

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

Constance Brennan, Chairperson Joe Dan Johnson, Vice-Chairperson

Thomas H. Bruguiere, Jr.

COUNTY SCHOOL BOARD

Jane Mays, Chairperson David Parr, Vice-Chairperson

Mary Cunningham

Cliff Savell

Curtis Trusdale

Margaret Clair Amy Snapp

COUNTY SOCIAL SERVICES BOARD

Mary Allen, Chairperson Pauline Page, Vice-Chairperson

Donald Gray Joe Dan Johnson

OTHER OFFICIALS

Michael Gamble Judy Smythers Phillip D. Payne, IV 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

Thomas D. Harvey

Allen M. Hale

OOL BOARD

Clair

Robinson, Farmer, Cox Associates

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nelson, Virginia (the "County"), as of and for the year ended June 30, 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, Janner, 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.

		/15		2012					
		Governmenta	al Activities	Business-type	e Activities	Total			
	•	2012	2011*	2012	2011*	2012	2011*		
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	\$	67,638,831 \$	65,859,744 \$	7,833,864 \$	6,627,964 \$	75,472,695 \$	72,487,708		
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	\$	44,912,127 \$	45,134,947 \$	1,332,480 \$	1,190,497 \$	46,244,607 \$	46,325,444		
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	\$	22,726,704 \$	20,724,797 \$	6,501,384 \$	5,437,467 \$	29,228,088 \$	26,162,264		

County of Nelson's Net Assets As of June 30, 2012

*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:

		Governmenta	al Activities	Business-type	e Activities	Tota	al
	•	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

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

*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)											
		Governmenta	I Activities	Business-typ	e Activities	Tot	al					
		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	\$	32,760,049 \$	33,176,590 \$	7,584,521 \$	6,126,737 \$	40,344,570 \$	39,303,327					

*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:

	_	Governmenta	I Activities	Business-type	e Activities	Tota	al
	_	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	\$	32,333,566 \$	32,871,440 \$	1,130,506 \$	1,143,594 \$	33,464,072 \$	34,015,034

County of Nelson's Outstanding Debt For the Year Ended June 30, 2012

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

Additional information on the County's long-term debt 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

								Compone	ent Units
		Governmental Activities	I	Business-type Activities	Total	_	School Board	Economic Development Authority	
ASSETS									
Cash and cash equivalents	\$	18,686,081	¢	128,257		18,814,338	¢	1,913,762 \$	31,121
Restricted cash	Ψ	10,000,001	Ψ	22,601		22,601	Ψ	1,913,702 φ	51,121
Receivables (net of allowance for uncollectibles):				22,001		22,001			
Taxes receivable		12,166,116		_		12,166,116		_	_
Accounts receivable		273,865		23,007		296,872		24,752	40,320
Notes receivable		275,005		23,007		270,072		24,732	128,000
Due from component unit		881,694				881,694			120,000
Due from other governmental units		2,767,615		75,478		2,843,093		916,154	
Inventories		2,707,013				2,043,093		66,819	
Prepaid expenses		103,411		_		103,411		22,287	_
Capital assets (net of accumulated depreciation):		103,411				103,411		22,207	
Land and improvements		425,761		40,000		465,761		851,210	_
Buildings and improvements		29,209,225		+0,000		29,209,225		10,824,116	_
Infrastructure and equipment		27,207,223		5,481,576		5,481,576		10,024,110	
Machinery and equipment		2,443,402		5,401,570		2,443,402		1,624,107	
Construction in progress		681,661		2,062,945		2,744,606		-	_
	-	001,001		2,002,743		2,744,000			
Total assets	\$	67,638,831	\$	7,833,864	\$	75,472,695	\$	16,243,207 \$	199,441
LIABILITIES									
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	
Total liabilities	\$	44,912,127	\$	1,332,480	\$	46,244,607	\$	2,856,751 \$	
NET ASSETS									
Invested in capital assets, net of related debt	\$	2,372,334	\$	6,454,015	\$	8,826,349	\$	13,299,433 \$	-
Restricted for:		_,,001	*	-, ,	,	-,,017	*		
Debt service and bond covenants		-		22,601		22,601		_	-
Unrestricted (deficit)		20,354,370	_	24,768		20,379,138	_	87,023	199,441
Total net assets	\$	22,726,704	\$	6,501,384	\$	29,228,088	\$	13,386,456 \$	199,441
			= =			. ,	= : =		

Statement of Activities

For the Year Ended June 30, 2012

			_		Program Revenues					
Functions/Programs		Expenses		Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		
PRIMARY GOVERNMENT:										
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		
COMPONENT UNITS:										
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	\$	-		
	C	ral revenues: General propert .ocal sales and			= :		= :			

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

	Pri	mary Governme			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)	_							
\$	(24,087,373) \$	-	\$	(24,087,373)	-							
	-	(240,937)		(240,937)								
-	-	1,043,168		1,043,168	-							
\$	(24,087,373) \$	802,231	\$	(23,285,142)								
					\$	(14,044,261)	\$	_				
					÷		÷	(25,936)				
					\$	(14,044,261)	\$_	(25,936)				
\$	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		44 / / 0 0 40		-				
	-	-		-		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> </u>	-	. <u> </u>	-	_	-				
\$_	26,089,280 \$	261,686	. \$ _	26,350,966	\$	15,002,774	\$_	8,974				
\$	2,001,907 \$		\$		\$		\$	(16,962) 216,403				
-	20,724,797	5,437,467		26,162,264		12,427,943	-	216,403				
	22,726,704 \$	6,501,384	\$	29,228,088	\$	13,386,456	¢	199,441				

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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
Assets						
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
Total assets	\$	31,952,752	\$ 190,486	\$ 2,636,252	\$ 99,292	\$ 34,878,782
Liabilities						
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
Total liabilities	\$	12,230,092	\$ -	\$ 385,865	\$ 99,242	\$ 12,715,199
Fund balance						
Nonspendable	\$	103,411	\$ -	\$ -	\$ -	\$ 103,411
Committed		38,952	190,486	2,250,387	50	2,479,875
Unassigned	_	19,580,297	 -	 -		 19,580,297
Total fund balances	\$	19,722,660	\$ 190,486	\$ 2,250,387	\$50	\$ 22,163,583
Total liabilities and fund balances	\$	31,952,752	\$ 190,486	\$ 2,636,252	\$ 99,292	\$ 34,878,782

Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets At June 30, 2012

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	_	17,508,874	_	32,760,049
Other long-term assets are not available to pay for current-period	ł			
expenditures and, therefore, are deferred in the funds.				1,940,717
Compensated absences are not payable with current assets and accordingly	4			
are not reported as fund liabilities.	•			(264,952)
Long-term liabilities and related interest are not due and payable in the	è			
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	_	(982,018)		(33,849,248)
Not OPER obligation not reported in the funds				(22 445)
Net OPEB obligation not reported in the funds			-	(23,445)
			¢	00 70/ 70/
Net assets of governmental activities			\$	22,726,704

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
Revenues						
General property taxes	\$	19,964,116 \$	- \$	- \$	- \$	19,964,116
Other local taxes	Ŧ	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:		4 476 167				4 475 157
Revenue from the Commonwealth Revenue from the Federal Government		4,475,156 1,975,010	-	-	- 315,234	4,475,156 2,290,244
Revende from the rederal Government		1,975,010		-	510,234	2,290,244
Total revenues	\$	31,521,638 \$	- \$	73 \$	315,269 \$	31,836,980
Expenditures						
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:			2,187,022			2,187,022
Principal retirement Interest and other fiscal charges		- 62,142	1,536,019	- 298,080	-	1,896,241
interest and other fiscal charges		02,142	1,550,017	270,000		1,070,241
Total expenditures	\$	26,209,210 \$	3,723,041 \$	1,769,950 \$	142,234 \$	31,844,435
Excess (deficiency) of revenues over						
(under) expenditures	\$	5,312,428 \$	(3,723,041) \$	(1,769,877) \$	173,035 \$	(7,455)
Other financing sources (uses)						
Transfers in	\$	600,000 \$	3,516,564 \$	470,500 \$	- \$	4,587,064
Transfers out	Ŷ	(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)
Total other financing sources (uses)	\$	(1,630,974) \$		(511,464) \$	(175,436) \$	
-						
Net change in fund balances	\$	3,681,454 \$	(206,477) \$	(2,281,341) \$		
Fund balance, beginning of year, as restated		16,041,206	396,963	4,531,728	2,451	20,972,348
Fund balance, end of year	\$	19,722,660 \$	190,486 \$	2,250,387 \$	50 \$	22,163,583

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 differ Net change in fund balances - total governmental funds - Exhibit 5	ent because:	\$	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	\$ 2,781,9	22	
Depreciation expense	(1,516,1		
Adjustment for jointly owned capital assets	(1,682,2	97)	(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	\$ (12,561,8	16)	
Payment to bond escrow agent	11,101,4	40	
Increase in landfill liability	(17,5	37)	
Repayments:	0(0.0	00	
General obligation school bonds	860,0		
Plus: Amortization of issuance premium Lease revenue bonds	52,3 701,3		
State Literary Fund loans	250,0		
Infrastructure revenue bonds	260,0		
Plus: Amortization of issuance premium	2,7		
Capital leases	, 71,1		
Early retirement incentive obligation	44,4		
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	\$ (30,2	49)	
Net OPEB obligation	(2,0		
Accrued interest on bonds and loans	348,7	79	316,443
Change in net assets of governmental activities		\$	2,001,907

Statement of Net Assets Proprietary Funds At June 30, 2012

	Business-Type Activities - Enterprise Funds					
	Piney River					
	Water &		Broadband			
	Sewer Fund		Authority		Total	
Assets:						
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	\$ 121,798	\$	127,545	\$	249,343	
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	\$ 5,521,576	\$	2,062,945	\$	7,584,521	
Total assets	\$ 5,643,374	\$	2,190,490	\$	7,833,864	
Liabilities:						
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	\$ 23,247	\$	192,391	\$	215,638	
Long-term liabilities						
Bonds payable, net of current	\$ 1,116,842	\$	-	\$	1,116,842	
Total long-term liabilities	1,116,842		-		1,116,842	
Total liabilities	\$ 1,140,089	\$	192,391	\$	1,332,480	
Net Assets:						
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	\$ 4,503,285	\$	1,998,099	\$	6,501,384	

		Business-Type Activities - Enterprise Funds				
	-	Piney River				
		Water &		Broadband		
	_	Sewer Fund	-	Authority		Total
Operating revenues:						
Charges for services, net	\$	108,503	\$	50	\$	108,553
Total operating revenues	\$	108,503	\$	50	\$	108,553
Operating expenses:						
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
Operating income (loss)	\$	(190,961)	\$	50	\$	(190,911)
Nonoperating expense:						
Interest expense	\$	49,976	\$	-	\$	49,976
Net nonoperating expense	\$	49,976	\$	-	\$	49,976
Income(loss) before capital contributions and transfers	\$	(240,937)	\$_	50	\$	(240,887)
Capital contributions:						
Capital grant - NTIA	\$	-	\$	1,043,118	\$	1,043,118
Total capital contributions	\$	-	\$	1,043,118	\$	1,043,118
Transfers:						
Transfers in	\$	70,000	\$	191,686	\$	261,686
Total transfers	\$	70,000	\$	191,686	\$	261,686
Change in net assets	\$	(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

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2012

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

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

Statement of Fiduciary Net Assets At June 30, 2012

	 Agency Funds	
Assets:		
Cash and cash equivalents	\$ 682,102	
Total assets	\$ 682,102	
Liabilities:		
Amounts held for others	\$ 682,102	
Total liabilities	\$ 682,102	

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

Notes to Financial Statements As of June 30, 2012

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

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

The financial statements of the County have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. <u>Management's Discussion and Analysis</u>

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. <u>Reporting Entity</u>

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.

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

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

B. <u>Reporting Entity: (Continued)</u>

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)

C. <u>Government-wide and fund financial statements: (Continued)</u>

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. <u>Measurement focus</u>, 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.

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

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

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.

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

D. <u>Measurement focus</u>, 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. <u>Nelson County School Board:</u> The Nelson County School Board has the following fund:
 - <u>Governmental Fund:</u>
 - 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. <u>Economic Development Authority:</u> The Economic Development Authority operates on a proprietary fund basis where revenues and expenditures are recognized on the accrual basis of accounting, where the measurement focus is on the determination of net income, financial position, and changes in financial position. The Economic Development Authority is an enterprise fund. Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services.

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.

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

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. <u>Restricted Cash:</u>

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.

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

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. <u>Allowance for Uncollectible Accounts</u>

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.

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

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. <u>Compensated Absences</u>

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.

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

O. Fund Equity

Financial Policies

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

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

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

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

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

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

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

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

Notes to Financial Sta	atements
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
Nonspendable: Prepaid items Inventory	\$	103,411 \$ 	-	\$ -	\$ -	\$ 103,411 \$ -	22,287 66,819
Total Nonspendable	\$	103,411 \$	-	\$ -	\$ -	\$ 103,411 \$	89,106
Committed: Ryan School Reserve Debt Service Community Development Textbooks Cafeteria Courthouse Construction Capital Projects	\$	38,952 \$ - - - -	- 190,486 - - - - -	\$ - - - 752,572 1,497,815	- - 50 - - -	\$ 38,952 \$ 190,486 50 - - 752,572 1,497,815	- - 352,468 203,548 - -
Total Committed	\$_	38,952 \$	190,486	\$ 2,250,387	\$ 50	\$ 2,479,875 \$	556,016
Unassigned	\$_	19,580,297 \$	-	\$ -	\$ -	\$ 19,580,297 \$	(89,106)
Total Fund Balance	\$	19,722,660 \$	190,486	\$ 2,250,387	\$ 50	\$ 22,163,583 \$	556,016

P. <u>Net Assets</u>

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. <u>Reclassification</u>

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

NOTE 2-DEPOSITS AND INVESTMENTS:

<u>Deposits</u>

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

Locality's Rated Debt Investmen	ts' Valu	es
Local Government		
Rated Debt Investments		Fair Quality Ratings
	_	AAAm
Money Market Mutual Fund Local Government Investment Pool	\$	1,770,526 48,307
Total	\$	1,818,833
Component Unit Economic Develop	ment Au	uthority
Rated Debt Investments		Fair Quality Ratings
		AAAm
Local Government Investment Pool	\$_	8,779

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:

	-	Primary Gover Governmental Activities	rnment	Compon	ent Units
	-	General Fund	Business- Type Activities	School Board	Economic Development Authority
Property taxes Penalties	\$	12,315,691 \$ 37,668	5 <u>-</u> \$	5 - \$	5 -
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
Total receivables	\$	13,610,000 \$	5 24,345 \$	5 24,752 \$	5 168,320
Allowance for uncollectibles	_	(1,170,019)	(1,338)		-
Net receivables	\$	12,439,981 \$	<u>23,007</u> \$	<u> </u>	5 168,320

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.

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

NOTE 4-DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government							
			Governmental Activities					
	-		Other		Business-			
		General	Governmental		Туре	School		
	-	Fund	Funds	Total	Activities	Board		
Commonwealth of Virginia:								
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	-	-		
Federal government:								
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		
Total	\$_	2,668,373 \$	99,242 \$	2,767,615 \$	75,478 \$	916,154		

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

NOTE 5 - INTERFUND ACTIVITY:

Primary Government: Transfers To/From Other Funds:		
Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$	(3,516,564)
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		(170,000)
Net transfers from General Fund	\$	(3,473,314)
Transfer from the General Fund to pay principal and interest on long-term debt	\$	3,516,564
Net transfers to Debt Service Fund	\$	3,516,564
Transfer to the General Fund	\$	(600,000)
Transfer from the General Fund fund to pay for Courthouse construction		
and other projects		470,500
Net transfers to the Capital Projects Fund	\$ <u></u>	(129,500)
Transfer to the Broadband Fund	\$	(175,436)
Net transfers from the Housing Improvement Fund	\$	(175,436)
	=	<u> </u>
Transfer from the General Fund to support operations	\$	70,000
Net transfers to the Piney River Water & Sewer Fund	\$	70,000
	_	
Transfer from the General Fund to pay for broadband project	\$	16,250
Transfer from the Housing Improvment Fund to pay for broadband project		175,436
Net transfers to the Piney River Water & Sewer Fund	\$ <u></u>	191,686

The component unit School Board consists of only one fund.

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:

Capital assets not being depreciated:	-	Balance July 1, 2011, as restated	_	Increases	Decreases	Balance June 30, 2012
Land and land improvements	\$	425,761	\$	- \$	- \$	425,761
Construction in progress Total capital assets not being	-	9,335,807	-	1,726,429	10,380,575	681,661
depreciated	\$_	9,761,568	\$_	1,726,429 \$	10,380,575 \$	1,107,422
Other capital assets:	ć	4 000 570	ċ	0 492 250 6	- \$	14 2/5 927
Buildings and improvements Furniture, equipment and vehicles School buildings, improvements	\$	4,882,578 2,815,250	Ş	9,483,259 \$ 1,955,646	- Ş 175,176	14,365,837 4,595,720
and equipment *	_	24,426,133	_	-	2,176,133	22,250,000
Total other capital assets	\$_	32,123,961	\$_	11,438,905 \$	2,351,309 \$	41,211,557
Less: Accumulated depreciation for: Buildings and improvements Furniture, equipment and vehicles School buildings, improvements	\$	2,092,252 1,937,975	\$	573,234 \$ 386,682	- \$ 172,339	2,665,486 2,152,318
and equipment *	- S	4,678,712	, -	556,250	493,836	4,741,126
Total accumulated depreciation	ې_ \$	8,708,939	-	1,516,166 \$	666,175 \$	9,558,930
Other capital assets, net	ې_ د	23,415,022	-	9,922,739 \$	1,685,134 \$ 12,065,709 \$	31,652,627
Net capital assets	· =	33,176,590	ې =	11,649,168 \$	12,005,709 \$	32,700,049
Depreciation expense was allocated as follo General government administration Public safety)WS:		\$	258,251 279,772		
Public works				259,721		
Health and welfare				20,011		
Education				556,250		
Parks, recreation and cultural Community development				127,557 14,604		
Total depreciation expense			\$	1,516,166		

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

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

		Balance July 1, 2011	Increases		Decreases	Balance June 30, 2012
Capital assets not being depreciated: Land and land improvements Total capital assets not being	\$	851,210 \$	-	\$	- \$	851,210
depreciated	\$	851,210 \$	-	\$	- \$	851,210
Other capital assets: Buildings and improvements Furniture, equipment and vehicles School buildings, improvements and	\$	43,926,109 \$ 4,284,855	372,902	\$	- \$ 165,588	43,926,109 4,492,169
equipment allocated to County * Total other capital assets		(24,426,133) 23,784,831 \$	2,176,133 2,549,035	 c	 165,588 \$	(22,250,000) 26,168,278
Less: Accumulated depreciation for:	'_			• •		
Buildings and improvements Furniture, equipment and vehicles School buildings, improvements and	\$	14,401,362 \$ 2,724,945	1,191,757 298,580	Ş	- \$ 155,463	15,593,119 2,868,062
equipment allocated to County *	_	(4,678,712)	(556,250)		(493,836)	(4,741,126)
Total accumulated depreciation	\$	12,447,595 \$	934,087	\$	(338,373) \$	13,720,055
Other capital assets, net	\$_	11,337,236 \$	1,614,948	\$	503,961 \$	12,448,223
Net capital assets	\$	12,188,446 \$	1,614,948	\$	503,961 \$	13,299,433
Depreciation expense allocated to educa	tion	\$	934,087			

* 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	30,387,715
Net assets invested in capital assets, less related debt	\$	2,372,334

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

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Business Type Activities:

Piney River Water & Sewer Operations

		Balance						Balance
		July 1, 2011		Increases		Decreases		June 30, 2012
Capital assets not being depreciated:	-	2011				Decieuses		2012
Land and land improvements	\$_	40,000	\$_	- 9	\$_	-	\$	40,000
Total capital assets not being depreciated	Ś	40,000	Ś	_ (\$	-	\$	40,000
Other capital assets:	Ý_	10,000	Ÿ_		Ÿ_			10,000
Infrastructure	\$	6,557,827	\$	- 9	\$	-	\$	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,						Balance
		2011,		_		_		June 30,
Constant and the international design of the de-	-	as restated	_	Increases		Decreases		2012
Capital assets not being depreciated: Construction in progress	Ś	412,671	¢	1,650,274	¢	-	¢	2,062,945
Total capital assets not being	Ý_	412,071	۲ <u>–</u>	1,030,274	۲ <u>–</u>			2,002,745
depreciated	\$_	412,671	\$_	1,650,274	\$_	-	\$	2,062,945
Net capital assets	Ş	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 Less: Long-term debt applicable to capital assets at June 30, 2012	\$ 7,584,521 1,130,506
Net assets invested in capital assets, less related debt	\$ 6,454,015

NOTE 6-CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities:

dovernmental Activities.						Balance
		Balance June 30, 2011		Restatement		July 1, 2011, as restated
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	\$	10,174,239	\$_	(412,671)	\$	9,761,568
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 *	1	24,426,133	-	-	-	24,426,133
Total other capital assets	\$	32,123,961	\$_	-	\$	32,123,961
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	\$	8,708,939	\$_	-	\$_	8,708,939
Other capital assets, net	\$	23,415,022	\$_	-	\$	23,415,022
Net capital assets	\$	33,589,261	\$	(412,671)	Ş	33,176,590
Nelson County Broadband Authority						Balance
		Balance				
		June 30,				July 1, 2011,
		2011		Restatement		as restated
Capital assets not being depreciated:	1	2011	-	Restatement	-	asrestated
Construction in progress	\$	-	\$_	412,671	\$	412,671
Total capital assets not being depreciated	\$	-	\$_	412,671	\$_	412,671
Net capital assets	\$	-	\$ _	412,671	\$	412,671

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

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:

		Balance July 1, 2011	Additions	Retirements & Other Reductions	Balance June 30, 2012
Primary Government:					
Governmental activities:					
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
Total	\$	34,503,594 \$	12,173,649 \$	12,910,511 \$	33,766,732
Reconciliation to Exhibit 1:					
Long-term liabilities due within one y	/ear			\$	2,119,990
Long-term liabilities due in more that		e vear		Ŧ	31,646,742
				-	
Total				\$	33,766,732

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

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

	-	Balance July 1, 2011	Additions		Retirements & Other Reductions		Balance June 30, 2012
Business-type activities:							
USDA Water Revenue Bond	\$	485,241 \$	-	\$	5,721	\$	479,520
USDA Sewer Revenue Bond	_	658,353	-		7,367		650,986
	\$	1,143,594 \$	-	_\$	13,088	\$	1,130,506
Reconciliation to Exhibit 1: Long-term liabilities due within one year Long-term liabilities due in more than one year							13,664 1,116,842
Total						\$	1,130,506

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

Year Ending				
June 30,		Principal		Interest
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	s	33,464,072	s	12,898,604
TOLAL	ڊ =	55,404,072	ڊ :	12,090,004

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

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

Governmental:	_	Amount Outstanding	-	Amount Due in One Year
General Obligation School Bonds:				
\$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		334,273	-	49,191
Total general obligation school bonds	\$_	10,844,273	\$_	914,191
Lease Revenue Refunding Bonds:				
\$9,990,000 Lease Revenue Refunding Bonds Series 2012, issued March 2012, due in various semi-annual installments ranging from \$480,000 to \$860,000, through August 2027, interest rates at 2.75%	\$	9,990,000	\$	480,000
Deferred amount on refunding	_	(466,440)	_	(44,864)
Total lease revenue refunding bonds	\$_	9,523,560	\$	435,136
State Literary Fund Loans:				
\$5,000,000 issued April 1, 1999, due in annual installments of \$250,000 plus interest through April 1, 2019, interest at 5%	\$_	1,750,000	\$	250,000

NOTE 7-LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

		Amount Outstanding		Amount Due in One Year
Governmental: (Continued)	-			
Lease Revenue Bonds:				
\$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	Ş	126,867
Virginia Resource Authority Infrastructure Revenue Bonds:	-			
\$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	Ş	275,000
	Ļ		ç	
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	\$_	3,334,918	\$	319,789
Loan Payable - Early Retirement Incentive Costs:				
The County School Board adopted the early retirement incentive program. The School Board's share of the liability for those employees who elected to participate totaled \$761,771. This obligation was refinanced with a loan from a bank in August, 1999. This liability is not included in the pension benefit obligation disclosed in Note 9. The loan is payable in annual installments of \$70,468 (including principal and interest) due May 1, 2018, interest				
at 6.79%.	\$_	338,076	\$	47,513
Total governmental loans and bonds	\$_	32,496,317	\$	2,093,496

NOTE 7–LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	 Amount Outstanding	Amount Due in One Year
Business-type:		
USDA Revenue Bonds:		
\$499,000 Water Revenue Bond, Series 2007, issued November 8, 2007, interest only due on November 8, 2008, and then monthly principal and interest payments of \$2,186 through October, 2047; interest at 4.25%	\$ 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%	650,986	7,699
Total business-type long-term obligations	\$ 1,130,506	\$ 13,664

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.

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:

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

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.

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

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

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.

	BalanceNet Increase/July 1, 2011(Decrease)		Balance June 30, 2012
Primary Government: Governmental activities	\$ 234,703	5 <u>30,249</u> \$	264,952
Component Unit School Board	\$ 369,032	5 <u>(30,540)</u> \$	338,492

NOTE 9-DEFINED BENEFIT PENSION PLAN:

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

A. <u>Plan Description:</u>

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.

NOTE 9-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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 <u>Code of Virginia</u> (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 <u>http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf</u> 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 <u>Code of Virginia</u> (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 <u>Code of Virginia</u> 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.

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.

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%	

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

(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.

NOTE 9-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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:

A. <u>Plan Descriptions</u>

<u>County</u>

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.

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

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

<u>County</u>

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:

..

...

. .

...

		Monthly premium owed by retiree				
	_	Retiree	Retire and on depende	e	Family	
Key Advantage 200 PPO	\$	507	\$	938 \$	1,369	
Key Advantage Expanded Benefits PPO	\$	526	\$	973 \$	1,420	
Key Advantage 65 PPO	\$	152	\$	304	N/A	

The County has not adopted a funding policy for the implicitly subsidized costs of the County Plan. The County Plan has no assets and is financed on a pay-as-you-go basis.

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:

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

The School Board has not adopted a funding policy for the implicitly subsidized costs of the School Plan. The School Plan has no assets and is financed on a pay-as-you-go basis.

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.

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:

	 County	School Board	
Annual required contribution Interest on OPEB obligation Adjustment to ARC	\$ 30,400 854 (767)	\$	125,800 3,885 (5,616)
Annual OPEB cost	\$ 30,487	\$	124,069
Estimated contributions made	 (28,400)		(90,700)
Increase in net OPEB obligation Net OPEB obligation at beginning of year	\$ 2,087 21,358	\$	33,369 97,132
Net OPEB obligation at end of year	\$ 23,445	\$	130,501

The County's and the School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2012 and the two preceding years were as follows:

Fiscal Year Ending:	Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed	-	Net OPEB Obligation
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

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

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.

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

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):

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .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:

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

NOTE 13-DEFERRED REVENUE:

	Government-wide Statements Governmental Activities	 Balance Sheet overnmental Funds
Primary Government: 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.	192,133	 192,133
Total primary government	\$9,912,024	\$ 11,852,741

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.

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

NOTE 15-LITIGATION:

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:

	Amount
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
Joe Dan Johnson, Supervisor	1,000

NOTE 17-RISK MANAGEMENT:

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

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

NOTE 17-RISK MANAGEMENT: (CONTINUED)

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:

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

NOTE 19-RELATED PARTY TRANSACTIONS:

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.

Notes to Finan	icial Sta	atements
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:

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

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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 A Original	mounts Final		Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES						
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	\$	30,103,623 \$	30,581,250	\$	31,521,638 \$	940,388
EXPENDITURES Current:						
General government administration	\$	1,661,689 \$	1,799,282	\$	1,684,480 \$	114,802
Judicial administration	Ŧ	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
•		2,859,000			-	
Capital projects		2,839,000	2,859,000		1,540,128	1,318,872
Debt service:						
Interest and other fiscal charges	_		-		62,142	(62,142)
Total expenditures	\$	28,939,468 \$	29,046,047	\$	26,209,210 \$	2,836,837
Excess (deficiency) of revenues over (under)						
expenditures	\$	1,164,155 \$	1,535,203	\$	5,312,428 \$	3,777,225
OTHER FINANCING SOURCES (USES)						
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)	\$	(3,323,314) \$	(3,473,314)	\$	(1,630,974) \$	1,842,340
Net change in fund balances	\$	(2,159,159) \$	(1,938,111)	\$	3,681,454 \$	5,619,565
Fund balances - beginning		2,159,159	1,938,111		16,041,206	14,103,095
Fund balances - ending	\$	\$	<u> </u>	\$	19,722,660 \$	19,722,660

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

PRIMARY GOVERNMENT:

County Retirement Plan

			Unfunded			
	Actuarial	Actuarial	Actuarial			UAAL
	Value of	Accrued	Accrued			as a % of
Actuarial	Assets	Liability	Liability	Funded	Covered	Covered
Valuation Date	 (AVA)	(AAL)	(UAAL)	Ratio	Payroll	Payroll
	(a)	(b)	(b-a)	(a/b)	(C)	((b-a)/c)
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

				Unfunded			
	Actuarial		Actuarial	Actuarial			UAAL
	Value of		Accrued	Accrued			as a % of
Actuarial	Assets		Liability	Liability	Funded	Covered	Covered
Valuation Date	(AVA)		(AAL)	(UAAL)	Ratio	Payroll	Payroll
	 (a)	_	(b)	 (b-a)	(a/b)	(c)	((b-a)/c)
January 1, 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	 Actuarial	Unfunded Actuarial			UAAL
	Value of	Accrued	Accrued			as a % of
Actuarial	Assets	Liability	Liability	Funded	Covered	Covered
Valuation Date	(AVA)	(AAL)	(UAAL)	Ratio	Payroll	Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
January 1, 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

		Dudgeted A	mounts	Actual	Variance wi Final Budget Positive	
	-	Budgeted A				
	_	Original	Final	Amounts	(Negative))
EXPENDITURES						
Debt service:						
Principal retirement	\$	2,171,569 \$	2,171,569 \$	2,187,022	\$ (15,45	53)
Interest and other fiscal charges	_	1,626,572	1,626,572	1,536,019	90,55	53
Total expenditures	\$	3,798,141 \$	3,798,141 \$	3,723,041	\$ 75,10	00
Excess (deficiency) of revenues over (under)						
expenditures	\$	(3,798,141) \$	(3,798,141) \$	(3,723,041)	\$ 75,10	00
OTHER FINANCING SOURCES (USES)						
Transfers in	\$	3,516,564 \$	3,516,564 \$	3,516,564	\$ <u> </u>	
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)	\$ 75,10	00
Fund balances - beginning	_	281,577	281,577	396,963	115,38	
Fund balances - ending	\$	- \$\$	\$	190,486	\$ 190,48	86

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		Variance with Final Budget - Positive	
		Original		Final		Amounts		(Negative)
REVENUES							-	
Revenue from the use of money and property	\$	100	\$	100	\$	73	\$_	(27)
Total revenues	\$	100	\$	100	\$	73	\$_	(27)
EXPENDITURES								
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
OTHER FINANCING SOURCES (USES)								
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
Assets				
Cash and cash equivalents	\$	50	\$ -	\$ 50
Due from other governments	_	99,242	 -	 99,242
Total assets	\$	99,292	\$ -	\$ 99,292
Liabilities				
Accounts payable	\$_	99,242	\$ -	\$ 99,242
Total liabilities	\$	99,242	\$ -	\$ 99,242
Fund Balance				
Committed	\$_	50	\$ -	\$ 50
Total fund balance	\$	50	\$ -	\$ 50
Total liabilities and fund balances	\$	99,292	\$ -	\$ 99,292

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	<u> </u>	Total
Revenues					
Miscellaneous	\$	-	\$ 35	\$	35
Intergovernmental revenues:					
Federal	\$	315,234	\$ -	\$	315,234
Total revenues	\$	315,234	\$ 35	\$	315,269
Expenditures 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
OTHER FINANCING SOURCES (USES)					
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

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							
	_	Budgete Original	d Am	nounts Final	-	Actual		Variance with Final Budget - Positive (Negative)
REVENUES		originar		1 mai		Notual		(negative)
Miscellaneous	\$	-	\$	-	\$	-	\$	-
Intergovernmental revenues:								
Federal	\$	898,000	\$	898,000	\$	315,234	\$	(582,766)
Total revenues	\$	898,000	\$	898,000	\$	315,234	\$	(582,766)
EXPENDITURES								
Current:								
Community development	\$	695,000	\$	695,000	\$	142,234	\$	552,766
Total expenditures	\$	695,000	\$	695,000	\$	142,234	\$	552,766
Excess (deficiency) of revenues over (under)								
expenditures	\$	203,000	\$	203,000	\$	173,000	\$	(30,000)
OTHER FINANCING SOURCES (USES)								
Transfers out	\$	(203,000)	\$	(205,436)	\$	(175,436)	\$	30,000
Total other financing sources (uses)	\$	(203,000)	\$	(205,436)	\$	(175,436)	\$	30,000
Net change in fund balances	\$	-	\$	(2,436)	\$	(2,436)	\$	-
Fund balances - beginning		-		2,436		2,486		50
Fund balances - ending	\$	-	\$	-	\$	50	\$	50

	Street Lights Fund									
-	Budgete Original	d Am			Actual		Variance with Final Budget Positive (Negative)			
\$	-	\$	-	\$	35	\$	35			
\$	-	\$	-	\$	-	\$	-			
\$	-	\$	-	\$	35	\$	35			
\$	-	\$	-	\$	-	\$	-			
\$	-	\$	-	\$	-	\$				
\$	-	\$	-	\$	35	\$	35			
\$	-	\$	-	\$	-	\$	-			
\$	-	\$	-	\$	-	\$	-			
\$	-	\$	-	\$	35 (35)	\$	35 (35)			
\$	-	\$	-	\$	-	\$				

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

	Ageno			
	 Special	EMS	-	
	 Welfare	 Loan Fund		Total
Assets				
Cash and cash equivalents	\$ 22,809	\$ 659,293	\$	682,102
Total assets	\$ 22,809	\$ 659,293	\$	682,102
Liabilities				
Amounts held for others	\$ 22,809	\$ 659,293	\$	682,102
Total liabilities	\$ 22,809	\$ 659,293	\$	682,102

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

Component Unit School Board Balance Sheet At June 30, 2012

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

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

Total fund balance for governmental fund (Exhibit 20)		:	\$ 556,016
Total net assets reported for governmental activities in the statement of ne assets are different because:	t		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. Those assets consist of:	b		
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	_	(17,508,874)	13,299,433
Long-term liabilities applicable to the School Board's governmental activitie are not due and payable in the current period and accordingly are not reported as fund liabilities.			
Compensated absences	\$	(338,492)	
Net OPEB obligation	-	(130,501)	 (468,993)
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

	_	School Fund
Revenues		170
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	-	2,152,357
Total revenues	\$	23,564,938
Expenditures		
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	_	1,212,945
Total expenditures	\$	23,714,583
Excess (deficiency) of revenues over (under)		
expenditures	\$	(149,645)
Fund balance, beginning of year	_	705,661
Fund balance, end of year	\$	556,016

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

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 Net OPEB obligation	\$ 30,540 (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						
	_	Budgete Original	ed A	mounts Final	_	Actual	Variance with Final Budget Positive (Negative)	
REVENUES								
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	\$	24,103,400	\$	24,111,882	\$	23,564,938	\$(546,944)	
EXPENDITURES								
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	\$	24,600,903	\$	24,604,689	\$	23,714,583	\$ 890,106	
Excess (deficiency) of revenues over (under)								
expenditures	\$	(497,503)	\$	(492,807)	\$	(149,645)	\$ 343,162	
Fund balances - beginning	_	497,503		492,807		705,661	212,854	
Fund balances - ending	\$	-	\$		\$	556,016	\$556,016	

Supporting Schedules

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Fund, Major and Minor Revenue Source		Original Budget		Final Budget		Actual	Variance with Final Budget - Positive (Negative)
General Fund:							
Revenue from local sources:							
General property taxes:							
Real property taxes	\$	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	\$	18,690,688	\$	18,690,688	\$	19,964,116 \$	1,273,428
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	\$	2,978,018	\$	3,352,018	\$	3,610,714 \$	258,696
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	\$	165,750	\$	165,750	\$	177,207 \$	11,457
Fines and forfeitures:	*	0.44 (00	^		*	007 000 4	
Court fines and forfeitures	\$	241,600		246,600		237,993 \$	(8,607)
Total fines and forfeitures	\$	241,600	\$	246,600	\$	237,993 \$	(8,607)
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)
		217,980		223,160		154,296 \$	

Fund, Major and Minor Revenue Source		Original Budget		Final Budget		Actual	Fi	ariance with nal Budget - Positive (Negative)
General Fund: (Continued)					_			
Revenue from local sources: (Continued)								
Charges for services:								
Sheriff's fees	\$	6,000	\$	6,000	\$	6,463 \$		463
Law library fees	Ť	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)
		2,300		2,300		115		(1,727)
Total charges for services	\$	255,600	_\$	255,600	_\$	218,023 \$		(37,577)
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	\$	23,200	\$	23,200	\$	68,955 \$		45,755
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	\$	622,477	\$	632,000	\$	640,168 \$		8,168
Total revenue from local sources	\$	23,195,313	\$	23,589,016	\$	25,071,472 \$		1,482,456
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	\$	2,351,803	\$	2,351,803	\$	2,340,979 \$		(10,824)

Fund, Major and Minor Revenue Source		Original Budget		Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)						
Categorical aid:						
Shared expenses:						
Commonwealth's attorney	\$	198,241	\$	198,241 \$	189,145 \$	• •
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	\$	1,317,400	_\$	1,328,597 \$	1,322,295 \$	(6,302)
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)
VJCCCA 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	- (Г)
Library grant Other categorical		-		5,000	4,995 7,390	(5) 7,390
-		-				
Total other categorical aid	\$	589,073		614,573 \$	503,915 \$	·
Total categorical aid	\$	2,327,032		2,363,729 \$	2,134,177 \$	
Total revenue from the Commonwealth	\$	4,678,835	_\$	4,715,532 \$	4,475,156 \$	(240,376)
Revenue from the federal government:						
Noncategorical aid:	•		^		F4.00/ #	10 100
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 \$	• •
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 Rural Development grant		-		16,040	- 25,000	(16,040) 25,000
USDA specialty crop grant		-		30,000	7,000	(23,000)
Recovery Act BJA Byrne JAG Grant		-		1,187	7,000	(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	\$	2,184,611	\$	2,231,838 \$	1,920,014 \$	
Total revenue from the federal government	*	2,229,475		2,276,702 \$	1,975,010 \$	
Total General Fund	*	30,103,623		30,581,250 \$	31,521,638 \$	
	φ	30,103,023	-Ψ	JU, JUI, 200 \$	J1, J21, UJU \$	770,000

Fund, Major and Minor Revenue Source		Original Budget		Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:						
Housing Improvement Fund:						
Revenue from the Federal Government:						
Categorical aid:						
Community Development Block Grant	\$	898,000		898,000 \$	315,234 \$	(582,766)
Total categorical aid	\$	898,000	<u></u> \$	898,000 \$	315,234 \$	(582,766)
Total revenue from the Federal Government	\$	898,000	\$	898,000 \$	315,234 \$	(582,766)
Total Housing Improvement Fund	\$	898,000	\$	898,000 \$	315,234 \$	(582,766)
Street Lights Fund:						
Revenue from local sources:						
Miscellaneous revenue:						
Other miscellaneous	\$	-	\$	- \$	35 \$	35
Total miscellaneous revenue	\$	-	\$	- \$	35 \$	35
Total Street Lights Fund	\$	-	\$	\$	35 \$	35
Capital Projects Fund: 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	\$	100		100 \$	73 \$	(27)
Total Capital Improvements Fund	\$	100	\$	100 \$	73 \$	(27)
Total Primary Government	\$	31,001,723		31,479,350 \$	31,836,980 \$	357,630
Discretely Presented Component Unit - School Board: School Operating Fund: 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	\$	522,603	\$	513,745 \$	459,893 \$	(53,852)
Miscellaneous revenue:						
Other miscellaneous	\$	493,422	\$	305,787 \$	334,552 \$	28,765
Total miscellaneous revenue	\$	493,422		305,787 \$	334,552 \$	28,765
Recovered costs:						
Other recovered costs	\$	103,101	\$	103,101 \$	- \$	(103,101)
Total recovered costs	\$	103,101	\$	103,101 \$	- \$	
Total revenue from local sources	\$	1,119,226		922,633 \$	794,618 \$	(128,015)
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	\$	13,333,618	\$	13,333,618 \$	12,985,752 \$	(347,866)

Fund, Major and Minor Revenue Source	Orig Bud		_	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued	d)					
School Operating Fund: (Continued)						
Revenue from the Commonwealth:						
Categorical aid:						
Share of state sales tax \$		0,490	\$	2,062,563 \$	2,045,029 \$	
Basic school aid	3,41	5,837		3,429,681	3,442,018	12,337
GED funding		5,717		15,717	15,717	-
Remedial summer education		0,089		34,974	34,974	-
Regular foster care		0,290		78,201	78,201	-
Gifted and talented		6,666		36,977	36,977	-
Remedial education		0,814		111,752	111,752	-
Special education		6,291		460,157	460,157	-
Textbook payment		3,049		41,631	33,328	(8,303)
Vocational standards of quality payments		8,369		109,287	109,287	-
Social security fringe benefits		5,924		217,753	217,753	-
Retirement fringe benefits		5,553 8,148		197,210 8,217	197,210 8,217	-
Group life insurance instructional Early reading intervention		1,666		12,962	12,962	-
VPSA technology		4,000		154,000	154,000	-
Homebound education	I.	5,997		6,791	6,791	-
Regional program tuition	10	4,601		87,259	87,259	-
Vocational education - occupational/tech ed		26,481		39,241	39,241	
At risk payments		07,203		108,125	108,125	-
Pre-school initiative		200		108,000	108,000	-
Primary class size		9,970		128,990	128,990	-
Other state funds		3,439		199,619	196,223	(3,396)
Total categorical aid \$	5 7,45	6,594	\$	7,649,107 \$	7,632,211 \$	
Total revenue from the Commonwealth \$	5 7,45	6,594	\$	7,649,107 \$	7,632,211 \$	(16,896)
Revenue from the federal government:						
Categorical aid:						
Forest reserve \$	5	5,500	\$	4,812 \$	4,812 \$	-
ARRA-Title I		-		15,571	34,404	18,833
Title 1/A grants to LEAs	58	6,138		586,138	435,031	(151,107)
ARRA Education jobs fund		7,941		197,941	200,777	2,836
IDEA 611 flow-through (Title VI-B)	10	2,810		564,891	434,610	(130,281)
ARRA-Title VI-B		-		46,325	106,721	60,396
Title 1 - Carl Perkins vocational	3	8,497		26,734	33,113	6,379
Preschool grants/special ed	1	3,324		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		5,571		-	2,152	2,152
Longitudinal system expand		5,000		72,979	139,479	66,500
Other federal revenues		4,816		-	201	201
Title III language acquisition		3,028		53,028	44,580	(8,448)
Title II part A		7,829		137,829	118,055	(19,774)
School food	49	0,000		486,952	536,479	49,527
School food commodities		-			48,323	48,323
Total categorical aid \$		3,962		2,206,524 \$	2,152,357 \$	
Total School Operating Fund \$	5 24,10	3,400	_\$	24,111,882 \$	23,564,938 \$	(546,944)

Fund, Function, Activity and Elements	Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund:							
General government administration:							
Legislative:							(
Board of supervisors	\$ 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		

Fund, Function, Activity and Elements	Original Budget	 Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued) Law enforcement and traffic control: (Continued) Regional jail services Building inspector Animal control OAR/Jefferson Area Community Corrections Medical examiner	\$ 529,315 251,586 76,906 1,945 160	\$ 529,315 \$ 251,586 87,125 1,945 200	573,926 5 201,065 81,072 1,945 160	(44,611) 50,521 6,053 - 40
Total law enforcement and traffic control	\$ 4,036,426	\$ 4,096,794 \$	3,902,854	193,940
Total public safety	\$ 4,036,426	\$ 4,096,794 \$	3,902,854	\$ 193,940
Public works: Maintenance of highways, streets, bridges and sidewalks: Automotive/motor pool Total maintenance of highways, streets, bridges & sidewalks	\$ 296,053 296,053	 <u>311,053</u> \$ <u>311,053</u> \$		
Sanitation and waste removal: Refuse collection and disposal	\$ 1,003,089	\$ 1,016,034 \$	873,037	\$142,997
Total sanitation and waste removal	\$ 1,003,089	\$ 1,016,034 \$	873,037	\$ 142,997
Maintenance of general buildings and grounds: General properties	\$ 692,344	\$ 692,344 \$	530,421	6 161,923
Total maintenance of general buildings and grounds	\$ 692,344	\$ 692,344 \$	530,421	161,923
Total public works	\$ 1,991,486	\$ 2,019,431 \$	1,701,133	\$318,298
Health and welfare: Health:				
Health department	\$ 223,268	\$ 223,268 \$	223,268	
Total health	\$ 223,268	\$ 223,268 \$	223,268	
Mental health and mental retardation: Region Ten community services board	\$ 72,078	\$ 72,078 \$	72,078	۶ <u> </u>
Total mental health and mental retardation	\$ 72,078	\$ 72,078 \$	72,078	\$ <u> </u>

Fund, Function, Activity and Elements		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund: (Continued)								
Welfare:								
Public assistance and administration MACAA	\$	1,212,209 29,914	\$	1,212,209 29,914	\$	1,068,736 29,914	\$	143,473
Senior center meals		29,914 21,786		29,914		29,914 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 assult 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)
Total welfare	\$	2,172,778	\$	2,172,778	- <u>-</u> \$	2,031,605	\$	141,173
Total health and welfare	\$	2,468,124		2,468,124		2,326,951		141,173
Education:								
Other instructional costs: Community College	\$	3,024	¢	3,024	¢	3,024	¢	
Appropriation to public school system	φ	13,333,618	φ	13,333,618	φ	12,985,752	φ	347,866
Total education	\$	13,336,642	 ¢	13,336,642	 ¢	12,988,776	 ¢	347,866
	Ψ	13,330,042	- Ψ -	13,330,042	- Ψ -	12,700,770	- Ψ -	547,000
Parks, recreation, and cultural:								
Parks and recreation:								
Parks and recreation	\$	199,775	_ \$ _	200,768	\$	182,963	_ \$ _	17,805
Total parks and recreation	\$	199,775	\$	200,768	\$	182,963	\$	17,805
Cultural enrichment:								
Wintergreen Performing Arts	\$	10,000	\$	10,000	\$	10,000	\$	-
	· -							
Total cultural enrichment	\$	10,000	\$	10,000	\$	10,000	\$	-
Library: Regional library	\$	255,648	\$	255,648	\$	255,648	\$	-
Total library	\$	255,648		255,648		255,648		-
Total parks, recreation, and cultural	*_ \$	465,423		466,416		448,611		17,805
Total parks, recreation, and cultural	Ψ_	403,423	- Ψ -	400,410	- Ψ -	440,011	- Ψ -	17,003
Community development:								
Planning and community development:								
Planning	\$	208,632	\$	212,144	\$	201,240	\$	10,904
Community development		265,501		318,489 5,100		294,243		24,246
Nelson Volunteer Coalition		5,100		5,100		5,100		-
Colleen water/sewer subsidy Blue Ridge Railway Trail		153,843 335,000		153,843 335,000		162,812 2,822		(8,969) 332,178
Anti-litter program		335,000 6,219		335,000 6,219		2,822 2,937		3,282
Nelson County Community Development Foundation		55,729		60,729		60,729		3,202 -
5 5 1	¢				 ¢			-
Total planning and community development	\$	1,030,024	_ ⊅ _	1,091,524	\$	729,883	_ \$ _	361,641

Fund, Function, Activity and Elements		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund: (Continued) Community development: (Continued) Environmental management: Contribution to soil and water district	¢		¢		¢		¢	
	\$_	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 Reserve for contingency Other nondepartmental	\$	43,572 155,896 78,204	\$	43,572 5,659 37,611	\$	31,584 - 30,875	\$	11,988 5,659 6,736
Total nondepartmental	\$	277,672	\$	86,842	\$	62,459	\$	24,383
Capital projects: Blue Ridge Tunnel (TEA-21) Devils Knob tower Microwave network (PSIC) Public safety radio project Other capital projects	\$	160,000 100,000 1,355,000 1,100,000 144,000	\$	160,000 100,000 1,355,000 1,100,000 144,000	\$	61,978 343,975 1,043,747 - 90,428	\$	98,022 (243,975) 311,253 1,100,000 53,572
Total capital projects	\$	2,859,000	\$	2,859,000	\$	1,540,128	\$	1,318,872
Debt service: Interest and other fiscal charges Total debt service	\$_ \$_	-	\$ \$	-	\$	62,142 62,142		(62,142) (62,142)
Total General Fund	\$	28,939,468	\$	29,046,047	\$	26,209,210	\$	2,836,837
Special Revenue Funds: Housing Improvement Fund: 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	- ^ф	142,234	= ⁻ =	552,766

Fund, Function, Activity and Elements		Original Budget		Final Budget		Actual		/ariance with Final Budget - Positive (Negative)
Debt Service Fund:								
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 Debt Service Fund	\$	3,798,141	\$	3,798,141	\$	3,723,041	\$	75,100
Capital Projects Fund:								
Capital projects expenditures:								
Courthouse construction	\$	2,032,617	\$	2,182,617	\$	1,468,470	\$	714,147
Health department	_	234,498		234,498		3,400		231,098
Total 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 debt service	\$	-	\$	-	\$	298,080	\$	(298,080)
Total Capital Projects Fund	\$_	2,267,115	\$	2,417,115	\$	1,769,950	\$	647,165
Total Primary Government	\$	35,699,724	\$	35,956,303	\$	31,844,435	\$	4,111,868
Discretely Presented Component Unit - School Board: School Operating Fund: Education: Instruction costs: Instructional costs	\$	15,667,744	\$	15,003,715	\$	14,537,427	\$	466,288
Total instruction costs	\$	15,667,744		15,003,715	\$	14,537,427	\$	466,288
	· _				· -		·	
Operating costs: Administration, attendance and health services	\$	1,256,208	¢	1,186,252	¢	1,177,996	¢	8,256
Pupil transportation	Φ	2,488,194	φ	2,539,902	φ	2,495,442	Ф	44,460
Operation and maintenance of school plant		2,400,194 2,911,145		2,539,902 3,028,870		2,495,442 2,595,348		44,400
School food		1,018,327						
				1,018,327		1,078,388		(60,061)
Facilities Technology		417,172 842,113		617,037 1,210,586		617,037 1,212,945		- (2.2EU)
	-				· -			(2,359)
Total operating costs	\$_	8,933,159	_ \$ _	9,600,974	\$	9,177,156	\$	423,818
Total education	\$	24,600,903	\$	24,604,689	\$	23,714,583	\$	890,106
Total Discretely Presented Component Unit-School Board		24,600,903		24,604,689				890,106

STATISTICAL INFORMATION

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Table 1

COUNTY OF NELSON, VIRGINIA

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

					rai KS,			
			Health		Recreation,		Interest	
	Public	Public	and		and	Community	on Long-	
	Safety	Works	Welfare	Education	Cultural	Development	Term Debt	Total
	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	19,018,341
í.	2,529,037	1,666,627	1,752,635	18,499,295	430,853	1,259,282	1,661,467	29,576,531
2	2,764,691	1,260,355	1,927,342	10,387,246	324,812	2,302,404	1,759,270	22,525,064
2,7	2,759,162	2,213,279	1,830,272	11,133,456	551,912	1,122,651	1,565,175	23,239,971
3,28	3,287,580	1,905,872	2,188,578	11,900,846	523,915	1,251,149	1,499,320	24,925,625
3,63	3,633,406	1,980,213	2,274,350	12,706,379	983,322	1,260,873	1,535,839	27,003,621
3,1	3,136,604	2,112,615	2,055,329	13,777,084	548,156	1,235,328	1,492,985	26,850,792
3.3	3,374,456	2,448,517	2,586,290	13,861,510	550,664	830,793	1,404,206	27,363,088
3,3	3,373,814	2,067,363	2,356,458	14,266,695	565,713	724,030	1,472,808	27,431,774
1,1	1,131,423	2,215,956	2,272,554	15,227,323	599,470	812,186	1,502,603	29,439,461

(1) Primary Government only

Government-Wide Revenues by Source

Ξ	
Years	
Fiscal	
Ten	
Last	

					Total	20,840,873	16,925,426	22,274,645	23,321,498	24,240,851	29,803,302	29,669,553	29,862,228	30,324,680	32,505,285
	Grants and	Contributions	Not Restricted	to Specific	Programs	1,880,848 \$	2,365,198	1,911,689	2,105,442	2,058,042	1,923,332	1,946,684	1,900,031	2,670,871	2,395,975
		-	~		 	4 \$	–	9	ы	4	6	ы	5	6	0
S				Miscel-	laneous	108,161	13,741	31,176	301,915	58,374	216,226	136,135	169,732	84,056	68,990
/ENUE			u	pu	₽	32 \$	79	84	98	78	58	40	95	77	69
GENERAL REVENUES			Use of	Money and	Property	283,732	132,379	248,884	544,498	739,478	535,958	264,340	180,395	331,077	154,369
GENE					 	14 \$	96	78	11	81)3	33	90	59	14
			Other	Local	Taxes	2,761,744 \$	2,839,896	3,170,478	3,464,371	3,551,448	3,776,293	3,612,363	3,867,866	3,496,429	3,610,714
			General	Property	Taxes	12,020,269 \$	8,213,965	12,267,305	12,879,059	13,654,498	16,116,702	18,681,477	18,800,138	19,270,265	20,120,918
ES		Capital	Grants	and	Contributions	388,353 \$			291,992	140,524	3,095,040	1,212,338	931,093	509,872	2,753,439
PROGRAM REVENUES		Operating	Grants	and	Contributions	\$ 2,689,157 \$		3,644,002	2,798,169	3,141,611	3,301,632	2,978,055	3,183,247	2,979,948	2,659,104
P			Charges	for	Services	708,609 \$	823,348	1,001,111	936,052	896,876	838,119	838,161	829,726	982,162	741,776
I	I			Fiscal	Year	2002-03 \$	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12

(1) Primary Government only

Table 2

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COUNTY OF NELSON, VIRGINIA

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

-	General	Other	Fermin Privilege Fees &	i	from the Use of	Charges		-	:	
Fiscal Year	Property Taxes	Local Taxes	Regulatory Licenses	Fines & Forfeitures	Money & Property	for Services	Miscel- laneous	Recovered Costs	Inter- governmental	Total
2003 \$	\$ 11,127,697 \$ 2,761,744 \$	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.

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

Total	\$ 42,048,164	47,297,832	34,350,573	35,738,386	38,342,566	42,632,053	40,313,649	42,542,694	41,707,130	42,573,266
Debt Service	2,376,136	17,387,093	3,506,035	3,354,562	3,383,580	3,469,550	3,368,077	3,305,908	3,252,478	4,083,263
Capital Projects	<pre>\$ 13,712,859 \$ 2,376,136 \$ 42,048,164</pre>	2,875,725	892,627	1,001,588	956,411	2,765,619	1,705,948	4,775,336	3,805,237	3,011,998
Nondepart- mental								97,360	119,572	62,459
Community Develop- ment	376,278 \$ 1,361,578 \$	1,250,681	1,967,806	1,196,540	1,270,625	1,272,646	1,256,028	734,577	742,872	941,321
Recreation Community and Develop- Cultural ment		366,780	381,880	714,483	481,057	1,094,156	534,228	428,721	437,357	448,611
Education (2)	,380 \$ 16,747,523 \$	17,868,836	19,625,267	20,941,942	22,634,587	23,311,305	23,563,538	22,960,454	23,206,251	23,717,607
Health and Welfare		1,831,001	1,908,228	1,816,350	2,174,308	2,333,862	2,162,372	2,625,881	2,400,582	2,326,951
Public Works	1,722,460 \$	1,661,745	1,564,083	1,942,203	1,886,045	2,030,006	1,859,280	1,580,185	1,512,532	1,701,133
Public Safety	2003 \$ 1,327,078 \$ 509,900 \$ 2,231,972 \$ 1,722,460 \$ 1,682	2,405,339	2,811,894	2,767,839	3,319,272	3,787,098	3,490,000	3,854,484	3,760,748	3,902,854
Judicial Admini- stration	509,900 \$	518,119	527,428	625,426	747,594	753,803	715,250	705,391	666,374	692,589
General Admini- stration	1,327,078 \$	1,132,513	1,165,325	1,377,453	1,489,087	1,814,008	1,658,928	1,474,397	1,803,127	1,684,480
Fiscal Year	2003 \$	2004	2005	2006	2007	2008	2009	2010	2011	2012

Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board.
 Does not include appropriation from primary government to School Board.

Table 5

COUNTY OF NELSON, VIRGINIA

Property Tax Levies and Collections Last Ten Fiscal Years

Percent of Delinquent Taxes to Tax Levy	16.62%	11.01%	13.98%	11.74%	13.21%	12.70%	11.21%	11.51%	11.74%	12.27%
Outstanding Delinquent Taxes (1)	1,802,952	1,384,855	1,670,318	1,452,213	1,734,181	1,964,747	2,055,591	2,340,974	2,390,679	2,595,800
Percent of Total Tax Collections to Tax Levy	98.22% \$	98.83%	101.86%	103.59%	99.93%	100.84%	99.40%	98.59%	102.47%	100.95%
Total Tax Collections	10,657,191	12,429,398	12,172,514	12,815,103	13,118,192	15,606,894	18,220,861	20,059,684	20,861,196	21,348,084
Delinquent (1) Tax Collections	591,096 \$	659, 388	933, 353	776, 181	538,403	859,787	760,255	675,464	1,275,961	883,820
Percent of Levy Collected	92.77% \$	93.58%	94.05%	97.32%	95.82%	95.29%	95.26%	95.27%	96.20%	96.77%
Current Tax (1) (3) Collections	10,066,095	11,770,010	11,239,161	12,038,922	12,579,789	14,747,107	17,460,606	19,384,220	19,585,235	20,464,264
Total (1) (2) Tax Levy	3 10,850,753 \$	12,576,983	11,950,617	12,370,699	13,128,010	15,476,228	18,330,136	20,346,994	20,358,566	21,147,999
Fiscal Year	2003 \$	2004	2005	2006	2007	2008	2009	2010	2011	2012

- Exclusive of penalties and interest.
 Real estate taxes are collected in in
- 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.
- For fiscal years 2003 and 2004, does not include second half of tax year real estate taxes that were collected prior to year end. 3

Тах		Real	Personal	Mobile	Machinery	Public	
Year		Estate	Property	Homes	& Tools	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

Assessed Value of Taxable Property Last Ten Fiscal Years

COUNTY OF NELSON, VIRGINIA

Note:

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

Table 6

Table 7

COUNTY OF NELSON, VIRGINIA

Property Tax Rates (1) Last Ten Fiscal Years

Machinery and Tools	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Mobile Homes	0.72	0.72	0.72	0.72	0.72	0.55	0.55	0.55	0.55	.55/.60
Personal Property	2.92	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
Real Estate	0.72	0.72	0.72	0.72	0.72	0.55	0.55	0.55	0.55	.55/.60
Tax Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012

(1) Per \$100 of assessed value

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

		Net	Bonded	Debt per	Capita	2,367	2,257	2,174	2,090	2,056	1,982	1,879	1,979	2,084	2,143
Ratio of Net	General	Obligation	Debt to	Assessed	Value	2.21%	2.11%	1.99%	1.85%	1.86%	1.00%	0.92%	0.96%	1.01%	1.04%
			Net	Bonded	Debt	34,187,018	32,596,761	31,404,672	30,184,700	31,178,304	30,041,693	28,486,506	30,010,227	31,598,761	32,496,317
	Less:	Debt	Service	Monies	Available	1,068,699	1,220,001	1,236,349	1,276,323	1,490,684	1,328,085	1,301,739	1,322,904	1,613,157	
			Gross	Bonded	Debt (3)	35,255,717 \$	33,816,762	32,641,021	31,461,023	32,668,988	31,369,778	29,788,245	31,333,131	33,211,918	32,496,317
			Assessed	Value	(2)	1,549,328,067	1,544,591,822	1,579,965,250	1,633,944,786	1,671,913,726	3,018,023,463	3,112,391,609	3,129,845,370	3,130,182,686	3,138,735,840
				Popu-	lation (1)	14,445	14,445	14,445	14,445	15,161	15,161	15,161	15,161	15,161	15, 161
				Fiscal	Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012

(1) U.S. Bureau of the Census

(2) From Table 6

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

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

Ratio of	Debt Service	to General	Governmental	Expenditures	4.10%	3.26%	8.41%	7.55%	7.08%	7.18%	7.50%	7.24%	7.80%	9.59%
	Total	General	Governmental	Expenditures (1)	42,048,164	47,297,832	34,350,573	35,738,386	38,342,566	42,632,053	40,313,649	42,542,694	41,707,130	42,573,266
		Total	Debt	Service E	1,723,527 \$	1,541,035	2,887,506	2,699,909	2,714,468	3,061,196	3,024,738	3,079,938	3,252,478	4,083,263
			(2)	Interest	1,060,877 \$	878,385	1,739,856	1,549,909	1,494,468	1,554,613	1,479,738	1,435,923	1,446,072	1,896,241
			(2)	Principal	662,650 \$	662,650	1,147,650	1,150,000	1,220,000	1,506,583	1,545,000	1,644,015	1,806,406	2,187,022
					↔									
			Fiscal	Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
			Fiscal	Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012

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

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

Table 9

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COMPLIANCE SECTION

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Robinson, Farmer, Cox Associates

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To The Honorable Members of 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.

olomson, tanner. Cox Associates

Charlottesville, Virginia January 3, 2013 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

<u>Compliance</u>

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.

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.

Kolmin, Janner, Cox Azaociates

Charlottesville, Virginia January 3, 2013

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	E	Federal xpenditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:	93.558	0400109/0400110	\$	101,522
Temporary Assistance for Needy Families (TANF) Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	φ	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		83,730
Total Department of Health and Human Services			\$	350,928
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		739,148
	10.700		\$	764,148
Total Department of Agriculture - direct payments			\$	771,148
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		410,407
·····,				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		137,429
Total Department of Agriculture - pass-through payments			\$	727,044
Total Department of Agriculture			\$	1,498,192
Department of Housing and Urban Development:				
Pass-through payments:				
Department of housing and community development:				
Community development block grant	14.228	10-3	\$	315,234
			¢	015 00 1
Total Department of Housing and Urban Development			\$	315,234

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	E	Federal Expenditures
Department of Justice:				
Direct payments:				
SCAAP	16.606	N/A	\$	3,737
Total Department of Justice - direct payments			\$	3,737
Pass Through Payments:				
Department of Criminal Justice Service:				
Crime victims assistance	16.575	10VAGZ0095/11VAGX0001	\$	16,192
Total Department of Justice - pass-through			\$	16,192
Total Department of Justice			\$	19,929
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		1,310,000
Total Department of Commerce			\$	2,353,118
Department of Transportation:				
Pass Through Payments:				
Department of Conservation and Recreation:				
Recreational Trails Program	20.219	N/A	\$	60,087
Department of Homeland Security:				
Pass-through payments:				
Department of Emergency Services:				
State homeland security program	97.073	N/A	\$	9,641
Total Department of Homeland Security			\$	9,641
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 Education Technology State Grants (Educational Technology Cluster)	84.186 84.318	Q186A090048 S410A10047		201 3,459
ARRA-Education Technology State Grants (Educational Technology Cluster) English Language Acquisition Grants	84.386 84.365	S386A090046 T365A080046/S365A090046		2,152 44,580
ARRA-Statewide Data Systems	84.385	R384A100037		139,479
ARRA-Education Jobs Fund	84.410	S410A100047		200,777
Improving Teacher Quality State Grants	84.367	S367A080044/S367A090044		118,055
			¢	4 5 4 0 7 4 0
Total Department of Education			\$	1,562,742

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

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

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

Drimony government.

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	_	739,148
Total primary government	\$	4,072,510
Component Unit Public Schools:		
School Operating Fund	\$	2,152,357
Total component unit public schools	\$	2,152,357
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

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

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
Signficant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weaknesses identified?	No
Signficant 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		

\$

Yes

300,000

Dollar threshold used to distinguish between Type A and Type B programs:

Auditee qualified as low-risk auditee?

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2012

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

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