestricted (an increase of \$1,117,529 from the previous fiscal year), and may be used to meet the government's ongoing obligations to creditors and citizens. Of the total net assets, there is \$8,826,349 invested in capital assets net of related debt (an increase of \$1,941,988 from the previous fiscal year). The School Board's net assets were \$13,386,456 of which there are unrestricted net assets in the amount of \$87,023 (a decrease of \$152,474 from the previous year). (See Exhibit 1.)

The net assets of the Primary Government increased by \$3,065,824. The School Board's net assets increased by \$958,513 (See Exhibit 2.)

#### Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$19,580,297. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2011-12 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$22,163,583 of which \$19,580,297 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.

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.

## Overview of the Financial Statements: (Continued)

Both government-wide financial statements separate government activities and business-type activities of the County. The primary source of funding for government activities is taxes and intergovernmental revenues. Government activities include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently classifies the Piney River public water and sewer system and the Nelson County Broadband Authority as business-type activities.

The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Nelson County School Board and 2) the Nelson County Economic Development Authority. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant operational funding of the component unit.

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas, the government-wide financial statements are prepared on the accrual basis of accounting, the government fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

The County maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data for other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

#### Proprietary funds

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

The financial statements for the Piney River public water and sewer system and the Nelson County Broadband Authority are reported as enterprise funds in the County's fund financial statements. The Piney River public water and sewer system's operation provides for the delivery of public water and sewer service to County residents in designated areas of Nelson County. The Nelson County Broadband Authority operates a middle mile broadband network. The County does not have any internal service funds.

## Overview of the Financial Statements: (Continued)

### 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 \$29,228,088 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 As of June 30, 2012

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>
Current and other assets	\$ 34,878,782	\$ 32,683,154	\$ 249,343	\$ 501,227	\$ 35,128,125	\$ 33,184,381
Capital assets	32,760,049	33,176,590	7,584,521	6,126,737	40,344,570	39,303,327
Total assets	<u>\$ 67,638,831</u>	<u>\$ 65,859,744</u>	<u>\$ 7,833,864</u>	<u>\$ 6,627,964</u>	<u>\$ 75,472,695</u>	<u>\$ 72,487,708</u>
Long-term liabilities	\$ 33,766,732	\$ 34,503,594	\$ 1,130,506	\$ 1,143,594	\$ 34,897,238	\$ 35,647,188
Other liabilities	11,145,395	10,631,353	201,974	46,903	11,347,369	10,678,256
Total liabilities	<u>\$ 44,912,127</u>	<u>\$ 45,134,947</u>	<u>\$ 1,332,480</u>	<u>\$ 1,190,497</u>	<u>\$ 46,244,607</u>	<u>\$ 46,325,444</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,372,334	\$ 1,901,218	\$ 6,454,015	\$ 4,983,143	\$ 8,826,349	\$ 6,884,361
Restricted for:						
Debt service and bond covenants	-	-	22,601	16,294	22,601	16,294
Unrestricted	20,354,370	18,823,579	24,768	438,030	20,379,138	19,261,609
Total net assets	<u>\$ 22,726,704</u>	<u>\$ 20,724,797</u>	<u>\$ 6,501,384</u>	<u>\$ 5,437,467</u>	<u>\$ 29,228,088</u>	<u>\$ 26,162,264</u>

\*Note: the amounts presented for 2011 reflect a restatement as detailed in Note 21 of the financial statements.

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

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 30.2 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 (\$22,601) at June 30, 2012. The remaining balance of unrestricted net assets, which is \$20,379,138 or 69.7 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 \$ 2,372,334 in net assets invested in capital assets, net of related debt and \$20,354,370 in unrestricted net assets. The business-type activities reported positive balances of \$6,454,015 in net assets invested in capital assets, net of related debt and \$24,768 in unrestricted net assets.

The government's total net assets increased by \$3,065,824 during the current fiscal year, compared to an increase of \$2,892,906 in FY 2011.

**Governmental and Business-type Activities**

Governmental activities increased the County's net assets by \$2,001,907. Business-type activities increased the County's net assets by \$1,063,917. Key elements of these changes are as follows:

**County of Nelson's Changes in Net Assets  
For the Year Ended June 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011*	2012	2011*	2012	2011*
Revenues:						
Program Revenues:						
Charges for services	\$ 633,223	\$ 865,625	\$ 108,553	\$ 116,537	\$ 741,776	\$ 982,162
Operating grants & contributions	2,659,104	2,979,948	-	-	2,659,104	2,979,948
Capital grants & contributions	1,710,321	203,289	1,043,118	306,583	2,753,439	509,872
General revenues:						
General property taxes	20,120,918	19,270,265	-	-	20,120,918	19,270,265
Other local taxes	3,610,714	3,496,429	-	-	3,610,714	3,496,429
Use of money and property	154,369	331,077	-	-	154,369	331,077
Miscellaneous	68,990	84,056	-	-	68,990	84,056
Grants and contributions not restricted to specific programs	2,395,975	2,670,871	-	-	2,395,975	2,670,871
Transfers	(261,686)	(571,041)	261,686	571,041	-	-
Total revenues	\$ 31,091,928	\$ 29,330,519	\$ 1,413,357	\$ 994,161	\$ 32,505,285	\$ 30,324,680
Expenses:						
General government	\$ 1,985,357	\$ 1,938,519	\$ -	\$ -	\$ 1,985,357	\$ 1,938,519
Judicial administration	692,589	666,374	-	-	692,589	666,374
Public safety	4,131,423	3,373,814	-	-	4,131,423	3,373,814
Public works	1,866,516	1,733,529	349,440	333,834	2,215,956	2,067,363
Health and welfare	2,272,554	2,356,458	-	-	2,272,554	2,356,458
Education	15,227,323	14,266,695	-	-	15,227,323	14,266,695
Parks, recreation and cultural	599,470	565,713	-	-	599,470	565,713
Community development	812,186	724,030	-	-	812,186	724,030
Interest on long-term debt	1,502,603	1,472,808	-	-	1,502,603	1,472,808
Total expenses	\$ 29,090,021	\$ 27,097,940	\$ 349,440	\$ 333,834	\$ 29,439,461	\$ 27,431,774
Increase (decrease) in net assets	\$ 2,001,907	\$ 2,232,579	\$ 1,063,917	\$ 660,327	\$ 3,065,824	\$ 2,892,906
Beginning net assets	20,724,797	18,492,218	5,437,467	4,777,140	26,162,264	23,269,358
Ending net assets	\$ 22,726,704	\$ 20,724,797	\$ 6,501,384	\$ 5,437,467	\$ 29,228,088	\$ 26,162,264

\*Note: the amounts presented for 2011 reflect a restatement as detailed in Note 21 of the financial statements.



## Government-wide Financial Analysis: (Continued)

- Overall revenues increased by \$2,180,605. The most significant increase in revenue was due to increased capital grants (Public Safety Interoperable Communications Grant Program-\$1,310,000 and National Telecommunications and Information Administration Grant for Broadband-\$1,043,118).
- Capital grants included in program revenues for governmental activities reflected a net increase of \$1,200,449. This is comprised of the Public Safety Interoperable Communications Grant in the amount of \$1,310,000 and a decrease of \$111,859 in the Tunnel Grant (T-21).
- Capital grants included in program revenues for Business-type Activities reflect an increase of \$1,043,118 relative to receipt of a National Telecommunications and Information Administration Grant for Broadband.
- Operating grants and contributions for governmental activities decreased by \$320,844. Various categorical aid from both state and federal sources decreased. E911 Wireless grant funding decreased by \$149,720 and public assistance and welfare administration decreased by \$80,160 (state and federal). Comprehensive Services Act pool reimbursement revenue decreased by \$54,286.
- The revenues from the use of money and property included in program revenues for governmental activities decreased by \$176,708. This is primarily due to reductions in interest earnings and a reduction in proceeds from the sale of tax parcels for delinquent taxes.
- The revenues from general property taxes increased by \$850,653 primarily due to an increase in the real property tax rate for 2012.
- Expenses reflected an overall net increase of \$2,007,687.
- General government expenses increased by \$1,992,081 predominantly due to increases in public safety and education expenses.
- The Public Safety function reports an increase in expenditures of \$757,609. This is mainly attributable to an increase in depreciation expense of \$191,800, the acquisition of assets related to public safety interoperability on behalf of Albemarle County in the amount of \$351,564, and an increase in regional jail costs of \$86,170.
- Education expenditures reflect an increase of \$960,628. This is primarily due to an increase in local appropriations designated to schools of \$382,648 and an increase in the amount transferred from primary government to school board of jointly owned debt financed assets due to the payment of debt service of \$519,800.
- The business activities reported an increase in operational expenses of \$15,606. This reflects an increase in maintenance and repair expenditures for the Piney River water/sewer system.

## 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 \$22,163,583, an increase of \$1,191,235 from the prior year. Approximately, 88.3 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 \$103,411
- Committed fund balance of \$2,479,875

## Financial Analysis of the Government's Funds

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, 2012, total fund balance of the general fund was \$19,722,660, of which \$19,580,297 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 74.7 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$12,985,752. Total fund balance represents 75.3 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$3,681,454 during the current fiscal year.

Key factors in this increase are as follows:

- Collections of general property taxes increased by \$436,232 primarily attributable to an increase in the real estate tax rate for 2012.
- Revenue from the Federal Government increased by \$1,137,421 primarily due to the receipt of a Public Safety Interoperable Communications Grant in the amount of \$1,310,000.
- There was an issuance of lease revenue bonds in the amount of \$1,842,340 for the County's public safety radio system upgrade. This is treated as an other financing source and increased the General fund balance for the year.

### 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 \$89,614. This is an increase over the prior year of \$2,158.

Unrestricted net assets of the Broadband Authority at the end of the fiscal year were (\$64,846). For the year ended June 30, 2011, the Broadband Authority was reported as part of the Capital Projects Fund, however, the beginning net assets have been restated to reflect this activity as an Enterprise Fund for FY12, and thus it has been included in the County's Business Type Activities for the year ended June 30, 2012. This Authority had unrestricted net assets of \$350,574 at June 30, 2011, primarily attributable to unspent cash balances. During FY12, the cash balances and federal grant receipts have been expended on the broadband network. Any unrestricted net assets deficit as of year end will be funded in the next fiscal year through federal grant reimbursements.

### General Fund Budgetary Highlights

The final amended budget appropriations for the General Fund were \$106,579 more than the original budgeted expenditure appropriations, which is 0.3 percent of the total original budget, and can be briefly summarized as follows:

- Supplemental appropriation in the amount of \$30,000 to conduct a grant funded cider apple and cider production feasibility study.
- Supplemental appropriation in the amount of \$11,197 for primary election expenses. This appropriation was supported by state funding.
- Various other small supplemental appropriations.

## Capital Asset and Debt Administration

### Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2012 is \$32,760,049 (net of accumulated depreciation and is an increase of \$416,541 from the previous fiscal year). This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011*	2012	2011*	2012	2011*
Land	\$ 425,761	\$ 425,761	\$ 40,000	\$ 40,000	\$ 465,761	\$ 465,761
Infrastructure	-	-	5,481,576	5,674,066	5,481,576	5,674,066
Buildings and improvements	29,209,225	22,537,747	-	-	29,209,225	22,537,747
Machinery and equipment	2,443,402	877,275	-	-	2,443,402	877,275
Construction in progress	681,661	9,335,807	2,062,945	412,671	2,744,606	9,748,478
Total	<u>\$ 32,760,049</u>	<u>\$ 33,176,590</u>	<u>\$ 7,584,521</u>	<u>\$ 6,126,737</u>	<u>\$ 40,344,570</u>	<u>\$ 39,303,327</u>

\*Note: the amounts presented for 2011 reflect a restatement as detailed in Note 21 of the financial statements.

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, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Lease Revenue School Bonds	\$ -	\$ 10,985,000	\$ -	\$ -	\$ -	\$ 10,985,000
Lease Revenue Refunding	9,990,000	-	-	-	9,990,000	-
Lease Revenue Bonds	6,705,490	6,317,738	-	-	6,705,490	6,317,738
General Obligation Bonds	10,510,000	11,370,000	-	-	10,510,000	11,370,000
State Literary Fund Loans	1,750,000	2,000,000	-	-	1,750,000	2,000,000
Revenue Bonds	3,040,000	1,745,000	1,130,506	1,143,594	4,170,506	2,888,594
Capital Leases	-	71,134	-	-	-	71,134
Retirement Incentive Loan	338,076	382,568	-	-	338,076	382,568
Total	<u>\$ 32,333,566</u>	<u>\$ 32,871,440</u>	<u>\$ 1,130,506</u>	<u>\$ 1,143,594</u>	<u>\$ 33,464,072</u>	<u>\$ 34,015,034</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 5.5 percent (June 2012), which is an increase from the rate of 5.2 percent a year ago (June 2011). This compares favorably to the state's average unemployment rate of 6.0 percent (June 2012) and the national average rate of 8.4 percent (June 2012). These rates were obtained from the Virginia Employment Commission's Labor Market Data.
- Due to current housing market conditions, the County anticipates flat but stable receipts of building permit fees and recordation taxes as has been the trend in the last four fiscal years. The County does not anticipate recovery of the housing market to generate building permit fees at the level realized in fiscal year 2007-2008.
- The County anticipates some reductions in state funding at least in the next two fiscal years due to concerns about declining federal funding. The full extent of these reductions is not known at this time.
- A property reassessment effective for 2014 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 2012-2013 fiscal year.

## **Requests for Information**

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

## Basic Financial Statements

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## Government-wide Financial Statements

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Statement of Net Assets  
At June 30, 2012

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,686,081	\$ 128,257	18,814,338	\$ 1,913,762	\$ 31,121
Restricted cash	-	22,601	22,601	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,166,116	-	12,166,116	-	-
Accounts receivable	273,865	23,007	296,872	24,752	40,320
Notes receivable	-	-	-	-	128,000
Due from component unit	881,694	-	881,694	-	-
Due from other governmental units	2,767,615	75,478	2,843,093	916,154	-
Inventories	-	-	-	66,819	-
Prepaid expenses	103,411	-	103,411	22,287	-
Capital assets (net of accumulated depreciation):					
Land and improvements	425,761	40,000	465,761	851,210	-
Buildings and improvements	29,209,225	-	29,209,225	10,824,116	-
Infrastructure and equipment	-	5,481,576	5,481,576	-	-
Machinery and equipment	2,443,402	-	2,443,402	1,624,107	-
Construction in progress	681,661	2,062,945	2,744,606	-	-
<b>Total assets</b>	<b>\$ 67,638,831</b>	<b>\$ 7,833,864</b>	<b>\$ 75,472,695</b>	<b>\$ 16,243,207</b>	<b>\$ 199,441</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 766,096	\$ 198,980	\$ 965,076	\$ 75,254	\$ -
Accrued liabilities	370,913	2,994	373,907	1,430,810	-
Amounts held for others	96,362	-	96,362	-	-
Due to primary government	-	-	-	881,694	-
Unearned revenue	9,912,024	-	9,912,024	-	-
Long-term liabilities:					
Due within one year	2,119,990	13,664	2,133,654	33,849	-
Due in more than one year	31,646,742	1,116,842	32,763,584	435,144	-
<b>Total liabilities</b>	<b>\$ 44,912,127</b>	<b>\$ 1,332,480</b>	<b>\$ 46,244,607</b>	<b>\$ 2,856,751</b>	<b>\$ -</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 2,372,334	\$ 6,454,015	\$ 8,826,349	\$ 13,299,433	\$ -
Restricted for:					
Debt service and bond covenants	-	22,601	22,601	-	-
Unrestricted (deficit)	20,354,370	24,768	20,379,138	87,023	199,441
<b>Total net assets</b>	<b>\$ 22,726,704</b>	<b>\$ 6,501,384</b>	<b>\$ 29,228,088</b>	<b>\$ 13,386,456</b>	<b>\$ 199,441</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, 2012

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	\$ 1,985,357	\$ -	\$ 205,139	\$ -
Judicial administration	692,589	252,256	409,364	-
Public safety	4,131,423	183,670	860,509	1,310,000
Public works	1,866,516	148,057	5,265	-
Health and welfare	2,272,554	-	1,161,832	-
Education	15,227,323	-	-	-
Parks, recreation, and cultural	599,470	48,467	9,995	-
Community development	812,186	773	7,000	400,321
Interest on long-term debt	1,502,603	-	-	-
Total governmental activities	\$ 29,090,021	\$ 633,223	\$ 2,659,104	\$ 1,710,321
Business-type activities:				
Piney River Water & Sewer	349,440	108,503	-	-
Nelson County Broadband Authority	-	50	-	1,043,118
Total primary government	\$ 29,439,461	\$ 741,776	\$ 2,659,104	\$ 2,753,439
<b>COMPONENT UNITS:</b>				
School Board	\$ 24,288,722	\$ 459,893	\$ 9,784,568	\$ -
Nelson County Economic Development Authority	25,936	-	-	-
Total component units	\$ 24,314,658	\$ 459,893	\$ 9,784,568	\$ -
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 and transfers				
Change in net assets				
Net assets - beginning, as restated				
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
\$ (1,780,218)	\$ -	\$ (1,780,218)		
(30,969)	-	(30,969)		
(1,777,244)	-	(1,777,244)		
(1,713,194)	-	(1,713,194)		
(1,110,722)	-	(1,110,722)		
(15,227,323)	-	(15,227,323)		
(541,008)	-	(541,008)		
(404,092)	-	(404,092)		
(1,502,603)	-	(1,502,603)		
<u>\$ (24,087,373)</u>	<u>\$ -</u>	<u>\$ (24,087,373)</u>		
-	(240,937)	(240,937)		
-	1,043,168	1,043,168		
<u>\$ (24,087,373)</u>	<u>\$ 802,231</u>	<u>\$ (23,285,142)</u>		
			\$ (14,044,261)	\$ -
			<u>-</u>	<u>(25,936)</u>
			<u>\$ (14,044,261)</u>	<u>\$ (25,936)</u>
\$ 20,120,918	\$ -	\$ 20,120,918	\$ -	\$ -
988,659	-	988,659	-	-
446,787	-	446,787	-	-
732,634	-	732,634	-	-
400,624	-	400,624	-	-
599,675	-	599,675	-	-
442,335	-	442,335	-	-
-	-	-	14,668,049	-
154,369	-	154,369	173	8,974
68,990	-	68,990	334,552	-
2,395,975	-	2,395,975	-	-
(261,686)	261,686	-	-	-
<u>\$ 26,089,280</u>	<u>\$ 261,686</u>	<u>\$ 26,350,966</u>	<u>\$ 15,002,774</u>	<u>\$ 8,974</u>
\$ 2,001,907	\$ 1,063,917	\$ 3,065,824	\$ 958,513	\$ (16,962)
<u>20,724,797</u>	<u>5,437,467</u>	<u>26,162,264</u>	<u>12,427,943</u>	<u>216,403</u>
<u>\$ 22,726,704</u>	<u>\$ 6,501,384</u>	<u>\$ 29,228,088</u>	<u>\$ 13,386,456</u>	<u>\$ 199,441</u>

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## Fund Financial Statements

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Balance Sheet  
 Governmental Funds  
 At June 30, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 15,859,293	\$ 190,486	\$ 2,636,252	\$ 50	\$ 18,686,081
Receivables (net of allowance):					
Property taxes receivable, net	12,166,116	-	-	-	12,166,116
Accounts receivable	273,865	-	-	-	273,865
Due from component unit	881,694	-	-	-	881,694
Due from other governmental units	2,668,373	-	-	99,242	2,767,615
Prepaid items	103,411	-	-	-	103,411
<b>Total assets</b>	<b>\$ 31,952,752</b>	<b>\$ 190,486</b>	<b>\$ 2,636,252</b>	<b>\$ 99,292</b>	<b>\$ 34,878,782</b>
<b>Liabilities</b>					
Accounts payable	\$ 280,989	\$ -	\$ 385,865	\$ 99,242	\$ 766,096
Amounts held for others	96,362	-	-	-	96,362
Prepaid property taxes	192,133	-	-	-	192,133
Deferred revenue	11,660,608	-	-	-	11,660,608
<b>Total liabilities</b>	<b>\$ 12,230,092</b>	<b>\$ -</b>	<b>\$ 385,865</b>	<b>\$ 99,242</b>	<b>\$ 12,715,199</b>
<b>Fund balance</b>					
Nonspendable	\$ 103,411	\$ -	\$ -	\$ -	\$ 103,411
Committed	38,952	190,486	2,250,387	50	2,479,875
Unassigned	19,580,297	-	-	-	19,580,297
<b>Total fund balances</b>	<b>\$ 19,722,660</b>	<b>\$ 190,486</b>	<b>\$ 2,250,387</b>	<b>\$ 50</b>	<b>\$ 22,163,583</b>
<b>Total liabilities and fund balances</b>	<b>\$ 31,952,752</b>	<b>\$ 190,486</b>	<b>\$ 2,636,252</b>	<b>\$ 99,292</b>	<b>\$ 34,878,782</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, 2012

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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 \$ 22,163,583

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	681,661	
Buildings and improvements, net of depreciation	11,700,351	
Equipment, net of depreciation	2,443,402	
School Board capital assets, net of depreciation	<u>17,508,874</u>	32,760,049

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,940,717

Compensated absences are not payable with current assets and accordingly are not reported as fund liabilities. (264,952)

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	\$ (370,913)	
Bonds, notes and capital leases payable	(31,529,050)	
Bond premiums	(629,191)	
Early retirement incentive obligation	(338,076)	
Accrued landfill remediation costs	<u>(982,018)</u>	(33,849,248)

Net OPEB obligation not reported in the funds (23,445)

Net assets of governmental activities \$ 22,726,704

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, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 19,964,116	\$ -	\$ -	\$ -	\$ 19,964,116
Other local taxes	3,610,714	-	-	-	3,610,714
Permits, privilege fees, and regulatory licenses	177,207	-	-	-	177,207
Fines and forfeitures	237,993	-	-	-	237,993
Revenue from the use of money and property	154,296	-	73	-	154,369
Charges for services	218,023	-	-	-	218,023
Miscellaneous	68,955	-	-	35	68,990
Recovered costs	640,168	-	-	-	640,168
Intergovernmental revenues:					
Revenue from the Commonwealth	4,475,156	-	-	-	4,475,156
Revenue from the Federal Government	1,975,010	-	-	315,234	2,290,244
<b>Total revenues</b>	<b>\$ 31,521,638</b>	<b>\$ -</b>	<b>\$ 73</b>	<b>\$ 315,269</b>	<b>\$ 31,836,980</b>
<b>Expenditures</b>					
Current:					
General government administration	\$ 1,684,480	\$ -	\$ -	\$ -	\$ 1,684,480
Judicial administration	692,589	-	-	-	692,589
Public safety	3,902,854	-	-	-	3,902,854
Public works	1,701,133	-	-	-	1,701,133
Health and welfare	2,326,951	-	-	-	2,326,951
Education	12,988,776	-	-	-	12,988,776
Parks, recreation, and cultural	448,611	-	-	-	448,611
Community development	799,087	-	-	142,234	941,321
Nondepartmental	62,459	-	-	-	62,459
Capital projects	1,540,128	-	1,471,870	-	3,011,998
Debt service:					
Principal retirement	-	2,187,022	-	-	2,187,022
Interest and other fiscal charges	62,142	1,536,019	298,080	-	1,896,241
<b>Total expenditures</b>	<b>\$ 26,209,210</b>	<b>\$ 3,723,041</b>	<b>\$ 1,769,950</b>	<b>\$ 142,234</b>	<b>\$ 31,844,435</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 5,312,428</b>	<b>\$ (3,723,041)</b>	<b>\$ (1,769,877)</b>	<b>\$ 173,035</b>	<b>\$ (7,455)</b>
<b>Other financing sources (uses)</b>					
Transfers in	\$ 600,000	\$ 3,516,564	\$ 470,500	\$ -	\$ 4,587,064
Transfers out	(4,073,314)	-	(600,000)	(175,436)	(4,848,750)
Issuance of long-term debt	1,842,340	-	10,719,476	-	12,561,816
Payment to bond escrow agent	-	-	(11,101,440)	-	(11,101,440)
<b>Total other financing sources (uses)</b>	<b>\$ (1,630,974)</b>	<b>\$ 3,516,564</b>	<b>\$ (511,464)</b>	<b>\$ (175,436)</b>	<b>\$ 1,198,690</b>
<b>Net change in fund balances</b>	<b>\$ 3,681,454</b>	<b>\$ (206,477)</b>	<b>\$ (2,281,341)</b>	<b>\$ (2,401)</b>	<b>\$ 1,191,235</b>
<b>Fund balance, beginning of year, as restated</b>	<b>16,041,206</b>	<b>396,963</b>	<b>4,531,728</b>	<b>2,451</b>	<b>20,972,348</b>
<b>Fund balance, end of year</b>	<b>\$ 19,722,660</b>	<b>\$ 190,486</b>	<b>\$ 2,250,387</b>	<b>\$ 50</b>	<b>\$ 22,163,583</b>

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

Reconciliation of Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ 1,191,235

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	\$ 2,781,922	
Depreciation expense	(1,516,166)	
Adjustment for jointly owned capital assets	<u>(1,682,297)</u>	(416,541)

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.

(15,230)

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

156,802

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	\$ (12,561,816)	
Payment to bond escrow agent	11,101,440	
Increase in landfill liability	(17,537)	
Repayments:		
General obligation school bonds	860,000	
Plus: Amortization of issuance premium	52,329	
Lease revenue bonds	701,396	
State Literary Fund loans	250,000	
Infrastructure revenue bonds	260,000	
Plus: Amortization of issuance premium	7,760	
Capital leases	71,134	
Early retirement incentive obligation	<u>44,492</u>	
Net adjustment		769,198

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	\$ (30,249)	
Net OPEB obligation	(2,087)	
Accrued interest on bonds and loans	<u>348,779</u>	<u>316,443</u>

Change in net assets of governmental activities \$ 2,001,907

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

Statement of Net Assets  
 Proprietary Funds  
 At June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Piney River Water &amp; Sewer Fund</u>	<u>Broadband Authority</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 76,190	\$ 52,067	\$ 128,257
Restricted cash	22,601	-	22,601
Accounts receivable, net	23,007	-	23,007
Due from other governments	-	75,478	75,478
Total current assets	<u>\$ 121,798</u>	<u>\$ 127,545</u>	<u>\$ 249,343</u>
Noncurrent assets:			
Land and construction in progress	\$ 40,000	\$ 2,062,945	\$ 2,102,945
Other capital assets, net of accumulated depreciation	5,481,576	-	5,481,576
Total noncurrent assets	<u>\$ 5,521,576</u>	<u>\$ 2,062,945</u>	<u>\$ 7,584,521</u>
Total assets	<u>\$ 5,643,374</u>	<u>\$ 2,190,490</u>	<u>\$ 7,833,864</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 6,589	\$ 192,391	\$ 198,980
Accrued interest expense	2,994	-	2,994
Current portion of bonds payable	13,664	-	13,664
Total current liabilities	<u>\$ 23,247</u>	<u>\$ 192,391</u>	<u>\$ 215,638</u>
Long-term liabilities			
Bonds payable, net of current	\$ 1,116,842	\$ -	\$ 1,116,842
Total long-term liabilities	<u>1,116,842</u>	<u>-</u>	<u>1,116,842</u>
Total liabilities	<u>\$ 1,140,089</u>	<u>\$ 192,391</u>	<u>\$ 1,332,480</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 4,391,070	\$ 2,062,945	\$ 6,454,015
Restricted for:			
Debt service and bond covenants	22,601	-	22,601
Unrestricted	89,614	(64,846)	24,768
Total net assets	<u>\$ 4,503,285</u>	<u>\$ 1,998,099</u>	<u>\$ 6,501,384</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 Funds  
 For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Broadband Authority	Total
<b>Operating revenues:</b>			
Charges for services, net	\$ 108,503	\$ 50	\$ 108,553
Total operating revenues	\$ 108,503	\$ 50	\$ 108,553
<b>Operating expenses:</b>			
Water & sewer service	\$ 41,458	\$ -	\$ 41,458
Maintenance & repairs	35,426	-	35,426
Other charges	30,090	-	30,090
Depreciation expense	192,490	-	192,490
Total operating expenses	\$ 299,464	\$ -	\$ 299,464
<b>Operating income (loss)</b>	\$ (190,961)	\$ 50	\$ (190,911)
<b>Nonoperating expense:</b>			
Interest expense	\$ 49,976	\$ -	\$ 49,976
Net nonoperating expense	\$ 49,976	\$ -	\$ 49,976
<b>Income(loss) before capital contributions and transfers</b>	\$ (240,937)	\$ 50	\$ (240,887)
<b>Capital contributions:</b>			
Capital grant - NTIA	\$ -	\$ 1,043,118	\$ 1,043,118
Total capital contributions	\$ -	\$ 1,043,118	\$ 1,043,118
<b>Transfers:</b>			
Transfers in	\$ 70,000	\$ 191,686	\$ 261,686
Total transfers	\$ 70,000	\$ 191,686	\$ 261,686
<b>Change in net assets</b>	\$ (170,937)	\$ 1,234,854	\$ 1,063,917
Net assets, beginning of year, as restated	4,674,222	763,245	5,437,467
Net assets, end of year	\$ 4,503,285	\$ 1,998,099	\$ 6,501,384

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, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Piney River</u>		
	<u>Water &amp; Sewer Fund</u>	<u>Broadband Authority</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 120,506	\$ 50	\$ 120,556
Payments to suppliers	(105,852)	-	(105,852)
Net cash provided by (used for) operating activities	<u>\$ 14,654</u>	<u>\$ 50</u>	<u>\$ 14,704</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets, net of related payable	\$ -	\$ (1,496,166)	\$ (1,496,166)
Capital grants	-	967,640	967,640
Principal repayments on bonds payable	\$ (13,088)	-	\$ (13,088)
Interest paid on bonds payable	(49,985)	-	(49,985)
Net cash provided by (used for) capital and related financing activities	<u>\$ (63,073)</u>	<u>\$ (528,526)</u>	<u>\$ (591,599)</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from local government	\$ 70,000	\$ 191,686	\$ 261,686
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 21,581	\$ (336,790)	\$ (315,209)
<b>Cash and cash equivalents, beginning of year</b>	<u>77,210</u>	<u>388,857</u>	<u>466,067</u>
<b>Cash and cash equivalents, end of year (including restricted cash of \$22,601)</b>	<u><u>\$ 98,791</u></u>	<u><u>\$ 52,067</u></u>	<u><u>\$ 150,858</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (190,961)	\$ 50	\$ (190,911)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation expense	192,490	-	192,490
Changes in assets and liabilities:			
Accounts receivable	12,003	-	12,003
Prepaid expenses	151	-	151
Accounts payable	971	-	971
Net cash provided by (used for) operating activities	<u>\$ 14,654</u>	<u>\$ 50</u>	<u>\$ 14,704</u>
<b>Supplemental information:</b>			
Interest paid during year	\$ 49,985	-	\$ 49,985
Change in accrued interest payable	(9)	-	(9)
<b>Interest expense for year</b>	<u><u>\$ 49,976</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,976</u></u>

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

Statement of Fiduciary Net Assets  
At June 30, 2012

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>682,102</u>
Total assets	\$ <u><u>682,102</u></u>
<b>Liabilities:</b>	
Amounts held for others	\$ <u>682,102</u>
Total liabilities	\$ <u><u>682,102</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, 2012

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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 component units, entities for which the government is considered to be financially accountable.

*Blended Component Units - Nelson County Broadband Authority* - The Nelson County Broadband Authority serves all the citizens of the government and is governed by a board comprised of the government's elected supervisors. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2012.

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

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

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### B. Reporting Entity: (Continued)

The Economic Development Authority of Nelson County, Virginia was created to issue industrial development revenue bonds for businesses located within the County. The Authority board members are appointed by the County Board of Supervisors. All debt issuance must be approved by the County Board of Supervisors and the County has incurred a moral obligation to provide funding for the payment of the Authority debt. The Authority is presented as a proprietary fund type. A copy of the Authority's financial statements may be obtained from the Nelson County Administrator's office.

**Related Organizations** - The County's officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the Board appointment. The Nelson County Service Authority board members are appointed by the County Board of Supervisors. The County's accountability for the Authority does not extend beyond making the appointments. The County appropriated \$156,000 to the Authority for operating grants for fire protection services in fiscal year 2012 and provides space for its administrative offices. The County also paid \$162,812 to the Authority for its share of the debt service of the Colleen water line. The Authority is not included in the reporting entity. A copy of the Authority's financial statements can be obtained from the Authority administrative office located in Lovingston, Virginia.

**Jointly Governed Organizations** - The County appoints representative members of the governing bodies of the Jefferson-Madison Regional Library, the Region Ten Community Services Board, and the Thomas Jefferson Planning District Commission. The County does not retain ongoing financial interests in these organizations. During the year, the County contributed \$255,648 for operations to the Jefferson-Madison Regional Library, \$72,078 to the Region Ten Community Services Board, \$18,241 to the Thomas Jefferson Planning District Commission, \$573,086 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 2012, the County paid the Region 2000 Services Authority \$224,354 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.



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

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**C. Government-wide and fund financial statements: (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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)

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 2012.

##### 1. Governmental Funds:

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

##### 2. Proprietary Funds

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

Proprietary funds operating revenue consist of charges for services and related revenues. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

Proprietary Funds consist of the Piney River Water & Sewer Fund and the Nelson County Broadband Authority. The Piney River Water & Sewer Fund and the Nelson County Broadband Authority are Enterprise Funds. An Enterprise Fund is a proprietary fund that accounts for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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)**

3. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Agency Funds consist of the Special Welfare and EMS Loan Funds.

The County has no Trust Funds.

4. Component Units:

a. Nelson County School Board: The Nelson County School Board has the following fund:

– Governmental Fund:

~ School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Nelson and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes. This fund also accounts for the operations of the School Board's food service and textbook purchase programs.

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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### E. Cash and Cash Equivalents

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

#### F. Investments

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

#### G. Restricted Cash:

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

The Piney River Water and Sewer Fund has recorded \$22,601 in restricted cash. This amount represents the reserve required to be established by the loan agreement. See Note 7 for further discussion.

#### H. Property Taxes

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

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

#### I. Budgets and Budgetary Accounting

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

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, 2012 (Continued)

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

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#### I. 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, 2012, as adopted, appropriated and legally amended.

The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. If budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. Public hearings are required to amend the budget if amendments exceed 1% of the original adopted budget. There was no budget amendment during the year that exceeded the 1% limitation. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

#### J. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,171,357 at June 30, 2012. The allowance is comprised of property taxes, landfill fees, EMS charges, and sewer charges.

#### K. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. The County, Component Unit School Board, and Component Unit Economic Development Authority do not have any infrastructure in their capital assets since roads, streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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**K. 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

**L. Compensated Absences**

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

**M. Use of Estimates**

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

**N. Long-Term Obligations**

In the government-wide financial statements, long-term 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, 2012 (Continued)

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

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#### O. Fund Equity

##### Financial Policies

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

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

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

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for 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, 2012 (Continued)

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

O. Fund Equity: (Continued)

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

Category	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government	Component Unit School Board
<b>Nonspendable:</b>						
Prepaid items	\$ 103,411	\$ -	\$ -	\$ -	\$ 103,411	\$ 22,287
Inventory	-	-	-	-	-	66,819
<b>Total Nonspendable</b>	<b>\$ 103,411</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,411</b>	<b>\$ 89,106</b>
<b>Committed:</b>						
Ryan School Reserve	\$ 38,952	\$ -	\$ -	\$ -	\$ 38,952	\$ -
Debt Service	-	190,486	-	-	190,486	-
Community Development	-	-	-	50	50	-
Textbooks	-	-	-	-	-	352,468
Cafeteria	-	-	-	-	-	203,548
Courthouse Construction	-	-	752,572	-	752,572	-
Capital Projects	-	-	1,497,815	-	1,497,815	-
<b>Total Committed</b>	<b>\$ 38,952</b>	<b>\$ 190,486</b>	<b>\$ 2,250,387</b>	<b>\$ 50</b>	<b>\$ 2,479,875</b>	<b>\$ 556,016</b>
<b>Unassigned</b>	<b>\$ 19,580,297</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,580,297</b>	<b>\$ (89,106)</b>
<b>Total Fund Balance</b>	<b>\$ 19,722,660</b>	<b>\$ 190,486</b>	<b>\$ 2,250,387</b>	<b>\$ 50</b>	<b>\$ 22,163,583</b>	<b>\$ 556,016</b>

P. 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.

Q. Loan costs

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

R. Inventory

Inventory is stated at the lesser of cost or fair market value. Cost is calculated on a first in, first out basis.

S. Reclassification

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



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**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, 2012 were held in the County’s name by the County’s custodial banks.

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2012 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	\$ 1,770,526
Local Government Investment Pool	48,307
Total	\$ 1,818,833
<b>Component Unit -- Economic Development Authority</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Local Government Investment Pool	\$ 8,779

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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.

**NOTE 3—RECEIVABLES:**

Receivables at June 30, 2012 consist of the following:

	<u>Primary Government</u>			
	<u>Governmental</u>		<u>Component Units</u>	
	<u>Activities</u>	<u>Business-</u>	<u>School</u>	<u>Economic</u>
	<u>General</u>	<u>Type</u>	<u>Board</u>	<u>Development</u>
	<u>Fund</u>	<u>Activities</u>	<u>Authority</u>	<u>Authority</u>
Property taxes	\$ 12,315,691	\$ -	\$ -	\$ -
Penalties	37,668			
Utility taxes	34,275	-	-	-
Recordation taxes	14,235	-	-	-
Court fines	16,582			
Lodging fees	30,684	-	-	-
Meals taxes	67,308	-	-	-
Landfill fees	14,837	-	-	-
EMS revenue recovery	1,069,514	-	-	-
Note receivable	-	-	-	128,000
E-rate reimbursement	-	-	20,777	-
Sewer charges	-	24,345	-	-
Other	9,206	-	3,975	40,320
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total receivables	\$ 13,610,000	\$ 24,345	\$ 24,752	\$ 168,320
Allowance for uncollectibles	<u>(1,170,019)</u>	<u>(1,338)</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 12,439,981</u>	<u>\$ 23,007</u>	<u>\$ 24,752</u>	<u>\$ 168,320</u>

A note receivable in the amount of \$128,000 was obtained in connection with the sale of land held by the Economic Development Authority (EDA) in December, 2007. The note and accrued interest were payable in full in June 2012. The note accrues interest at 7% per annum and is secured by a deed of trust. During 2012, the Board of the EDA agreed to extend the maturity date of the note to June 2013.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government				Component
	Governmental			Business-	Unit
	Activities				Type
	General	Other	Total	Activities	
Fund	Funds				
<b>Commonwealth of Virginia:</b>					
Local sales taxes	\$ 159,180	\$ -	\$ 159,180	\$ -	-
State sales taxes	-	-	-	-	322,458
Personal property tax relief act	734,930	-	734,930	-	-
Comprehensive Services Act	105,273	-	105,273	-	-
Public assistance	32,904	-	32,904	-	-
Communications tax	82,582	-	82,582	-	-
Shared expenses and grants	110,989	-	110,989	-	-
Other	25,009	-	25,009	-	-
<b>Federal government:</b>					
Public assistance	38,820	-	38,820	-	-
TEA-21 grant	60,086	-	60,086	-	-
Public safety interoperability	1,310,000	-	1,310,000	-	-
Broadband grant	-	-	-	75,478	-
Community development block grant	-	99,242	99,242	-	-
Other	8,600	-	8,600	-	-
Federal pass-through school funds	-	-	-	-	593,696
<b>Total</b>	<b>\$ 2,668,373</b>	<b>\$ 99,242</b>	<b>\$ 2,767,615</b>	<b>\$ 75,478</b>	<b>\$ 916,154</b>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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	\$ (3,516,564)
Transfer from the Capital projects fund	600,000
Transfer to the Capital projects fund	(300,500)
Transfer to the Broadband Fund	(16,250)
Transfer to the Piney River Water & Sewer fund to support operations	(70,000)
Transfer to the Capital Projects fund to pay for Courthouse construction	<u>(170,000)</u>
Net transfers from General Fund	<u>\$ (3,473,314)</u>
Transfer from the General Fund to pay principal and interest on long-term debt	<u>\$ 3,516,564</u>
Net transfers to Debt Service Fund	<u>\$ 3,516,564</u>
Transfer to the General Fund	\$ (600,000)
Transfer from the General Fund fund to pay for Courthouse construction and other projects	<u>470,500</u>
Net transfers to the Capital Projects Fund	<u>\$ (129,500)</u>
Transfer to the Broadband Fund	<u>\$ (175,436)</u>
Net transfers from the Housing Improvement Fund	<u>\$ (175,436)</u>
Transfer from the General Fund to support operations	<u>\$ 70,000</u>
Net transfers to the Piney River Water & Sewer Fund	<u>\$ 70,000</u>
Transfer from the General Fund to pay for broadband project	\$ 16,250
Transfer from the Housing Improvement Fund to pay for broadband project	<u>175,436</u>
Net transfers to the Piney River Water & Sewer Fund	<u>\$ 191,686</u>

The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2012:

**Governmental Activities:**

	Balance July 1, 2011, as restated	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land and land improvements	\$ 425,761	\$ -	\$ -	\$ 425,761
Construction in progress	9,335,807	1,726,429	10,380,575	681,661
Total capital assets not being depreciated	<u>\$ 9,761,568</u>	<u>\$ 1,726,429</u>	<u>\$ 10,380,575</u>	<u>\$ 1,107,422</u>
Other capital assets:				
Buildings and improvements	\$ 4,882,578	\$ 9,483,259	\$ -	\$ 14,365,837
Furniture, equipment and vehicles	2,815,250	1,955,646	175,176	4,595,720
School buildings, improvements and equipment *	24,426,133	-	2,176,133	22,250,000
Total other capital assets	<u>\$ 32,123,961</u>	<u>\$ 11,438,905</u>	<u>\$ 2,351,309</u>	<u>\$ 41,211,557</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,092,252	\$ 573,234	\$ -	\$ 2,665,486
Furniture, equipment and vehicles	1,937,975	386,682	172,339	2,152,318
School buildings, improvements and equipment *	4,678,712	556,250	493,836	4,741,126
Total accumulated depreciation	<u>\$ 8,708,939</u>	<u>\$ 1,516,166</u>	<u>\$ 666,175</u>	<u>\$ 9,558,930</u>
Other capital assets, net	<u>\$ 23,415,022</u>	<u>\$ 9,922,739</u>	<u>\$ 1,685,134</u>	<u>\$ 31,652,627</u>
Net capital assets	<u><u>\$ 33,176,590</u></u>	<u><u>\$ 11,649,168</u></u>	<u><u>\$ 12,065,709</u></u>	<u><u>\$ 32,760,049</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 258,251		
Public safety		279,772		
Public works		259,721		
Health and welfare		20,011		
Education		556,250		
Parks, recreation and cultural		127,557		
Community development		14,604		
Total depreciation expense		<u><u>\$ 1,516,166</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, 2012 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
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	\$ 43,926,109	\$ -	\$ -	\$ 43,926,109
Furniture, equipment and vehicles	4,284,855	372,902	165,588	4,492,169
School buildings, improvements and equipment allocated to County *	(24,426,133)	2,176,133	-	(22,250,000)
Total other capital assets	<u>\$ 23,784,831</u>	<u>\$ 2,549,035</u>	<u>\$ 165,588</u>	<u>\$ 26,168,278</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 14,401,362	\$ 1,191,757	\$ -	\$ 15,593,119
Furniture, equipment and vehicles	2,724,945	298,580	155,463	2,868,062
School buildings, improvements and equipment allocated to County *	(4,678,712)	(556,250)	(493,836)	(4,741,126)
Total accumulated depreciation	<u>\$ 12,447,595</u>	<u>\$ 934,087</u>	<u>\$ (338,373)</u>	<u>\$ 13,720,055</u>
Other capital assets, net	<u>\$ 11,337,236</u>	<u>\$ 1,614,948</u>	<u>\$ 503,961</u>	<u>\$ 12,448,223</u>
Net capital assets	<u>\$ 12,188,446</u>	<u>\$ 1,614,948</u>	<u>\$ 503,961</u>	<u>\$ 13,299,433</u>
Depreciation expense allocated to education		<u>\$ 934,087</u>		

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

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

Net capital assets	\$ 32,760,049
Less: Long-term debt applicable to capital assets at June 30, 2012	\$ 32,158,241
Less: Bond proceeds and related premium received but not expended on capital assets at June 30, 2012	1,770,526
Net assets invested in capital assets, less related debt	<u>\$ 2,372,334</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

**Business Type Activities:**

**Piney River Water & Sewer Operations**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
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	\$ 899,131	\$ 187,366	\$ -	\$ 1,086,497
Equipment	10,249	5,124	-	15,373
Total accumulated depreciation	\$ 909,380	\$ 192,490	\$ -	\$ 1,101,870
Other capital assets, net	\$ 5,674,066	\$ (192,490)	\$ -	\$ 5,481,576
Net capital assets	\$ 5,714,066	\$ (192,490)	\$ -	\$ 5,521,576

**Nelson County Broadband Authority**

	Balance July 1, 2011, as restated	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Construction in progress	\$ 412,671	\$ 1,650,274	\$ -	\$ 2,062,945
Total capital assets not being depreciated	\$ 412,671	\$ 1,650,274	\$ -	\$ 2,062,945
Net capital assets	\$ 412,671	\$ 1,650,274	\$ -	\$ 2,062,945

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

Net capital assets	\$ 7,584,521
Less: Long-term debt applicable to capital assets at June 30, 2012	1,130,506
Net assets invested in capital assets, less related debt	\$ 6,454,015

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

Capital assets were restated as of July 1, 2011 as follows:

**Governmental Activities:**

	<u>Balance June 30, 2011</u>	<u>Restatement</u>	<u>Balance July 1, 2011, as restated</u>
Capital assets not being depreciated:			
Land and land improvements	\$ 425,761	\$ -	\$ 425,761
Construction in progress	9,748,478	(412,671)	9,335,807
Total capital assets not being depreciated	<u>\$ 10,174,239</u>	<u>\$ (412,671)</u>	<u>\$ 9,761,568</u>
Other capital assets:			
Buildings and improvements	\$ 4,882,578	\$ -	\$ 4,882,578
Furniture, equipment and vehicles	2,815,250	-	2,815,250
School buildings, improvements and equipment *	24,426,133	-	24,426,133
Total other capital assets	<u>\$ 32,123,961</u>	<u>\$ -</u>	<u>\$ 32,123,961</u>
Less: Accumulated depreciation for:			
Buildings and improvements	\$ 2,092,252	\$ -	\$ 2,092,252
Furniture, equipment and vehicles	1,937,975	-	1,937,975
School buildings, improvements and equipment *	4,678,712	-	4,678,712
Total accumulated depreciation	<u>\$ 8,708,939</u>	<u>\$ -</u>	<u>\$ 8,708,939</u>
Other capital assets, net	<u>\$ 23,415,022</u>	<u>\$ -</u>	<u>\$ 23,415,022</u>
Net capital assets	<u>\$ 33,589,261</u>	<u>\$ (412,671)</u>	<u>\$ 33,176,590</u>

**Nelson County Broadband Authority**

	<u>Balance June 30, 2011</u>	<u>Restatement</u>	<u>Balance July 1, 2011, as restated</u>
Capital assets not being depreciated:			
Construction in progress	\$ -	\$ 412,671	\$ 412,671
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 412,671</u>	<u>\$ 412,671</u>
Net capital assets	<u>\$ -</u>	<u>\$ 412,671</u>	<u>\$ 412,671</u>



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2012</u>
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
Lease revenue school bonds	\$ 10,985,000	\$ -	\$ 10,985,000	\$ -
Lease revenue refunding bonds	-	9,990,000	-	9,990,000
Deferred amount on refunding	-	(466,440)	-	(466,440)
Lease revenue bonds	6,317,738	739,148	351,396	6,705,490
General obligation bonds:				
School	11,370,000	-	860,000	10,510,000
Premium on issuance	386,602	-	52,329	334,273
State Literary Fund loans:				
School	2,000,000	-	250,000	1,750,000
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	1,745,000	1,555,000	260,000	3,040,000
Premium on issuance	25,010	277,668	7,760	294,918
Capital leases	71,134	-	71,134	-
Retirement incentive obligation loan	382,568	-	44,492	338,076
Compensated absences	234,703	30,249	-	264,952
Other post-employment benefits	21,358	30,487	28,400	23,445
Landfill liability	964,481	17,537	-	982,018
	<u>\$ 34,503,594</u>	<u>\$ 12,173,649</u>	<u>\$ 12,910,511</u>	<u>\$ 33,766,732</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 2,119,990
Long-term liabilities due in more than one year				<u>31,646,742</u>
Total				<u>\$ 33,766,732</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2012</u>
<b>Business-type activities:</b>				
USDA Water Revenue Bond	\$ 485,241	\$ -	\$ 5,721	\$ 479,520
USDA Sewer Revenue Bond	658,353	-	7,367	650,986
	<u>\$ 1,143,594</u>	<u>\$ -</u>	<u>\$ 13,088</u>	<u>\$ 1,130,506</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 13,664
Long-term liabilities due in more than one year				<u>1,116,842</u>
Total				<u>\$ 1,130,506</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>
2013	\$ 2,058,043	\$ 1,281,043
2014	2,012,443	1,244,721
2015	2,051,675	1,158,006
2016	2,131,386	1,068,045
2017	2,226,601	973,627
2018-2022	9,589,063	3,577,175
2023-2027	7,380,358	1,705,119
2028-2032	2,189,270	955,415
2033-2037	1,635,565	637,295
2038-2042	1,890,189	260,933
2043-2047	278,486	36,874
2048-2049	20,993	351
Total	<u>\$ 33,464,072</u>	<u>\$ 12,898,604</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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%	\$ 50,000	\$ 50,000
\$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%	145,000	145,000
\$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%	75,000	35,000
\$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%	10,240,000	635,000
Unamortized premium on issuance of 2003 School Bonds	<u>334,273</u>	<u>49,191</u>
Total general obligation school bonds	<u>\$ 10,844,273</u>	<u>\$ 914,191</u>
<u>Lease Revenue Refunding Bonds:</u>		
\$9,990,000 Lease Revenue Refunding Bonds Series 2012, issued March 2012, due in various semi-annual installments ranging from \$480,000 to \$860,000, through August 2027, interest rates at 2.75%	\$ 9,990,000	\$ 480,000
Deferred amount on refunding	<u>(466,440)</u>	<u>(44,864)</u>
Total lease revenue refunding bonds	<u>\$ 9,523,560</u>	<u>\$ 435,136</u>
<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%	<u>\$ 1,750,000</u>	<u>\$ 250,000</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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>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, 2012 was \$7,058,608	\$ 6,705,490	\$ 126,867
<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%.	\$ 1,485,000	\$ 275,000
Unamortized premium	17,250	6,393
\$1,555,000 issued May 23, 2012 due in various installments of principal and interest through October 2022, interest payable semi-annually ranging from 3.445% to 5.125%.	1,555,000	-
Unamortized premium	277,668	38,396
Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 3,334,918</u>	<u>\$ 319,789</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%.	\$ 338,076	\$ 47,513
Total governmental loans and bonds	<u>\$ 32,496,317</u>	<u>\$ 2,093,496</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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%	\$ 479,520	\$ 5,965
\$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>650,986</u>	<u>7,699</u>
Total business-type long-term obligations	<u>\$ 1,130,506</u>	<u>\$ 13,664</u>

Advance Refunding of Debt

On March 29, 2012 the County issued \$9,900,000 of Public Facility Lease Revenue Refunding Bonds, Series 2012 to advance refund \$10,635,000 of Lease Revenue School Bond Series 2012. The County also used \$1,213,500 from its Debt Service Reserve Fund for the refunding. As a result the Lease Revenue School Bonds Series 2002, are considered to be defeased in substance and the liability for these bonds has been removed from these financial statements.

The reacquisition price exceeded the carrying amount of the old debt by \$466,440.

This amount is being netted against the new debt and amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over the next seventeen years by \$2,375,703 and resulted in an economic gain (loss) of \$1,945,411.

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

USDA Revenue Bonds: (Continued)

The reserve was established in December 2008, and has a balance of \$22,601 at June 30, 2012. The reserve has been reflected as restricted cash in the accompanying financial statements.

The County paid \$49,976 in interest on the USDA Water and Sewer Bonds in fiscal 2012, of which \$0 has been capitalized in the accompanying financial statements.

Federal Arbitrage Regulations:

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

The following is summary of long-term debt transactions of the School Board for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2012</u>
<b>School Board</b>				
Compensated absences	\$ 369,032	\$ -	\$ 30,540	\$ 338,492
Other post-employment benefits	<u>97,132</u>	<u>124,069</u>	<u>90,700</u>	<u>130,501</u>
Total	<u>\$ 466,164</u>	<u>\$ 124,069</u>	<u>\$ 121,240</u>	<u>\$ 468,993</u>
<b>Reconciliation to Exhibit 1:</b>				
Long-term liabilities due within one year			\$ 33,849	
Long-term liabilities due in more than one year				<u>435,144</u>
Total			<u>\$ 468,993</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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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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</u> <u>July 1, 2011</u>	<u>Net Increase/</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2012</u>
Primary Government:			
Governmental activities	\$ 234,703	\$ 30,249	\$ 264,952
Component Unit School Board	\$ 369,032	\$ (30,540)	\$ 338,492

**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 5 years of service credit or age 50 with at least 10 years of service credit.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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

- 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.

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 most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or 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 2012 were 10.76% and 7.67% of annual covered payroll, respectively.



COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

**B. Funding Policy: (Continued)**

The School Board’s contribution rate for the fiscal year ended 2012, 2011, and 2010 to the VRS statewide sharing pool for its employees was 6.33%, 3.93%, and 8.81%, respectively.

The School Board's contributions to VRS for the years ended June 30, 2012, 2011, 2010 were \$1,175,937, \$923,974, and \$673,560. The contributions made by the School Board for the current year and the two preceding years represented 100% of the required contribution for each year.

**C. Annual Pension Cost:**

For fiscal year 2012, the County’s annual pension cost of \$360,280 (does not include the employee share assumed by the County which was \$167,417) was equal to the County’s required and actual contributions.

For fiscal year 2012, the County School Board’s annual pension cost for the Board’s non-professional employees was \$116,455 (does not include the employee share assumed by the Board which was \$75,916) 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, 2010	\$ 340,945	100%	-
June 30, 2011	352,551	100%	-
June 30, 2012	360,280	100%	-
School Board Non-Professional:			
June 30, 2010	134,932	100%	-
June 30, 2011	196,341	100%	-
June 30, 2012	116,455	100%	-

(1) Employer portion only

The FY2012 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 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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 78.06% funded. The actuarial accrued liability for benefits was \$16,214,067, and the actuarial value of assets was \$12,657,287, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,556,780. The covered payroll (annual payroll of active employees covered by the plan) was \$3,291,886, and ratio of the UAAL to the covered payroll was 108.05%.

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's plan was 80.64% funded. The actuarial accrued liability for benefits was \$6,094,432, and the actuarial value of assets was \$4,914,403, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,180,029. The covered payroll (annual payroll of active employees covered by the plan) was \$1,552,895, and ratio of the UAAL to the covered payroll was 75.99%.

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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

School Board: (Continued)

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.

**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>		
	<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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

**B. Funding Policies: (Continued)**

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>		
	<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.

**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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

**C. Annual OPEB Cost and Net OPEB Obligation: (Continued)**

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	\$ 30,400	\$ 125,800
Interest on OPEB obligation	854	3,885
Adjustment to ARC	<u>(767)</u>	<u>(5,616)</u>
Annual OPEB cost	\$ 30,487	\$ 124,069
Estimated contributions made	<u>(28,400)</u>	<u>(90,700)</u>
Increase in net OPEB obligation	\$ 2,087	\$ 33,369
Net OPEB obligation at beginning of year	<u>21,358</u>	<u>97,132</u>
Net OPEB obligation at end of year	<u><u>\$ 23,445</u></u>	<u><u>\$ 130,501</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 2012 and the two preceding years were as follows:

<u>Fiscal Year Ending:</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2010	\$ 31,794	75.00%	\$ 15,594
June 30, 2011	29,764	80.63%	21,358
June 30, 2012	30,487	93.15%	23,445
School Board:			
June 30, 2010	\$ 112,476	74.00%	\$ 58,576
June 30, 2011	121,756	68.33%	97,132
June 30, 2012	124,069	73.10%	130,501

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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 plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent, with the long-term perspective of the calculations.

##### County

In the January 1, 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, 2012 (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, 2012, 2011, and 2010 were \$62,099, \$62,081, and \$79,528, respectively and equaled the required contributions for each year.

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

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There was no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2012.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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.	\$ 9,719,891	\$ 11,660,608
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	<u>192,133</u>	<u>192,133</u>
Total primary government	<u>\$ 9,912,024</u>	<u>\$ 11,852,741</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 \$7,742,727 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 \$412,615 at June 30, 2012. The construction of the new facilities is being funded primarily through the proceeds of a Rural Development loan obtained in July 2009.

The County has entered into a construction contract of \$1,157,729 for construction of Fiber Optic Outside Plant. The outstanding commitment under the contract was \$352,938 at June 30, 2012.

Operating Leases:

The County is leasing space at area locations in the County. None of the lease agreements have terms of more than one year. Total rent expenditures were \$75,060.



## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### NOTE 15—LITIGATION:

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At June 30, 2012 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. Bruguiere, Jr., Supervisor	1,000
Constance Brennan, Supervisor	1,000
Stephen A. Carter, County Administrator	2,000
Thomas D. Harvey, Supervisor	1,000
Allen M. Hale, Supervisor	1,000
Larry D. Saunders, Supervisor	1,000

### NOTE 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.

## COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### **NOTE 17—RISK MANAGEMENT: (CONTINUED)**

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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 \$982,018 as of June 30, 2012. This cost may be revised in the future depending on changes in regulations and applicable environmental laws.

The County demonstrated financial assurance requirements for closure, post closure care and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

As discussed in Note 1, the County entered 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 2012. In addition to purchasing water from the Authority at its normal rates, the County provides office space for the Authority's administrative operations free of charge, and appropriated \$156,000 to the Authority for fire protection services. The County also paid \$162,812 to the Authority for debt service requirements for the Colleen water line.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 19—RELATED PARTY TRANSACTIONS: (CONTINUED)**

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 2012. Eligible employees age 50 and over may defer up to \$22,000 in 2012. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

The assets of the plan vest solely with the employee and are not available to the County general creditors.

**NOTE 21—ADJUSTMENT TO BEGINNING BALANCES:**

The beginning fund balance and net assets of various funds and activities were adjusted to create an enterprise fund for the Nelson County Broadband Authority. Balances were adjusted as follows:

	<u>Fund Balance</u>	<u>Net Assets</u>	
	<u>Capital Projects Fund</u>	<u>Governmental Activities</u>	<u>Business-Type Activites - Nelson County Broadband Authority</u>
Balance July 1, 2011, before adjustment	\$ 4,882,302	\$ 21,488,042	\$ -
Create enterprise fund for the Nelson County Broadband Authority	<u>(350,574)</u>	<u>(763,245)</u>	<u>763,245</u>
Balance July 1, 2011, as adjusted	<u>\$ 4,531,728</u>	<u>\$ 20,724,797</u>	<u>\$ 763,245</u>

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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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 18,690,688	\$ 18,690,688	\$ 19,964,116	\$ 1,273,428
Other local taxes	2,978,018	3,352,018	3,610,714	258,696
Permits, privilege fees, and regulatory licenses	165,750	165,750	177,207	11,457
Fines and forfeitures	241,600	246,600	237,993	(8,607)
Revenue from the use of money and property	217,980	223,160	154,296	(68,864)
Charges for services	255,600	255,600	218,023	(37,577)
Miscellaneous	23,200	23,200	68,955	45,755
Recovered costs	622,477	632,000	640,168	8,168
Intergovernmental revenues:				
Commonwealth	4,678,835	4,715,532	4,475,156	(240,376)
Federal	2,229,475	2,276,702	1,975,010	(301,692)
Total revenues	<u>\$ 30,103,623</u>	<u>\$ 30,581,250</u>	<u>\$ 31,521,638</u>	<u>\$ 940,388</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,661,689	\$ 1,799,282	\$ 1,684,480	\$ 114,802
Judicial administration	739,505	748,515	692,589	55,926
Public safety	4,036,426	4,096,794	3,902,854	193,940
Public works	1,991,486	2,019,431	1,701,133	318,298
Health and welfare	2,468,124	2,468,124	2,326,951	141,173
Education	13,336,642	13,336,642	12,988,776	347,866
Parks, recreation, and cultural	465,423	466,416	448,611	17,805
Community development	1,103,501	1,165,001	799,087	365,914
Nondepartmental	277,672	86,842	62,459	24,383
Capital projects	2,859,000	2,859,000	1,540,128	1,318,872
Debt service:				
Interest and other fiscal charges	-	-	62,142	(62,142)
Total expenditures	<u>\$ 28,939,468</u>	<u>\$ 29,046,047</u>	<u>\$ 26,209,210</u>	<u>\$ 2,836,837</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,164,155</u>	<u>\$ 1,535,203</u>	<u>\$ 5,312,428</u>	<u>\$ 3,777,225</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Transfers out	(3,923,314)	(4,073,314)	(4,073,314)	-
Long-term debt issued	-	-	1,842,340	1,842,340
Total other financing sources (uses)	<u>\$ (3,323,314)</u>	<u>\$ (3,473,314)</u>	<u>\$ (1,630,974)</u>	<u>\$ 1,842,340</u>
Net change in fund balances	\$ (2,159,159)	\$ (1,938,111)	\$ 3,681,454	\$ 5,619,565
Fund balances - beginning	<u>2,159,159</u>	<u>1,938,111</u>	<u>16,041,206</u>	<u>14,103,095</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,722,660</u>	<u>\$ 19,722,660</u>

Schedule of Pension and OPEB Funding Progress  
At June 30, 2012

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, 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%
June 30, 2011	12,657,287	16,214,067	3,556,780	78.06%	3,291,886	108.05%

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, 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%
June 30, 2011	4,914,403	6,094,432	1,180,029	80.64%	1,552,895	75.99%

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 2,171,569	\$ 2,171,569	\$ 2,187,022	\$ (15,453)
Interest and other fiscal charges	1,626,572	1,626,572	1,536,019	90,553
Total expenditures	\$ 3,798,141	\$ 3,798,141	\$ 3,723,041	\$ 75,100
Excess (deficiency) of revenues over (under) expenditures	\$ (3,798,141)	\$ (3,798,141)	\$ (3,723,041)	\$ 75,100
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,516,564	\$ 3,516,564	\$ 3,516,564	\$ -
Total other financing sources (uses)	\$ 3,516,564	\$ 3,516,564	\$ 3,516,564	\$ -
Net change in fund balances	\$ (281,577)	\$ (281,577)	\$ (206,477)	\$ 75,100
Fund balances - beginning	281,577	281,577	396,963	115,386
Fund balances - ending	\$ -	\$ -	\$ 190,486	\$ 190,486

Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 100	\$ 100	\$ 73	\$ (27)
Total revenues	\$ 100	\$ 100	\$ 73	\$ (27)
<b>EXPENDITURES</b>				
Capital projects	\$ 2,267,115	\$ 2,417,115	\$ 1,471,870	\$ 945,245
Debt service:				
Interest and other fiscal charges	-	-	298,080	(298,080)
Total expenditures	\$ 2,267,115	\$ 2,417,115	\$ 1,769,950	\$ 647,165
Excess (deficiency) of revenues over (under) expenditures	\$ (2,267,015)	\$ (2,417,015)	\$ (1,769,877)	\$ 647,138
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 320,500	\$ 470,500	\$ 470,500	\$ -
Transfers out	(600,000)	(600,000)	(600,000)	-
Issuance of lease revenue bonds	600,000	600,000	10,719,476	10,119,476
Payment to bond escrow agent	-	-	(11,101,440)	(11,101,440)
Total other financing sources (uses)	\$ 320,500	\$ 470,500	\$ (511,464)	\$ (981,964)
Net change in fund balances	\$ (1,946,515)	\$ (1,946,515)	\$ (2,281,341)	\$ (334,826)
Fund balances - beginning, as restated	1,946,515	1,946,515	4,531,728	2,585,213
Fund balances - ending	\$ -	\$ -	\$ 2,250,387	\$ 2,250,387

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 At June 30, 2012

	Housing Improvement Fund	Street Lights Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 50	\$ -	\$ 50
Due from other governments	99,242	-	99,242
Total assets	<u>\$ 99,292</u>	<u>\$ -</u>	<u>\$ 99,292</u>
<b>Liabilities</b>			
Accounts payable	\$ 99,242	\$ -	\$ 99,242
Total liabilities	<u>\$ 99,242</u>	<u>\$ -</u>	<u>\$ 99,242</u>
<b>Fund Balance</b>			
Committed	\$ 50	\$ -	\$ 50
Total fund balance	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>
Total liabilities and fund balances	<u>\$ 99,292</u>	<u>\$ -</u>	<u>\$ 99,292</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2012

	Housing Improvement Fund	Street Lights Fund	Total
<b>Revenues</b>			
Miscellaneous	\$ -	\$ 35	\$ 35
Intergovernmental revenues:			
Federal	\$ 315,234	\$ -	\$ 315,234
Total revenues	\$ 315,234	\$ 35	\$ 315,269
<b>Expenditures</b>			
Current:			
Community development	\$ 142,234	\$ -	\$ 142,234
Total expenditures	\$ 142,234	\$ -	\$ 142,234
Excess (deficiency) of revenues over (under) expenditures	\$ 173,000	\$ 35	\$ 173,035
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	\$ (175,436)	\$ -	\$ (175,436)
Total other financing sources (uses)	\$ (175,436)	\$ -	\$ (175,436)
Net change in fund balances	\$ (2,436)	\$ 35	\$ (2,401)
Fund balances - beginning	2,486	(35)	2,451
Fund balances - ending	\$ 50	\$ -	\$ 50

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, 2012

	Housing Improvement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:				
Federal	\$ 898,000	\$ 898,000	\$ 315,234	\$ (582,766)
Total revenues	<u>\$ 898,000</u>	<u>\$ 898,000</u>	<u>\$ 315,234</u>	<u>\$ (582,766)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	\$ 695,000	\$ 695,000	\$ 142,234	\$ 552,766
Total expenditures	<u>\$ 695,000</u>	<u>\$ 695,000</u>	<u>\$ 142,234</u>	<u>\$ 552,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 203,000</u>	<u>\$ 203,000</u>	<u>\$ 173,000</u>	<u>\$ (30,000)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (203,000)	\$ (205,436)	\$ (175,436)	\$ 30,000
Total other financing sources (uses)	<u>\$ (203,000)</u>	<u>\$ (205,436)</u>	<u>\$ (175,436)</u>	<u>\$ 30,000</u>
Net change in fund balances	\$ -	\$ (2,436)	\$ (2,436)	\$ -
Fund balances - beginning	-	2,436	2,486	50
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>



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

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 At June 30, 2012

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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	\$ 22,809	\$ 659,293	\$ 682,102
Total assets	<u>\$ 22,809</u>	<u>\$ 659,293</u>	<u>\$ 682,102</u>
<b>Liabilities</b>			
Amounts held for others	\$ 22,809	\$ 659,293	\$ 682,102
Total liabilities	<u>\$ 22,809</u>	<u>\$ 659,293</u>	<u>\$ 682,102</u>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 23,099	\$ 11,763	\$ 12,053	\$ 22,809
<b>Liabilities</b>				
Amounts held for others	\$ 23,099	\$ 11,763	\$ 12,053	\$ 22,809
<b>EMS Loan Fund:</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 455,681	\$ 229,654	\$ 26,042	\$ 659,293
<b>Liabilities</b>				
Amounts held for others	\$ 455,681	\$ 229,654	\$ 26,042	\$ 659,293
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 478,780	\$ 241,417	\$ 38,095	\$ 682,102
<b>Liabilities</b>				
Amounts held for others	\$ 478,780	\$ 241,417	\$ 38,095	\$ 682,102

Component Unit School Board  
 Balance Sheet  
 At June 30, 2012

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	<u>School Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,913,762
Receivables:	
Accounts receivable	24,752
Due from other governments	916,154
Inventories	66,819
Prepaid items	<u>22,287</u>
Total assets	<u>\$ 2,943,774</u>
<b>Liabilities</b>	
Accounts payable	\$ 75,254
Accrued liabilities	1,430,810
Due to primary government	<u>881,694</u>
Total liabilities	<u>\$ 2,387,758</u>
<b>Fund balance</b>	
Nonspendable	\$ 89,106
Committed	556,016
Unassigned	<u>(89,106)</u>
Total fund balances	<u>\$ 556,016</u>
Total liabilities and fund balance	<u>\$ 2,943,774</u>

Component Unit School Board  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets  
 At June 30, 2012

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Total fund balance for governmental fund (Exhibit 20) \$ 556,016

Total net assets reported for governmental activities in the statement of net assets are 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		28,332,990	
Equipment, net of depreciation		1,624,107	
School Board capital assets in primary government, net of depreciation		<u>(17,508,874)</u>	13,299,433

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	\$	(338,492)	
Net OPEB obligation		<u>(130,501)</u>	<u>(468,993)</u>

Total net assets of governmental activities (Exhibit 1) \$ 13,386,456

Component Unit School Board  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Fund  
 For the Year Ended June 30, 2012

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	<u>School Fund</u>
<b>Revenues</b>	
Revenue from the use of money and property	\$ 173
Charges for services	459,893
Miscellaneous	334,552
Intergovernmental revenues:	
Appropriations from primary government	12,985,752
Commonwealth	7,632,211
Federal	<u>2,152,357</u>
Total revenues	<u>\$ 23,564,938</u>
<b>Expenditures</b>	
Current:	
Education	
Instruction	\$ 14,537,427
Administration, attendance and health	1,177,996
Transportation	2,495,442
Facilities operations	2,595,348
School food services	1,078,388
Facilities	617,037
Technology	<u>1,212,945</u>
Total expenditures	<u>\$ 23,714,583</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (149,645)
Fund balance, beginning of year	<u>705,661</u>
Fund balance, end of year	<u><u>\$ 556,016</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, 2012

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Net change in fund balance - total governmental fund (Exhibit 22) \$ (149,645)

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	\$ 372,902	
Depreciation expense	(934,087)	
Adjustment for jointly owned capital assets	1,682,297	1,121,112

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets. (10,125)

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	\$ 30,540	
Net OPEB obligation	(33,369)	(2,829)

Change in net assets of governmental activities (Exhibit 2) \$ 958,513

Component Unit School Board  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2012

	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	\$ -	\$ 173	\$ 173
Charges for services	522,603	513,745	459,893	(53,852)
Miscellaneous	493,422	305,787	334,552	28,765
Recovered costs	103,101	103,101	-	(103,101)
Intergovernmental revenues:				
Local government	13,333,618	13,333,618	12,985,752	(347,866)
Commonwealth	7,456,594	7,649,107	7,632,211	(16,896)
Federal	2,193,962	2,206,524	2,152,357	(54,167)
Total revenues	<u>\$ 24,103,400</u>	<u>\$ 24,111,882</u>	<u>\$ 23,564,938</u>	<u>\$ (546,944)</u>
<b>EXPENDITURES</b>				
Current:				
Education				
Instruction	\$ 15,667,744	\$ 15,003,715	\$ 14,537,427	\$ 466,288
Administration, attendance and health	1,256,208	1,186,252	1,177,996	8,256
Transportation	2,488,194	2,539,902	2,495,442	44,460
Facilities operations	2,911,145	3,028,870	2,595,348	433,522
School food services	1,018,327	1,018,327	1,078,388	(60,061)
Facilities	417,172	617,037	617,037	-
Technology	842,113	1,210,586	1,212,945	(2,359)
Total expenditures	<u>\$ 24,600,903</u>	<u>\$ 24,604,689</u>	<u>\$ 23,714,583</u>	<u>\$ 890,106</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (497,503)</u>	<u>\$ (492,807)</u>	<u>\$ (149,645)</u>	<u>\$ 343,162</u>
Fund balances - beginning	<u>497,503</u>	<u>492,807</u>	<u>705,661</u>	<u>212,854</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,016</u>	<u>\$ 556,016</u>



## Supporting Schedules

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 15,567,866	\$ 15,567,866	\$ 16,594,216	\$ 1,026,350
Real and personal public service corporation taxes	595,000	595,000	580,595	(14,405)
Personal property taxes	2,237,822	2,237,822	2,444,721	206,899
Mobile home taxes	25,000	25,000	14,371	(10,629)
Machinery and tools taxes	5,000	5,000	5,532	532
Penalties	130,000	130,000	175,744	45,744
Interest	130,000	130,000	148,937	18,937
Total general property taxes	<u>\$ 18,690,688</u>	<u>\$ 18,690,688</u>	<u>\$ 19,964,116</u>	<u>\$ 1,273,428</u>
Other local taxes:				
Local sales and use taxes	\$ 908,000	\$ 908,000	\$ 988,659	\$ 80,659
Consumers' utility taxes	460,711	460,711	446,787	(13,924)
Business license taxes	30,000	30,000	30,810	810
Utility franchise taxes	103,500	103,500	104,906	1,406
Motor vehicle licenses	509,554	509,554	660,450	150,896
Bank franchise tax	50,000	50,000	64,301	14,301
Taxes on recordation and wills	246,253	246,253	181,243	(65,010)
Transient occupancy tax	-	374,000	400,624	26,624
Meals tax	670,000	670,000	732,634	62,634
Street light tax	-	-	300	300
Total other local taxes	<u>\$ 2,978,018</u>	<u>\$ 3,352,018</u>	<u>\$ 3,610,714</u>	<u>\$ 258,696</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 8,121	\$ (1,879)
Dog pound fees	1,400	1,400	1,560	160
Land use application fees	7,500	7,500	16,180	8,680
Transfer fees	750	750	853	103
Zoning & Subdivision fees	1,000	1,000	1,095	95
Building permits	110,000	110,000	122,572	12,572
Building inspection fees	6,000	6,000	6,702	702
Special use permits	600	600	2,384	1,784
Well & Septic fees	6,500	6,500	4,525	(1,975)
Land disturbing fees	15,000	15,000	8,338	(6,662)
Tourism collections	7,000	7,000	4,877	(2,123)
Total permits, privilege fees, and regulatory licenses	<u>\$ 165,750</u>	<u>\$ 165,750</u>	<u>\$ 177,207</u>	<u>\$ 11,457</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 241,600	\$ 246,600	\$ 237,993	\$ (8,607)
Total fines and forfeitures	<u>\$ 241,600</u>	<u>\$ 246,600</u>	<u>\$ 237,993</u>	<u>\$ (8,607)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 84,000	\$ 84,000	\$ 76,730	\$ (7,270)
Revenue from use of property	133,980	139,160	77,566	(61,594)
Total revenue from use of money and property	<u>\$ 217,980</u>	<u>\$ 223,160</u>	<u>\$ 154,296</u>	<u>\$ (68,864)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 6,463	\$ 463
Law library fees	2,500	2,500	3,444	944
Courthouse maintenance fees	11,000	11,000	8,313	(2,687)
Document reproduction fees	3,000	3,000	872	(2,128)
Court appointed attorney fees	-	-	364	364
Fingerprint/Report fees	100	100	224	124
Cost of postage - Circuit Court	-	-	31	31
Charges for Commonwealth's Attorney	500	500	1,015	515
Charges for sanitation and waste removal	180,000	180,000	148,057	(31,943)
Charges for parks and recreation	50,000	50,000	48,467	(1,533)
Sale of literature	2,500	2,500	773	(1,727)
Total charges for services	<u>\$ 255,600</u>	<u>\$ 255,600</u>	<u>\$ 218,023</u>	<u>\$ (37,577)</u>
Miscellaneous revenue:				
Expenditure refunds	\$ 15,000	\$ 15,000	\$ 28,532	\$ 13,532
Other miscellaneous	8,200	8,200	40,423	32,223
Total miscellaneous revenue	<u>\$ 23,200</u>	<u>\$ 23,200</u>	<u>\$ 68,955</u>	<u>\$ 45,755</u>
Recovered costs:				
DSS Reimbursement	\$ 50,000	\$ 50,000	\$ 50,704	\$ 704
School Resource officer and other costs	30,000	30,000	26,085	(3,915)
Jaunt Wintergreen	29,477	29,477	28,000	(1,477)
Colleen water & sewer connection fees	148,000	148,000	148,000	-
DMV stop fees	10,000	19,523	24,273	4,750
EMS revenue recovery	350,000	350,000	354,345	4,345
Forest Service Coop. agreement	5,000	5,000	4,424	(576)
Other recovered costs	-	-	4,337	4,337
Total recovered costs	<u>\$ 622,477</u>	<u>\$ 632,000</u>	<u>\$ 640,168</u>	<u>\$ 8,168</u>
Total revenue from local sources	<u>\$ 23,195,313</u>	<u>\$ 23,589,016</u>	<u>\$ 25,071,472</u>	<u>\$ 1,482,456</u>
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 90,727	\$ 90,727	\$ 85,251	\$ (5,476)
Mobile home titling tax	15,000	15,000	8,937	(6,063)
Tax on deeds	53,046	53,046	54,596	1,550
Communication sales & use tax	485,000	485,000	483,546	(1,454)
Personal property tax relief funds	1,708,030	1,708,030	1,708,649	619
Total noncategorical aid	<u>\$ 2,351,803</u>	<u>\$ 2,351,803</u>	<u>\$ 2,340,979</u>	<u>\$ (10,824)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 198,241	\$ 198,241	\$ 189,145	\$ (9,096)
Sheriff	719,894	719,894	729,381	9,487
Commissioner of revenue	79,157	79,157	78,916	(241)
Treasurer	94,468	94,468	82,379	(12,089)
Registrar/electoral board	39,884	51,081	43,844	(7,237)
Clerk of the Circuit Court	185,756	185,756	198,630	12,874
Total shared expenses	<u>\$ 1,317,400</u>	<u>\$ 1,328,597</u>	<u>\$ 1,322,295</u>	<u>\$ (6,302)</u>
Welfare:				
Public assistance and welfare administration	\$ 420,559	\$ 420,559	\$ 307,967	\$ (112,592)
Other categorical aid:				
E911 wireless grant	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
DMV animal friendly plates	400	400	492	92
Fire programs	42,000	42,000	40,152	(1,848)
Four for life	21,300	21,300	16,790	(4,510)
Litter control grant	6,219	6,219	5,265	(954)
Victim-witness grant	-	20,500	5,397	(15,103)
VJCCA Dept - Juvenile Justice	10,300	10,300	9,787	(513)
Comprehensive services act	463,854	463,854	365,508	(98,346)
Asset forfeiture proceeds	-	-	3,139	3,139
Performance arts grant	5,000	5,000	5,000	-
Library grant	-	5,000	4,995	(5)
Other categorical	-	-	7,390	7,390
Total other categorical aid	<u>\$ 589,073</u>	<u>\$ 614,573</u>	<u>\$ 503,915</u>	<u>\$ (110,658)</u>
Total categorical aid	<u>\$ 2,327,032</u>	<u>\$ 2,363,729</u>	<u>\$ 2,134,177</u>	<u>\$ (229,552)</u>
Total revenue from the Commonwealth	<u>\$ 4,678,835</u>	<u>\$ 4,715,532</u>	<u>\$ 4,475,156</u>	<u>\$ (240,376)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 44,864	\$ 44,864	\$ 54,996	\$ 10,132
Categorical aid:				
Public assistance and welfare administration	\$ 489,611	\$ 489,611	\$ 488,357	\$ (1,254)
Victim witness program	-	-	16,192	16,192
Public Safety Interoperability	1,200,000	1,200,000	1,310,000	110,000
SCAAP (federal prisoners)	-	-	3,737	3,737
Law Enforcement Terror Prevention	-	-	9,641	9,641
Domestic preparedness grant	-	16,040	-	(16,040)
Rural Development grant	-	-	25,000	25,000
USDA specialty crop grant	-	30,000	7,000	(23,000)
Recovery Act BJA Byrne JAG Grant	-	1,187	-	(1,187)
Trail grant (TEA-21)	335,000	335,000	-	(335,000)
Tunnel Grant (TEA-21)	160,000	160,000	60,087	(99,913)
Total categorical aid	<u>\$ 2,184,611</u>	<u>\$ 2,231,838</u>	<u>\$ 1,920,014</u>	<u>\$ (311,824)</u>
Total revenue from the federal government	<u>\$ 2,229,475</u>	<u>\$ 2,276,702</u>	<u>\$ 1,975,010</u>	<u>\$ (301,692)</u>
Total General Fund	<u>\$ 30,103,623</u>	<u>\$ 30,581,250</u>	<u>\$ 31,521,638</u>	<u>\$ 940,388</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 898,000	\$ 898,000	\$ 315,234	\$ (582,766)
Total categorical aid	<u>\$ 898,000</u>	<u>\$ 898,000</u>	<u>\$ 315,234</u>	<u>\$ (582,766)</u>
Total revenue from the Federal Government	<u>\$ 898,000</u>	<u>\$ 898,000</u>	<u>\$ 315,234</u>	<u>\$ (582,766)</u>
Total Housing Improvement Fund	<u><u>\$ 898,000</u></u>	<u><u>\$ 898,000</u></u>	<u><u>\$ 315,234</u></u>	<u><u>\$ (582,766)</u></u>
<b>Street Lights Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 35	\$ 35
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 35</u>
Total Street Lights Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35</u></u>	<u><u>\$ 35</u></u>
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 73	\$ (27)
Total revenue from local sources	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 73</u>	<u>\$ (27)</u>
Total Capital Improvements Fund	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 73</u>	<u>\$ (27)</u>
Total Primary Government	<u><u>\$ 31,001,723</u></u>	<u><u>\$ 31,479,350</u></u>	<u><u>\$ 31,836,980</u></u>	<u><u>\$ 357,630</u></u>
<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	\$ -	\$ 173	\$ 173
Charges for services:				
Charges for education	\$ 14,000	\$ 2,978	\$ 2,978	\$ -
Charges for cafeteria	508,603	510,767	456,915	(53,852)
Total charges for services	<u>\$ 522,603</u>	<u>\$ 513,745</u>	<u>\$ 459,893</u>	<u>\$ (53,852)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 493,422	\$ 305,787	\$ 334,552	\$ 28,765
Total miscellaneous revenue	<u>\$ 493,422</u>	<u>\$ 305,787</u>	<u>\$ 334,552</u>	<u>\$ 28,765</u>
Recovered costs:				
Other recovered costs	\$ 103,101	\$ 103,101	\$ -	\$ (103,101)
Total recovered costs	<u>\$ 103,101</u>	<u>\$ 103,101</u>	<u>\$ -</u>	<u>\$ (103,101)</u>
Total revenue from local sources	<u>\$ 1,119,226</u>	<u>\$ 922,633</u>	<u>\$ 794,618</u>	<u>\$ (128,015)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 13,333,618	\$ 13,333,618	\$ 12,985,752	\$ (347,866)
Total revenues from local governments	<u>\$ 13,333,618</u>	<u>\$ 13,333,618</u>	<u>\$ 12,985,752</u>	<u>\$ (347,866)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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:				
Categorical aid:				
Share of state sales tax	\$ 2,060,490	\$ 2,062,563	\$ 2,045,029	\$ (17,534)
Basic school aid	3,415,837	3,429,681	3,442,018	12,337
GED funding	15,717	15,717	15,717	-
Remedial summer education	30,089	34,974	34,974	-
Regular foster care	50,290	78,201	78,201	-
Gifted and talented	36,666	36,977	36,977	-
Remedial education	110,814	111,752	111,752	-
Special education	456,291	460,157	460,157	-
Textbook payment	33,049	41,631	33,328	(8,303)
Vocational standards of quality payments	108,369	109,287	109,287	-
Social security fringe benefits	215,924	217,753	217,753	-
Retirement fringe benefits	195,553	197,210	197,210	-
Group life insurance instructional	8,148	8,217	8,217	-
Early reading intervention	11,666	12,962	12,962	-
VPSA technology	154,000	154,000	154,000	-
Homebound education	5,997	6,791	6,791	-
Regional program tuition	104,601	87,259	87,259	-
Vocational education - occupational/tech ed	26,481	39,241	39,241	-
At risk payments	107,203	108,125	108,125	-
Pre-school initiative	126,000	108,000	108,000	-
Primary class size	129,970	128,990	128,990	-
Other state funds	53,439	199,619	196,223	(3,396)
Total categorical aid	<u>\$ 7,456,594</u>	<u>\$ 7,649,107</u>	<u>\$ 7,632,211</u>	<u>\$ (16,896)</u>
Total revenue from the Commonwealth	<u>\$ 7,456,594</u>	<u>\$ 7,649,107</u>	<u>\$ 7,632,211</u>	<u>\$ (16,896)</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 5,500	\$ 4,812	\$ 4,812	\$ -
ARRA-Title I	-	15,571	34,404	18,833
Title 1/A grants to LEAs	586,138	586,138	435,031	(151,107)
ARRA Education jobs fund	197,941	197,941	200,777	2,836
IDEA 611 flow-through (Title VI-B)	102,810	564,891	434,610	(130,281)
ARRA-Title VI-B	-	46,325	106,721	60,396
Title 1 - Carl Perkins vocational	38,497	26,734	33,113	6,379
Preschool grants/special ed	13,324	13,324	8,216	(5,108)
ARRA Pre-K 619	-	-	1,945	1,945
Title II/D education technical	3,508	-	3,459	3,459
ARRA-Title II/D	15,571	-	2,152	2,152
Longitudinal system expand	75,000	72,979	139,479	66,500
Other federal revenues	474,816	-	201	201
Title III language acquisition	53,028	53,028	44,580	(8,448)
Title II part A	137,829	137,829	118,055	(19,774)
School food	490,000	486,952	536,479	49,527
School food commodities	-	-	48,323	48,323
Total categorical aid	<u>\$ 2,193,962</u>	<u>\$ 2,206,524</u>	<u>\$ 2,152,357</u>	<u>\$ (54,167)</u>
Total School Operating Fund	<u>\$ 24,103,400</u>	<u>\$ 24,111,882</u>	<u>\$ 23,564,938</u>	<u>\$ (546,944)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

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	\$ 112,713	\$ 121,138	\$ 121,246	\$ (108)
General government administration:				
County administrator	\$ 295,283	\$ 297,876	\$ 289,776	\$ 8,100
County attorney	60,000	145,000	138,491	6,509
Commissioner of revenue	228,097	230,515	233,896	(3,381)
Reassessment	88,500	88,500	38,767	49,733
Board of equalization	20,225	20,225	3,773	16,452
Treasurer	316,255	327,278	324,660	2,618
Finance and accounting	224,607	226,311	217,911	8,400
Technology	189,836	190,364	179,808	10,556
Land use panel	8,812	8,812	1,169	7,643
Total general and financial administration	\$ 1,431,615	\$ 1,534,881	\$ 1,428,251	\$ 106,630
Board of elections:				
Board of elections	\$ 31,344	\$ 56,613	\$ 51,530	\$ 5,083
Registrar	86,017	86,650	83,453	3,197
Total board of elections	\$ 117,361	\$ 143,263	\$ 134,983	\$ 8,280
Total general government administration	\$ 1,661,689	\$ 1,799,282	\$ 1,684,480	\$ 114,802
Judicial administration:				
Courts:				
Circuit court	\$ 29,550	\$ 29,550	\$ 21,839	\$ 7,711
General district court	6,565	6,565	3,230	3,335
VJCCA	51,785	60,526	54,264	6,262
Juvenile and domestic relations court	6,092	6,092	5,624	468
Clerk of the circuit court	315,767	322,948	303,080	19,868
Total courts	\$ 409,759	\$ 425,681	\$ 388,037	\$ 37,644
Commonwealth's attorney:				
Commonwealth's attorney	\$ 329,746	\$ 322,834	\$ 304,552	\$ 18,282
Total commonwealth's attorney	\$ 329,746	\$ 322,834	\$ 304,552	\$ 18,282
Total judicial administration	\$ 739,505	\$ 748,515	\$ 692,589	\$ 55,926
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,356,313	\$ 1,390,888	\$ 1,353,828	\$ 37,060
E-911	578,398	587,319	518,247	69,072
Emergency services council	592,986	598,166	526,937	71,229
Emergency services	36,258	37,691	40,072	(2,381)
T.J. EMS Council	19,629	19,629	19,629	-
Fire protection	156,000	156,000	156,000	-
Paid EMS	416,592	416,592	409,636	6,956
Forestry service	20,338	20,338	20,337	1



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 529,315	\$ 529,315	\$ 573,926	\$ (44,611)
Building inspector	251,586	251,586	201,065	50,521
Animal control	76,906	87,125	81,072	6,053
OAR/Jefferson Area Community Corrections	1,945	1,945	1,945	-
Medical examiner	160	200	160	40
Total law enforcement and traffic control	<u>\$ 4,036,426</u>	<u>\$ 4,096,794</u>	<u>\$ 3,902,854</u>	<u>\$ 193,940</u>
Total public safety	<u>\$ 4,036,426</u>	<u>\$ 4,096,794</u>	<u>\$ 3,902,854</u>	<u>\$ 193,940</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 296,053	\$ 311,053	\$ 297,675	\$ 13,378
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 296,053</u>	<u>\$ 311,053</u>	<u>\$ 297,675</u>	<u>\$ 13,378</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,003,089	\$ 1,016,034	\$ 873,037	\$ 142,997
Total sanitation and waste removal	<u>\$ 1,003,089</u>	<u>\$ 1,016,034</u>	<u>\$ 873,037</u>	<u>\$ 142,997</u>
Maintenance of general buildings and grounds:				
General properties	\$ 692,344	\$ 692,344	\$ 530,421	\$ 161,923
Total maintenance of general buildings and grounds	<u>\$ 692,344</u>	<u>\$ 692,344</u>	<u>\$ 530,421</u>	<u>\$ 161,923</u>
Total public works	<u>\$ 1,991,486</u>	<u>\$ 2,019,431</u>	<u>\$ 1,701,133</u>	<u>\$ 318,298</u>
Health and welfare:				
Health:				
Health department	\$ 223,268	\$ 223,268	\$ 223,268	\$ -
Total health	<u>\$ 223,268</u>	<u>\$ 223,268</u>	<u>\$ 223,268</u>	<u>\$ -</u>
Mental health and mental retardation:				
Region Ten community services board	\$ 72,078	\$ 72,078	\$ 72,078	\$ -
Total mental health and mental retardation	<u>\$ 72,078</u>	<u>\$ 72,078</u>	<u>\$ 72,078</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 1,212,209	\$ 1,212,209	\$ 1,068,736	\$ 143,473
MACAA	29,914	29,914	29,914	-
Senior center meals	21,786	21,786	21,786	-
At risk youth program	713,700	713,700	629,397	84,303
Shelter for help	7,643	7,643	7,643	-
JAUNT	91,986	91,986	90,509	1,477
JABA	88,098	88,098	88,098	-
Sexual assault resource agency	765	765	765	-
CASA of Central Virginia	2,500	2,500	2,500	-
Community service	4,177	4,177	3,222	955
Tax relief for the elderly	-	-	89,035	(89,035)
<b>Total welfare</b>	<b>\$ 2,172,778</b>	<b>\$ 2,172,778</b>	<b>\$ 2,031,605</b>	<b>\$ 141,173</b>
<b>Total health and welfare</b>	<b>\$ 2,468,124</b>	<b>\$ 2,468,124</b>	<b>\$ 2,326,951</b>	<b>\$ 141,173</b>
Education:				
Other instructional costs:				
Community College	\$ 3,024	\$ 3,024	\$ 3,024	\$ -
Appropriation to public school system	13,333,618	13,333,618	12,985,752	347,866
<b>Total education</b>	<b>\$ 13,336,642</b>	<b>\$ 13,336,642</b>	<b>\$ 12,988,776</b>	<b>\$ 347,866</b>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 199,775	\$ 200,768	\$ 182,963	\$ 17,805
<b>Total parks and recreation</b>	<b>\$ 199,775</b>	<b>\$ 200,768</b>	<b>\$ 182,963</b>	<b>\$ 17,805</b>
Cultural enrichment:				
Wintergreen Performing Arts	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
<b>Total cultural enrichment</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ -</b>
Library:				
Regional library	\$ 255,648	\$ 255,648	\$ 255,648	\$ -
<b>Total library</b>	<b>\$ 255,648</b>	<b>\$ 255,648</b>	<b>\$ 255,648</b>	<b>\$ -</b>
<b>Total parks, recreation, and cultural</b>	<b>\$ 465,423</b>	<b>\$ 466,416</b>	<b>\$ 448,611</b>	<b>\$ 17,805</b>
Community development:				
Planning and community development:				
Planning	\$ 208,632	\$ 212,144	\$ 201,240	\$ 10,904
Community development	265,501	318,489	294,243	24,246
Nelson Volunteer Coalition	5,100	5,100	5,100	-
Colleen water/sewer subsidy	153,843	153,843	162,812	(8,969)
Blue Ridge Railway Trail	335,000	335,000	2,822	332,178
Anti-litter program	6,219	6,219	2,937	3,282
Nelson County Community Development Foundation	55,729	60,729	60,729	-
<b>Total planning and community development</b>	<b>\$ 1,030,024</b>	<b>\$ 1,091,524</b>	<b>\$ 729,883</b>	<b>\$ 361,641</b>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 47,977	\$ 47,977	\$ 43,704	\$ 4,273
Total cooperative extension program	\$ 47,977	\$ 47,977	\$ 43,704	\$ 4,273
Total community development	\$ 1,103,501	\$ 1,165,001	\$ 799,087	\$ 365,914
Nondepartmental:				
Refunds	\$ 43,572	\$ 43,572	\$ 31,584	\$ 11,988
Reserve for contingency	155,896	5,659	-	5,659
Other nondepartmental	78,204	37,611	30,875	6,736
Total nondepartmental	\$ 277,672	\$ 86,842	\$ 62,459	\$ 24,383
Capital projects:				
Blue Ridge Tunnel (TEA-21)	\$ 160,000	\$ 160,000	\$ 61,978	\$ 98,022
Devils Knob tower	100,000	100,000	343,975	(243,975)
Microwave network (PSIC)	1,355,000	1,355,000	1,043,747	311,253
Public safety radio project	1,100,000	1,100,000	-	1,100,000
Other capital projects	144,000	144,000	90,428	53,572
Total capital projects	\$ 2,859,000	\$ 2,859,000	\$ 1,540,128	\$ 1,318,872
Debt service:				
Interest and other fiscal charges	\$ -	\$ -	\$ 62,142	\$ (62,142)
Total debt service	\$ -	\$ -	\$ 62,142	\$ (62,142)
Total General Fund	\$ 28,939,468	\$ 29,046,047	\$ 26,209,210	\$ 2,836,837
<b>Special Revenue Funds:</b>				
<b>Housing Improvement Fund:</b>				
Community development:				
Planning and community development:				
Dental center renovation	\$ 695,000	\$ 695,000	\$ 142,234	\$ 552,766
Total community development	\$ 695,000	\$ 695,000	\$ 142,234	\$ 552,766
Total Housing Improvement Fund	\$ 695,000	\$ 695,000	\$ 142,234	\$ 552,766

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 2,171,569	\$ 2,171,569	\$ 2,187,022	\$ (15,453)
Interest and other fiscal charges	<u>1,626,572</u>	<u>1,626,572</u>	<u>1,536,019</u>	<u>90,553</u>
Total Debt Service Fund	<u>\$ 3,798,141</u>	<u>\$ 3,798,141</u>	<u>\$ 3,723,041</u>	<u>\$ 75,100</u>
<b>Capital Projects Fund:</b>				
Capital projects expenditures:				
Courthouse construction	\$ 2,032,617	\$ 2,182,617	\$ 1,468,470	\$ 714,147
Health department	<u>234,498</u>	<u>234,498</u>	<u>3,400</u>	<u>231,098</u>
Total capital projects	<u>\$ 2,267,115</u>	<u>\$ 2,417,115</u>	<u>\$ 1,471,870</u>	<u>\$ 945,245</u>
Debt service:				
Interest and other fiscal charges	\$ -	\$ -	\$ 298,080	\$ (298,080)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,080</u>	<u>\$ (298,080)</u>
Total Capital Projects Fund	<u>\$ 2,267,115</u>	<u>\$ 2,417,115</u>	<u>\$ 1,769,950</u>	<u>\$ 647,165</u>
Total Primary Government	<u>\$ 35,699,724</u>	<u>\$ 35,956,303</u>	<u>\$ 31,844,435</u>	<u>\$ 4,111,868</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Instructional costs	\$ 15,667,744	\$ 15,003,715	\$ 14,537,427	\$ 466,288
Total instruction costs	<u>\$ 15,667,744</u>	<u>\$ 15,003,715</u>	<u>\$ 14,537,427</u>	<u>\$ 466,288</u>
Operating costs:				
Administration, attendance and health services	\$ 1,256,208	\$ 1,186,252	\$ 1,177,996	\$ 8,256
Pupil transportation	2,488,194	2,539,902	2,495,442	44,460
Operation and maintenance of school plant	2,911,145	3,028,870	2,595,348	433,522
School food	1,018,327	1,018,327	1,078,388	(60,061)
Facilities	417,172	617,037	617,037	-
Technology	<u>842,113</u>	<u>1,210,586</u>	<u>1,212,945</u>	<u>(2,359)</u>
Total operating costs	<u>\$ 8,933,159</u>	<u>\$ 9,600,974</u>	<u>\$ 9,177,156</u>	<u>\$ 423,818</u>
Total education	<u>\$ 24,600,903</u>	<u>\$ 24,604,689</u>	<u>\$ 23,714,583</u>	<u>\$ 890,106</u>
Total Discretely Presented Component Unit-School Board	<u>\$ 24,600,903</u>	<u>\$ 24,604,689</u>	<u>\$ 23,714,583</u>	<u>\$ 890,106</u>

## STATISTICAL INFORMATION

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COUNTY OF NELSON, VIRGINIA

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

Fiscal Year	General										Interest on Long-Term Debt	Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development				
2002-03	\$ 1,386,912	\$ 509,115	\$ 2,252,067	\$ 1,693,523	\$ 1,693,710	\$ 8,440,751	\$ 431,647	\$ 1,294,569	\$ 1,316,047	\$ 19,018,341		
2003-04	1,257,716	519,619	2,529,037	1,666,627	1,752,635	18,499,295	430,853	1,259,282	1,661,467	29,576,531		
2004-05	1,079,533	719,411	2,764,691	1,260,355	1,927,342	10,387,246	324,812	2,302,404	1,759,270	22,525,064		
2005-06	1,432,202	631,862	2,759,162	2,213,279	1,830,272	11,133,456	551,912	1,122,651	1,565,175	23,239,971		
2006-07	1,614,998	753,367	3,287,580	1,905,872	2,188,578	11,900,846	523,915	1,251,149	1,499,320	24,925,625		
2007-08	1,879,166	750,073	3,633,406	1,980,213	2,274,350	12,706,379	983,322	1,260,873	1,535,839	27,003,621		
2008-09	1,777,787	714,904	3,136,604	2,112,615	2,055,329	13,777,084	548,156	1,235,328	1,492,985	26,850,792		
2009-10	1,615,064	691,588	3,374,456	2,448,517	2,586,290	13,861,510	550,664	830,793	1,404,206	27,363,088		
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		
2011-12	1,985,357	692,589	4,131,423	2,215,956	2,272,554	15,227,323	599,470	812,186	1,502,603	29,439,461		

(1) Primary Government only

COUNTY OF NELSON, VIRGINIA

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Use of Money and Property	Miscellaneous	
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	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	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	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	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	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	19,270,265	3,496,429	331,077	84,056	2,670,871	30,324,680
2011-12	741,776	2,659,104	2,753,439	20,120,918	3,610,714	154,369	68,990	2,395,975	32,505,285

(1) Primary Government only



COUNTY OF NELSON, VIRGINIA

Table 3

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General			Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property		Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
	Property Taxes	Local Taxes	Other			Money & Property	Services					
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		
2012	19,964,116	3,610,714	177,207	237,993	154,542	677,916	403,542	640,168	16,549,968	42,416,166		

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

COUNTY OF NELSON, VIRGINIA

Table 4

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Recreation and Cultural	Community Development	Nondepartmental	Capital Projects	Debt Service	Total
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
2012	1,684,480	692,589	3,902,854	1,701,133	2,326,951	23,717,607	448,611	941,321	62,459	3,011,998	4,083,263	42,573,266

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

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

COUNTY OF NELSON, VIRGINIA

Table 5

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total (1) (2)		Current		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 (1) (2)	Tax (1) (3)	Collections		Tax Collections	Tax Collections		Total Tax Collections	Outstanding Delinquent Taxes (1)	Outstanding Delinquent Taxes (1)		
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%					
2012	21,147,999	20,464,264	96.77%	883,820	21,348,084	100.95%	2,595,800	12.27%					

- (1) Exclusive of penalties and interest.
- (2) Real estate taxes are collected in installments. The due date of the first half installment is June 5. The tax levy includes the second half of the prior year and first half of the current year real estate tax levies.
- (3) For fiscal years 2003 and 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
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
2012	2,899,427,265	133,865,528	5,371,407	456,903	99,614,737	3,138,735,840

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	
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
2012	.55/.60	2.95	.55/.60		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	
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		
2012	15,161	3,138,735,840	32,496,317	-	32,496,317	1.04%	2,143		

(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
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%
2012	2,187,022	1,896,241	4,083,263	42,573,266	9.59%

(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, 2012, which collectively comprise the County of Nelson, Virginia's basic financial statements and have issued our report thereon dated January 3, 2013. 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**

Management of County of Nelson, Virginia is responsible for establishing and maintaining effective 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, 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, James, Cox Associates*  
Charlottesville, Virginia  
January 3, 2013

# 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, 2012. 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, 2012.

### Internal Control Over Compliance

Management of the County of Nelson, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Nelson, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*Internal Control Over Compliance (Continued)*

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

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

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

*Robinson, Jarner, Cox Associates*  
Charlottesville, Virginia  
January 3, 2013

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

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:			
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	\$ 101,522
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	208
Low Income Home Energy Assistance	93.568	0600409/0600410	11,268
Child Care and Development Block Grant (CCDF Cluster)	93.575	0770109/0770110	25,837
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760109/0760110	22,555
Child Welfare Services - State Grants	93.645	0900109/0900110	314
Foster Care - Title IV-E	93.658	1100109/1100110	30,100
Adoption Assistance	93.659	1120109/1120110	2,955
Social Services Block Grant	93.667	1000109/1000110	67,312
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110	753
Children's Health Insurance Program	93.767	0540109/0540110	4,374
Medical Assistance Program	93.778	1200109/1200110	<u>83,730</u>
Total Department of Health and Human Services			<u>\$ 350,928</u>
Department of Agriculture:			
Direct Payments:			
Specialty crop grant	10.000	N/A	\$ 7,000
Community Facilities Loans and Grants - Grants	10.766	N/A	25,000
Community Facilities Loans and Grants - Loans	10.766	N/A	<u>739,148</u>
			<u>\$ 764,148</u>
Total Department of Agriculture - direct payments			<u>\$ 771,148</u>
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	10.555/2011/2012	\$ 48,323
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	10.555/2011/2012	<u>410,407</u>
			458,730
National School Breakfast Program (Child Nutrition Cluster)	10.553	10.553/2011/2012	126,072
Schools and Roads - Grants to States	10.665	10.665	4,813
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	<u>137,429</u>
Total Department of Agriculture - pass-through payments			<u>\$ 727,044</u>
Total Department of Agriculture			<u>\$ 1,498,192</u>
Department of Housing and Urban Development:			
Pass-through payments:			
Department of housing and community development:			
Community development block grant	14.228	10-3	<u>\$ 315,234</u>
Total Department of Housing and Urban Development			<u>\$ 315,234</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2012

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	16.606	N/A	\$ <u>3,737</u>
Total Department of Justice - direct payments			\$ <u>3,737</u>
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime victims assistance	16.575	10VAGZ0095/11VAGX0001	\$ <u>16,192</u>
Total Department of Justice - pass-through			\$ <u>16,192</u>
Total Department of Justice			\$ <u>19,929</u>
Department of Commerce:			
Direct payments:			
ARRA-Broadband technology opportunities program	11.557	N/A	\$ 1,043,118
Public safety interoperable communications grant program	11.555	N/A	<u>1,310,000</u>
Total Department of Commerce			\$ <u>2,353,118</u>
Department of Transportation:			
Pass Through Payments:			
Department of Conservation and Recreation:			
Recreational Trails Program	20.219	N/A	\$ <u>60,087</u>
Department of Homeland Security:			
Pass-through payments:			
Department of Emergency Services:			
State homeland security program	97.073	N/A	\$ <u>9,641</u>
Total Department of Homeland Security			\$ <u>9,641</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	\$ 435,031
ARRA-Title I Grants to Local Educational Agencies (Title I Part A Cluster)	84.389	S389A090046	34,404
Special Education -- Grants to States (Special Education Cluster)	84.027	H027A080107/H027A090107/H027A070107	434,610
ARRA-Special Education -- Grants to States (Special Education Cluster)	84.391	H391A090107	106,721
Special Education -- Preschool Grants (Special Education Cluster)	84.173	H173A090112	8,216
ARRA-Special Education -- Preschool Grants (Special Education Cluster)	84.392	H392A090112	1,944
Career and Technical Education - Basic Grants to States	84.048	V048A080046/V048A090046	33,113
Safe & Drug-Free Schools and Communities -- State Grants	84.186	Q186A090048	201
Education Technology State Grants (Educational Technology Cluster)	84.318	S410A10047	3,459
ARRA-Education Technology State Grants (Educational Technology Cluster)	84.386	S386A090046	2,152
English Language Acquisition Grants	84.365	T365A080046/S365A090046	44,580
ARRA-Statewide Data Systems	84.384	R384A100037	139,479
ARRA-Education Jobs Fund	84.410	S410A100047	200,777
Improving Teacher Quality State Grants	84.367	S367A080044/S367A090044	<u>118,055</u>
Total Department of Education			\$ <u>1,562,742</u>
Total Expenditures of Federal Awards			\$ <u><u>6,169,871</u></u>

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



COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

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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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Nelson, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Nelson, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,975,010
Housing Improvement Fund	315,234
Nelson County Broadband Authority	1,043,118
Loans - Community Facilities Loans and Grants	<u>739,148</u>
Total primary government	<u>\$ 4,072,510</u>

Component Unit Public Schools:

School Operating Fund	<u>\$ 2,152,357</u>
Total component unit public schools	<u>\$ 2,152,357</u>

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

\$ (54,996)

Total federal expenditures per basic financial statements

\$ 6,169,871

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 6,169,871

COUNTY OF NELSON, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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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 Section 510(a) of OMB Circular A-133? 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 (IDEA)
10.553/10.555	Child Nutrition Cluster
11.555	Public Safety Interoperable Communications Grant Program
14.228	Community Development Block Grant Program
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, 2012

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There were no findings reported for the year ended June 30, 2011.

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