

COUNTY OF NELSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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COUNTY OF NELSON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2013

BOARD OF SUPERVISORS

Thomas H. Bruguieri, Jr., Chairman
Constance Brennan, Vice-Chairman

Allen M. Hale, East District
Thomas D. Harvey, North District
Larry D. Saunders, South District

COUNTY SCHOOL BOARD

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Nelson, Virginia, as of and for the year ended Financial June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nelson, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, budgetary comparison information, and schedule 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Nelson, Virginia's basic financial statements. The introductory section, other supplementary information and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2014, on our consideration of the County of Nelson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Nelson, Virginia's internal control over financial reporting and compliance.

Robinson, Fournier, Cox Associates

Charlottesville, Virginia
January 3, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the County of Nelson, Virginia for the fiscal year ended June 30, 2013.

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 \$31,426,136. Of this amount, \$21,152,665 is unrestricted (an increase of \$773,527 from the previous fiscal year), and may be used to meet the government's ongoing obligations to creditors and citizens. Of the total net position, there is \$10,244,563 invested in capital assets net of related debt (an increase of \$1,418,214 from the previous fiscal year). The School Board's net position was \$13,294,006 of which there is unrestricted net position in the deficit amount of \$310,221 (a decrease of \$397,244 from the previous year). (See Exhibit 1.)

The net position of the Primary Government increased by \$2,198,048. The School Board's net position decreased by \$92,450 (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$18,614,064. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2012-13 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$22,654,956 of which \$18,614,064 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 position and 2) the statement of activities.

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

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Continued)

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions that are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in governments, revenues are generated for the express purpose of providing services rather than as an end in themselves.

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

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

Fund Financial Statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas, the government-wide financial statements are prepared on the accrual basis of accounting, the 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 after the governmental fund balance sheet on Exhibit 4 and after the governmental fund statement of revenues, expenditures and changes in fund balances on Exhibit 6.

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.

Overview of the Financial Statements (Continued)

Proprietary funds

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

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

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position (Exhibit 10). Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County's own activities. These funds consist of the Special Welfare and EMS Loan Funds.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements mentioned earlier in connection with non-major governmental funds are presented as other supplementary information.

Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County of Nelson, assets exceeded liabilities by \$31,426,136 at the end of the fiscal year.

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

County of Nelson's Net Position As of June 30, 2013

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 35,338,307	\$ 34,878,782	\$ 439,571	\$ 249,343	\$ 35,777,878	\$ 35,128,125
Capital assets	31,653,018	32,760,049	8,420,670	7,584,521	40,073,688	40,344,570
Total assets	<u>66,991,325</u>	<u>67,638,831</u>	<u>8,860,241</u>	<u>7,833,864</u>	<u>75,851,566</u>	<u>75,472,695</u>
Deferred Outflow of Resources	\$ 421,576	\$ 466,440	\$ -	\$ -	\$ 421,576	\$ 466,440
Long-term liabilities	\$ 32,452,384	\$ 34,233,172	\$ 1,116,838	\$ 1,130,506	\$ 33,569,222	\$ 35,363,678
Other liabilities	1,082,855	1,233,371	24,833	201,974	1,107,688	1,435,345
Total liabilities	<u>\$ 33,535,239</u>	<u>\$ 35,466,543</u>	<u>\$ 1,141,671</u>	<u>\$ 1,332,480</u>	<u>\$ 34,676,910</u>	<u>\$ 36,799,023</u>
Deferred Inflows of Resources	\$ 10,170,096	\$ 9,912,024	\$ -	\$ -	\$ 10,170,096	\$ 9,912,024
Net Position:						
Invested in capital assets, net of related debt	2,940,731	2,372,334	7,303,832	6,454,015	10,244,563	8,826,349
Restricted for:						
Debt service and bond covenants	-	-	28,908	22,601	28,908	22,601
Unrestricted	20,766,835	20,354,370	385,830	24,768	21,152,665	20,379,138
Total net position	<u>\$ 23,707,566</u>	<u>\$ 22,726,704</u>	<u>\$ 7,718,570</u>	<u>\$ 6,501,384</u>	<u>\$ 31,426,136</u>	<u>\$ 29,228,088</u>

For the County, investment in capital assets (i.e., land, buildings, machinery and equipment), net of related debt used to acquire those assets that is still outstanding, represents 32.6 percent of total net position. The County uses these capital assets to provide services to citizens therefore; these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from assets restricted for that purpose or other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County has restricted net position for debt service and bond covenants (\$28,908) at June 30, 2013. The remaining balance of unrestricted net position, which is \$21,152,665 or 67.3 percent of total net position, 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 position. The governmental activities reported positive balances of \$ 2,940,731 in net position invested in capital assets, net of related debt and \$20,766,835 in unrestricted net position. The business-type activities reported positive balances of \$7,303,832 in net position invested in capital assets, net of related debt and \$385,830 in unrestricted net position.

The government's total net position increased by \$2,198,048 during the current fiscal year, compared to an increase of \$3,065,824 in FY 2012.

Government-wide Financial Analysis

Governmental and Business-type Activities

Governmental activities increased the County's net position by \$980,862. Business-type activities increased the County's net position by \$1,217,186. Key elements of these changes are as follows:

County of Nelson's Changes in Net Position For the Year Ended June 30, 2013

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 680,137	\$ 633,223	\$ 132,451	\$ 108,553	\$ 812,588	\$ 741,776
Operating grants & contributions	2,725,650	2,659,104	-	-	2,725,650	2,659,104
Capital grants & contributions	651,166	1,710,321	476,944	1,043,118	1,128,110	2,753,439
General revenues:						
General property taxes	21,421,597	20,120,918	-	-	21,421,597	20,120,918
Other local taxes	3,912,469	3,610,714	-	-	3,912,469	3,610,714
Use of money and property	110,011	154,369	-	-	110,011	154,369
Miscellaneous	120,335	68,990	-	-	120,335	68,990
Grants and contributions not restricted to specific programs	2,526,847	2,395,975	-	-	2,526,847	2,395,975
Transfers	(1,228,667)	(261,686)	1,228,667	261,686	-	-
Total revenues	\$ 30,919,545	\$ 31,091,928	\$ 1,838,062	\$ 1,413,357	\$ 32,757,607	\$ 32,505,285
Expenses:						
General government	\$ 2,218,102	\$ 1,985,357	\$ -	\$ -	\$ 2,218,102	\$ 1,985,357
Judicial administration	725,905	692,589	-	-	725,905	692,589
Public safety	4,204,470	4,131,423	-	-	4,204,470	4,131,423
Public works	2,068,094	1,866,516	620,876	349,440	2,688,970	2,215,956
Health and welfare	2,418,330	2,272,554	-	-	2,418,330	2,272,554
Education	14,983,417	15,227,323	-	-	14,983,417	15,227,323
Parks, recreation and cultural	534,768	599,470	-	-	534,768	599,470
Community development	1,411,994	812,186	-	-	1,411,994	812,186
Interest on long-term debt	1,373,603	1,502,603	-	-	1,373,603	1,502,603
Total expenses	\$ 29,938,683	\$ 29,090,021	\$ 620,876	\$ 349,440	\$ 30,559,559	\$ 29,439,461
Increase (decrease) in net position	\$ 980,862	\$ 2,001,907	\$ 1,217,186	\$ 1,063,917	\$ 2,198,048	\$ 3,065,824
Beginning net position	22,726,704	20,724,797	6,501,384	5,437,467	29,228,088	26,162,264
Ending net position	\$ 23,707,566	\$ 22,726,704	\$ 7,718,570	\$ 6,501,384	\$ 31,426,136	\$ 29,228,088

- Overall revenues increased by \$252,322. The most significant increases in revenue was due to increased general property tax collections of \$1,300,679 and other local taxes of \$301,755, which were offset by a reduction in capital grants in the amount of \$1,625,329 and normal fluctuations in other revenue categories.
- Capital grants included in program revenues for governmental activities reflected a net decrease of \$1,059,155. A Public Safety Interoperable Communications Grant in the amount of \$1,310,000 was received in FY12 and the projected completed. An increase in the CDBG Grant for the Blue Ridge Medical Center dental project of \$412,831 was also sustained in FY13.
- Capital grants included in program revenues for Business-type Activities reflect a decrease of \$566,174 relative to a reduction in receipts of a National Telecommunications and Information Administration Grant for Broadband as this project was completed during Fiscal Year 2012-2013.
- Operating grants and contributions for governmental activities increased by \$66,546. Various categorical aid from both state and federal sources increased, including grant funding in the amount of \$59,193 for a USDA Specialty Crop Grant.

Government-wide Financial Analysis (Continued)

Governmental and Business-type Activities (Continued)

- The revenues from the use of money and property included in program revenues for governmental activities decreased by \$44,358. This is primarily due to reductions in interest earnings and a reduction in rent proceeds resulting from the relocation of the Nelson County Health Department.
- The revenues from general property taxes increased by \$1,300,679 primarily due to an increase in the real property tax rate for 2012.
- Expenses reflected an overall net increase of \$1,120,098.
- General government expenses increased by \$848,662 predominantly due to increases in community development expenditures.
- The community development function reports an increase in expenditures of \$599,808. This is mainly attributable to the CDBG Dental Center renovation project, which increased by \$415,532, the USDA Specialty Crop Grant, which consisted of \$59,193 in expenditures, and an increase in Blue Ridge Railway Trail expenditures for FY13 of \$76,822.
- The business activities reported an increase in operational expenses of \$271,436. This primarily reflects the operating expenses of the Nelson County broadband network of \$286,358, which was placed in operation during Fiscal Year 2012-2013.

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 \$22,654,956, an increase of \$491,373 from the prior year. Approximately, 82.2 percent of this total amount constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified to indicate that it is not available for new spending because it is constrained as follows:

- Nonspendable fund balance of \$44,953
- Restricted fund balance of \$1,653,346
- Committed fund balance of \$2,342,593

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

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

The general fund is the chief operating fund of the County. As of June 30, 2013, total fund balance of the general fund was \$20,343,110, of which \$18,614,064 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 68.3 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$13,236,117. Total fund balance represents 74.7 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$620,450 during the current fiscal year. Key factors in this increase are as follows:

- Collections of general property taxes increased by \$1,565,530 primarily attributable to an increase in the real estate tax rate for 2012.
- Collections of other local taxes increased by \$301,755 primarily attributable to the growth in the following: meals tax-\$94,577, transient occupancy tax-\$33,068, recordation taxes-\$39,182, motor vehicles licenses-\$48,024, local sales and use tax-\$56,519.
- Revenue from the Federal Government decreased by \$1,256,414 primarily due to completion of a Public Safety Interoperable Communications Grant project for which grant funds in the amount of \$1,310,000 were received in FY12. This was not recurring funding.

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 position of the Piney River Water and Sewer Fund at the end of the fiscal year were \$78,992. This is a decrease from the prior year of \$10,622.

Unrestricted net position of the Broadband Authority at the end of the fiscal year were \$306,838 primarily attributable to a \$250,000 transfer in from the Capital Projects Fund. This funding was allocated to allow for upfront payment of installation expenses relative to amortized customer installations.

General Fund Budgetary Highlights

The final amended budget appropriations for the General Fund were \$65,853 more than the original budgeted expenditure appropriations, which is 0.2 percent of the total original budget, and can be briefly summarized as follows:

- A supplemental appropriation to provide furnishings for the Health Department's new location of \$71,972 accounts for the majority of the change. The state provided additional lease payments in the period from July 2001 through December 2004 for this purpose.
- Contingency reserves also provided for various transfers within the General Fund appropriated budget.
- The Board approved various other supplemental appropriations. Refer to Schedule 2 for details of the increases and decreases by department.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2013 is \$31,653,018 (net of accumulated depreciation and is a decrease of \$1,107,031 from the previous fiscal year). This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 425,761	\$ 425,761	\$ 40,000	\$ 40,000	\$ 465,761	\$ 465,761
Infrastructure	-	-	5,289,086	5,481,576	5,289,086	5,481,576
Buildings and improvements	27,088,285	29,209,225	-	-	27,088,285	29,209,225
Machinery and equipment	2,154,196	2,443,402	3,091,584	-	5,245,780	2,443,402
Construction in progress	1,984,776	681,661	-	2,062,945	1,984,776	2,744,606
Total	<u>\$ 31,653,018</u>	<u>\$ 32,760,049</u>	<u>\$ 8,420,670</u>	<u>\$ 7,584,521</u>	<u>\$ 40,073,688</u>	<u>\$ 40,344,570</u>

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

Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Nelson's Outstanding Debt For the Year Ended June 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Lease Revenue School Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Revenue Refunding	9,510,000	9,990,000	-	-	9,510,000	9,990,000
Lease Revenue Bonds	-	6,705,490	-	-	-	6,705,490
General Obligation Bonds	9,645,000	10,510,000	-	-	9,645,000	10,510,000
State Literary Fund Loans	-	1,750,000	-	-	-	1,750,000
Revenue Bonds	2,765,000	3,040,000	1,116,838	1,130,506	3,881,838	4,170,506
Refunding Revenue Bonds	7,305,000	-	-	-	-	-
Capital Leases	-	-	-	-	-	-
Retirement Incentive Loan	290,563	338,076	-	-	290,563	338,076
Total	<u>\$ 29,515,563</u>	<u>\$ 32,333,566</u>	<u>\$ 1,116,838</u>	<u>\$ 1,130,506</u>	<u>\$ 23,327,401</u>	<u>\$ 33,464,072</u>

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

Additional information on the County's long-term debt can be found in the notes of the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County was 5.7 percent (June 2013), which is an increase from the rate of 5.5 percent a year ago (June 2012). This compares favorably to the state's average unemployment rate of 5.9 percent (June 2013) and the national average rate of 7.6 percent (June 2013). 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. Initial work indicates that property values are anticipated to decline approximately 18% below values established in the 2008 reassessment.

All of these factors were considered in preparing the County's budget for the 2013-2014 fiscal year.

Requests for Information

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

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2013

						Component Units	
	Governmental	Business-type				School	Economic
	Activities	Activities	Total			Board	Development
							Authority
ASSETS							
Cash and cash equivalents	\$ 20,478,651	\$ 377,273	20,855,924	\$ 1,706,091	\$ 36,869		
Restricted cash	-	28,908	28,908	-	-		
Investments	2,304	-	2,304	-	-		
Receivables (net of allowance for uncollectibles):							
Taxes receivable	12,380,461	-	12,380,461	-	-		
Accounts receivable	375,003	33,390	408,393	10,802	49,280		
Notes receivable	-	-	-	-	128,000		
Due from component unit	558,404	-	558,404	-	-		
Due from other governmental units	1,498,531	-	1,498,531	544,774	-		
Inventories	-	-	-	96,519	-		
Prepaid items	44,953	-	44,953	17,948	-		
Capital assets (net of accumulated depreciation):							
Land and improvements	425,761	40,000	465,761	851,210	-		
Buildings and improvements	27,088,285	-	27,088,285	11,376,609	-		
Infrastructure and equipment	-	8,380,670	8,380,670	-	-		
Machinery and equipment	2,154,196	-	2,154,196	1,376,408	-		
Construction in progress	1,984,776	-	1,984,776	-	-		
Total assets	\$ 66,991,325	\$ 8,860,241	\$ 75,851,566	\$ 15,980,361	\$ 214,149		
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amount on refunding	\$ 421,576	\$ -	\$ 421,576	\$ -	\$ -		
LIABILITIES							
Accounts payable	\$ 595,123	\$ 21,875	\$ 616,998	\$ 84,575	\$ 2,331		
Accrued liabilities	-	-	-	1,475,205	-		
Amounts held for others	85,464	-	85,464	-	-		
Accrued interest payable	402,268	2,958	405,226	-	-		
Due to other funds	-	-	-	-	-		
Due to primary government	-	-	-	558,404	-		
Long-term liabilities:							
Due within one year	2,434,444	14,275	2,448,719	38,487	-		
Due in more than one year	30,017,940	1,102,563	31,120,503	529,684	-		
Total liabilities	\$ 33,535,239	\$ 1,141,671	\$ 34,676,910	\$ 2,686,355	\$ 2,331		
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue - taxes	\$ 10,170,096	\$ -	\$ 10,170,096	\$ -	\$ -		
NET POSITION							
Net investment in capital assets	\$ 2,940,731	\$ 7,303,832	\$ 10,244,563	\$ 13,604,227	\$ -		
Restricted for:							
Debt service and bond covenants	-	28,908	28,908	-	-		
Unrestricted (deficit)	20,766,835	385,830	21,152,665	(310,221)	211,818		
Total net position	\$ 23,707,566	\$ 7,718,570	\$ 31,426,136	\$ 13,294,006	\$ 211,818		

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

COUNTY OF NELSON, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,218,102	\$ -	\$ 196,769	\$ -
Judicial administration	725,905	296,928	418,789	-
Public safety	4,204,470	187,909	875,791	-
Public works	2,068,094	145,506	9,442	-
Health and welfare	2,418,330	-	1,160,666	-
Education	14,983,417	-	-	-
Parks, recreation, and cultural	534,768	48,016	5,000	-
Community development	1,411,994	1,778	59,193	651,166
Interest on long-term debt	1,373,603	-	-	-
Total governmental activities	\$ 29,938,683	\$ 680,137	\$ 2,725,650	\$ 651,166
Business-type activities:				
Piney River Water & Sewer	334,518	106,381	-	-
Nelson County Broadband Authority	286,358	26,070	-	476,944
Total primary government	\$ 30,559,559	\$ 812,588	\$ 2,725,650	\$ 1,128,110
COMPONENT UNITS:				
School Board	\$ 24,852,241	\$ 450,615	\$ 9,496,188	\$ -
Nelson County Economic Development Authority	12,062	8,745	6,720	-
Total component units	\$ 24,864,303	\$ 459,360	\$ 9,502,908	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Meals taxes				
Transient occupancy tax				
Motor vehicle licenses				
Other local taxes				
Payment from County of Nelson -- Education				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (2,021,333)	\$ -	\$ (2,021,333)		
(10,188)	-	(10,188)		
(3,140,770)	-	(3,140,770)		
(1,913,146)	-	(1,913,146)		
(1,257,664)	-	(1,257,664)		
(14,983,417)	-	(14,983,417)		
(481,752)	-	(481,752)		
(699,857)	-	(699,857)		
(1,373,603)	-	(1,373,603)		
\$ (25,881,730)	\$ -	\$ (25,881,730)		
-	(228,137)	(228,137)		
-	216,656	216,656		
\$ (25,881,730)	\$ (11,481)	\$ (25,893,211)		
			\$ (14,905,438)	\$ -
			-	3,403
			\$ (14,905,438)	\$ 3,403
\$ 21,421,597	\$ -	\$ 21,421,597	\$ -	\$ -
1,045,178	-	1,045,178	-	-
479,765	-	479,765	-	-
827,211	-	827,211	-	-
433,692	-	433,692	-	-
708,474	-	708,474	-	-
418,149	-	418,149	-	-
-	-	-	14,465,742	-
110,011	-	110,011	87	8,974
120,335	-	120,335	347,159	-
2,526,847	-	2,526,847	-	-
(1,228,667)	1,228,667	-	-	-
\$ 26,862,592	\$ 1,228,667	\$ 28,091,259	\$ 14,812,988	\$ 8,974
\$ 980,862	\$ 1,217,186	\$ 2,198,048	\$ (92,450)	\$ 12,377
22,726,704	6,501,384	29,228,088	13,386,456	199,441
\$ 23,707,566	\$ 7,718,570	\$ 31,426,136	\$ 13,294,006	\$ 211,818

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Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 18,095,471	\$ 165,001	\$ 2,218,129	\$ 50	\$ 20,478,651
Investments	2,304	-	-	-	2,304
Receivables (net of allowance):					
Property taxes receivable, net	12,380,461	-	-	-	12,380,461
Accounts receivable	375,003	-	-	-	375,003
Due from component unit	558,404	-	-	-	558,404
Due from other governmental units	1,489,531	-	-	9,000	1,498,531
Prepaid items	44,953	-	-	-	44,953
Total assets	<u>\$ 32,946,127</u>	<u>\$ 165,001</u>	<u>\$ 2,218,129</u>	<u>\$ 9,050</u>	<u>\$ 35,338,307</u>
Liabilities					
Accounts payable	\$ 514,789	\$ 1,000	\$ 70,334	\$ 9,000	\$ 595,123
Amounts held for others	85,464	-	-	-	85,464
Total liabilities	<u>\$ 600,253</u>	<u>\$ 1,000</u>	<u>\$ 70,334</u>	<u>\$ 9,000</u>	<u>\$ 680,587</u>
Deferred Inflows of Resources					
Unavailable revenue - prepaid taxes	\$ 188,135	\$ -	\$ -	\$ -	\$ 188,135
Unavailable revenue - taxes	11,814,629	-	-	-	11,814,629
Total deferred inflows of resources	<u>\$ 12,002,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,002,764</u>
Fund balance					
Nonspendable	\$ 44,953	\$ -	\$ -	\$ -	\$ 44,953
Restricted	1,645,080	8,266	-	-	1,653,346
Committed	39,013	155,735	2,147,795	50	2,342,593
Unassigned	18,614,064	-	-	-	18,614,064
Total fund balances	<u>\$ 20,343,110</u>	<u>\$ 164,001</u>	<u>\$ 2,147,795</u>	<u>\$ 50</u>	<u>\$ 22,654,956</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,946,127</u>	<u>\$ 165,001</u>	<u>\$ 2,218,129</u>	<u>\$ 9,050</u>	<u>\$ 35,338,307</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 At June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 22,654,956
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Capital assets used in governmental activities are not financial resources and,
 therefore, are not reported in the funds.

Land and improvements	\$ 425,761	
Construction in progress	1,984,776	
Buildings and improvements, net of depreciation	11,323,661	
Equipment, net of depreciation	2,154,196	
School Board capital assets, net of depreciation	<u>15,764,624</u>	31,653,018

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,832,668
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Compensated absences are not payable with current assets and accordingly are not reported as fund liabilities.	(341,383)
---	-----------

Long-term liabilities and related interest are not due and payable in the
 current period and, therefore, are not reported in the funds.

Accrued interest on debt	\$ (402,268)	
Bonds, notes and capital leases payable	(29,225,000)	
Bond premiums	(1,562,209)	
Deferred charge on refunding	421,576	
Early retirement incentive obligation	(290,563)	
Accrued landfill remediation costs	<u>(1,007,230)</u>	(32,065,694)

Net OPEB obligation not reported in the funds	<u>(25,999)</u>
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Net position of governmental activities	<u>\$ 23,707,566</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 21,529,646	\$ -	\$ -	\$ -	\$ 21,529,646
Other local taxes	3,912,469	-	-	-	3,912,469
Permits, privilege fees, and regulatory licenses	176,921	-	-	-	176,921
Fines and forfeitures	278,688	-	-	-	278,688
Revenue from the use of money and property	109,932	-	79	-	110,011
Charges for services	224,528	-	-	-	224,528
Miscellaneous	124,531	-	-	-	124,531
Recovered costs	684,674	-	-	-	684,674
Intergovernmental revenues:					
Revenue from the Commonwealth	4,603,001	-	-	-	4,603,001
Revenue from the Federal Government	718,596	-	-	582,066	1,300,662
Total revenues	\$ 32,362,986	\$ -	\$ 79	\$ 582,066	\$ 32,945,131
Expenditures					
Current:					
General government administration	\$ 1,885,620	\$ -	\$ -	\$ -	\$ 1,885,620
Judicial administration	733,316	-	-	-	733,316
Public safety	4,452,145	-	-	-	4,452,145
Public works	1,766,078	-	-	-	1,766,078
Health and welfare	2,446,824	-	-	-	2,446,824
Education	13,239,167	-	-	-	13,239,167
Parks, recreation, and cultural	465,924	-	-	-	465,924
Community development	944,992	-	-	557,766	1,502,758
Nondepartmental	87,166	-	-	-	87,166
Capital projects	1,224,680	-	239,044	-	1,463,724
Debt service:					
Principal retirement	-	10,564,394	-	-	10,564,394
Interest and other fiscal charges	-	1,391,364	-	-	1,391,364
Total expenditures	\$ 27,245,912	\$ 11,955,758	\$ 239,044	\$ 557,766	\$ 39,998,480
Excess (deficiency) of revenues over (under) expenditures	\$ 5,117,074	\$ (11,955,758)	\$ (238,965)	\$ 24,300	\$ (7,053,349)
Other financing sources (uses)					
Transfers in	\$ -	\$ 3,542,257	\$ 332,118	\$ -	\$ 3,874,375
Transfers out	(4,496,624)	(332,118)	(250,000)	(24,300)	(5,103,042)
Issuance of long-term debt	-	7,692,136	54,255	-	7,746,391
Bond premium	-	1,026,998	-	-	1,026,998
Total other financing sources (uses)	\$ (4,496,624)	\$ 11,929,273	\$ 136,373	\$ (24,300)	\$ 7,544,722
Net change in fund balances	\$ 620,450	\$ (26,485)	\$ (102,592)	\$ -	\$ 491,373
Fund balance, beginning of year	19,722,660	190,486	2,250,387	50	22,163,583
Fund balance, end of year	\$ 20,343,110	\$ 164,001	\$ 2,147,795	\$ 50	\$ 22,654,956

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

Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds - Exhibit 5	\$	491,373
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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	\$	1,604,180	
Depreciation expense		(1,402,394)	
Adjustment for jointly owned capital assets		<u>(1,229,625)</u>	(1,027,839)

Governmental funds do not report capital assets or the related accumulated depreciation; therefore, no loss is recognized when a net capital asset is retired. A loss on retirement is recorded in the statement of activities.	(79,192)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(108,049)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:			
Issuance of Lease revenue bond	\$	(441,391)	
Issuance of General revenue bond		(7,305,000)	
Bond premium		(1,026,998)	
Increase in landfill liability		(25,212)	
Repayments:			
Lease revenue refunding bonds		480,000	
Less: Amortization of deferred charge on refunding		(44,864)	
General obligation school bonds		865,000	
Plus: Amortization of issuance premium		49,191	
Lease revenue bonds		7,146,881	
State Literary Fund loans		1,750,000	
Infrastructure revenue bonds		275,000	
Plus: Amortization of issuance premium		44,789	
Early retirement incentive obligation		<u>47,513</u>	
Net adjustment			1,814,909

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	\$	(76,431)	
Net OPEB obligation		(2,554)	
Accrued interest payable		<u>(31,355)</u>	(110,340)
Change in net position of governmental activities	\$		<u><u>980,862</u></u>

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

Statement of Net Position
 Proprietary Funds
 At June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Broadband Authority	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 64,361	\$ 312,912	\$ 377,273
Restricted cash	28,908	-	28,908
Accounts receivable, net	22,829	10,561	33,390
Total current assets	<u>\$ 116,098</u>	<u>\$ 323,473</u>	<u>\$ 439,571</u>
Noncurrent assets:			
Land	\$ 40,000	\$ -	\$ 40,000
Other capital assets, net of accumulated depreciation	5,289,086	3,091,584	8,380,670
Total noncurrent assets	<u>\$ 5,329,086</u>	<u>\$ 3,091,584</u>	<u>\$ 8,420,670</u>
Total assets	<u>\$ 5,445,184</u>	<u>\$ 3,415,057</u>	<u>\$ 8,860,241</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 5,240	\$ 16,635	\$ 21,875
Accrued interest payable	2,958	-	2,958
Current portion of bonds payable	14,275	-	14,275
Total current liabilities	<u>\$ 22,473</u>	<u>\$ 16,635</u>	<u>\$ 39,108</u>
Long-term liabilities			
Bonds payable, net of current portion	\$ 1,102,563	\$ -	\$ 1,102,563
Total long-term liabilities	<u>1,102,563</u>	<u>-</u>	<u>1,102,563</u>
Total liabilities	<u>\$ 1,125,036</u>	<u>\$ 16,635</u>	<u>\$ 1,141,671</u>
Net Position:			
Net investment in capital assets	\$ 4,212,248	\$ 3,091,584	\$ 7,303,832
Restricted for:			
Debt service and bond covenants	28,908	-	28,908
Unrestricted	78,992	306,838	385,830
Total net position	<u>\$ 4,320,148</u>	<u>\$ 3,398,422</u>	<u>\$ 7,718,570</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Piney River Water & Sewer Fund	Broadband Authority	Total
Operating revenues:			
Charges for services, net	\$ 106,381	\$ 26,070	\$ 132,451
Total operating revenues	<u>\$ 106,381</u>	<u>\$ 26,070</u>	<u>\$ 132,451</u>
Operating expenses:			
Water & sewer service	\$ 34,185	\$ -	\$ 34,185
Maintenance & repairs	43,494	2,180	45,674
Other charges	14,982	114,423	129,405
Depreciation expense	192,490	169,755	362,245
Total operating expenses	<u>\$ 285,151</u>	<u>\$ 286,358</u>	<u>\$ 571,509</u>
Operating income (loss)	<u>\$ (178,770)</u>	<u>\$ (260,288)</u>	<u>\$ (439,058)</u>
Nonoperating expense:			
Interest expense	\$ 49,367	\$ -	\$ 49,367
Net nonoperating expense	<u>\$ 49,367</u>	<u>\$ -</u>	<u>\$ 49,367</u>
Income(loss) before capital contributions and transfers	<u>\$ (228,137)</u>	<u>\$ (260,288)</u>	<u>\$ (488,425)</u>
Capital contributions:			
Capital grant - NTIA	\$ -	\$ 476,944	\$ 476,944
Total capital contributions	<u>\$ -</u>	<u>\$ 476,944</u>	<u>\$ 476,944</u>
Transfers:			
Transfers in	\$ 45,000	\$ 1,183,667	\$ 1,228,667
Total transfers	<u>\$ 45,000</u>	<u>\$ 1,183,667</u>	<u>\$ 1,228,667</u>
Change in net position	<u>\$ (183,137)</u>	<u>\$ 1,400,323</u>	<u>\$ 1,217,186</u>
Net position, beginning of year	<u>4,503,285</u>	<u>1,998,099</u>	<u>6,501,384</u>
Net position, end of year	<u><u>\$ 4,320,148</u></u>	<u><u>\$ 3,398,422</u></u>	<u><u>\$ 7,718,570</u></u>

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

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Piney River		
	Water & Sewer Fund	Broadband Authority	Total
Cash flows from operating activities			
Receipts from customers	\$ 106,559	\$ 15,509	\$ 122,068
Payments to suppliers	(94,010)	(292,359)	(386,369)
Net cash provided by (used for) operating activities	\$ 12,549	\$ (276,850)	\$ (264,301)
Cash flows from capital and related financing activities			
Purchases of capital assets, net of related payable	\$ -	\$ (1,198,394)	\$ (1,198,394)
Capital grants	-	552,422	552,422
Principal repayments on bonds payable	(13,668)	-	(13,668)
Interest paid on bonds payable	(49,403)	-	(49,403)
Net cash provided by (used for) capital and related financing activities	\$ (63,071)	\$ (645,972)	\$ (709,043)
Cash flows from noncapital financing activities			
Transfers from local government	\$ 45,000	\$ 1,183,667	\$ 1,228,667
Net increase (decrease) in cash and cash equivalents	\$ (5,522)	\$ 260,845	\$ 255,323
Cash and cash equivalents, beginning of year	98,791	52,067	150,858
Cash and cash equivalents, end of year (including restricted cash of \$28,908)	<u>\$ 93,269</u>	<u>\$ 312,912</u>	<u>\$ 406,181</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (178,770)	\$ (260,288)	\$ (439,058)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	192,490	169,755	362,245
Changes in assets and liabilities:			
Accounts receivable	178	(10,561)	(10,383)
Accounts payable	(1,349)	(175,756)	(177,105)
Net cash provided by (used for) operating activities	<u>\$ 12,549</u>	<u>\$ (276,850)</u>	<u>\$ (264,301)</u>
Supplemental information:			
Interest paid during year	\$ 49,403	\$ -	\$ 49,403
Change in accrued interest payable	(36)	-	(36)
Interest expense for year	<u>\$ 49,367</u>	<u>\$ -</u>	<u>\$ 49,367</u>

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

Statement of Fiduciary Net Position
At June 30, 2013

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 713,726
Other receivables	<u>5,903</u>
Total assets	<u>\$ 719,629</u>
Liabilities:	
Amounts held for others	\$ <u>719,629</u>
Total liabilities	<u>\$ 719,629</u>

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

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

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

A. Management's Discussion and Analysis

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

B. Financial Reporting Entity

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

Blended Component Units - Nelson County Broadband Authority - The Nelson County Broadband Authority serves all the citizens of the government and is governed by a board comprised of the government's elected supervisors. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2013.

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

B. Financial Reporting Entity: (Continued)

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

Related Organizations - The County's officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the Board appointment. The Nelson County Service Authority board members are appointed by the County Board of Supervisors. The County's accountability for the Authority does not extend beyond making the appointments. The County appropriated \$156,000 to the Authority for operating grants for fire protection services in fiscal year 2013 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 \$260,648 for operations to the Jefferson-Madison Regional Library, \$72,078 to the Region Ten Community Services Board, \$17,210 to the Thomas Jefferson Planning District Commission, \$610,032 to the Albemarle-Charlottesville Regional Jail Authority, and \$90,000 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 2013, the County paid the Region 2000 Services Authority \$268,121 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the *primary government* is financially accountable.

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*.

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

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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 2013.

1. Governmental Funds:

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

The following is a brief description of the specific funds used by the County in fiscal year 2013.

2. Governmental Funds:

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

3. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

3. Proprietary Funds: (Continued)

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.

4. 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.

5. Component Units:

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

— Governmental Fund:

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

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

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

F. Investments

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

G. Restricted Cash:

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

The Piney River Water and Sewer Fund has recorded \$28,908 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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

I. Budgets and Budgetary Accounting: (Continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, the Housing Improvement Fund, the Piney River Water & Sewer Fund, the Street Lights Fund, the Capital Projects Fund, the Debt Service Fund, and the School Operating Fund.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.
7. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2013, as adopted, appropriated and legally amended.

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

J. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,151,730 at June 30, 2013. 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 and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements. The County, Component Unit School Board, and Component Unit Economic Development Authority do not have any infrastructure in their capital assets since roads, streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Maintenance, repairs, and minor equipment and infrastructure are charged to operations when incurred. Expenses that materially change the capacities or extend the useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

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

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

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

L. Compensated Absences

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

M. Use of Estimates

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

N. Long-Term Obligations

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

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

O. Fund Equity

Financial Policies

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

Financial Policies

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

O. Fund Equity: (Continued)

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

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

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

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

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	\$ 44,953	\$ -	\$ -	\$ -	\$ 44,953	\$ 17,948
Inventory	-	-	-	-	-	96,519
Total Nonspendable	<u>\$ 44,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,953</u>	<u>\$ 114,467</u>
Restricted:						
Unexpended Bond Proceeds	\$ 1,645,080	\$ 8,266	\$ -	\$ -	\$ 1,653,346	-
Total Restricted	<u>\$ 1,645,080</u>	<u>\$ 8,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,653,346</u>	<u>\$ -</u>
Committed:						
Ryan School Reserve	\$ 39,013	\$ -	\$ -	\$ -	\$ 39,013	\$ -
Debt Service	-	155,735	-	-	155,735	-
Community Development	-	-	-	50	50	-
Textbooks	-	-	-	-	-	82,363
Cafeteria	-	-	-	-	-	175,587
Courthouse Construction	-	-	899,902	-	899,902	-
Capital Projects	-	-	1,247,893	-	1,247,893	-
Total Committed	<u>\$ 39,013</u>	<u>\$ 155,735</u>	<u>\$ 2,147,795</u>	<u>\$ 50</u>	<u>\$ 2,342,593</u>	<u>\$ 257,950</u>
Unassigned	<u>\$ 18,614,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,614,064</u>	<u>\$ (114,467)</u>
Total Fund Balance	<u>\$ 20,343,110</u>	<u>\$ 164,001</u>	<u>\$ 2,147,795</u>	<u>\$ 50</u>	<u>\$ 22,654,956</u>	<u>\$ 257,950</u>

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

P. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Q. Inventory

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

R. Net Position Flow Assumption

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

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The statement of financial position also reports deferred inflows of resources. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. This also includes uncollected property taxes due prior to June 30. Under the accrual basis, 2nd amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

T. Adoption of Accounting Principles

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments)

The County's investments at June 30, 2013 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, 2013 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values	
Local Government	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Money Market Mutual Fund	\$ 1,653,345
Local Government Investment Pool	48,386
Total	\$ 1,701,731
Component Unit -- Economic Development Authority	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 8,793

External Investment Pools

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 3—RECEIVABLES:

Receivables at June 30, 2013 consist of the following:

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Governmental</u>			
	<u>Activities</u>	<u>Business-</u>	<u>School</u>	<u>Economic</u>
	<u>General</u>	<u>Type</u>	<u>Board</u>	<u>Development</u>
	<u>Fund</u>	<u>Activities</u>		<u>Authority</u>
Property taxes	\$ 12,502,710	\$ -	\$ -	\$ -
Penalties	43,624			
Utility taxes	42,952	-	-	-
Recordation taxes	15,387	-	-	-
Court fines and fees	2,194			
Lodging fees	50,935	-	-	-
Meals taxes	74,155	-	-	-
Landfill fees	19,304	-	-	-
EMS revenue recovery	1,543,260	-	-	-
Note receivable	-	-	-	128,000
E-rate reimbursement	-	-	6,298	-
Sewer charges	-	24,360	-	-
Broadband charges	-	10,561	-	-
Other	31,142	-	4,504	49,280
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total receivables	\$ 14,325,663	\$ 34,921	\$ 10,802	\$ 177,280
Allowance for uncollectibles	<u>(1,570,199)</u>	<u>(1,531)</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 12,755,464</u>	<u>\$ 33,390</u>	<u>\$ 10,802</u>	<u>\$ 177,280</u>

A note receivable in the amount of \$128,000 was obtained in connection with the sale of land held by the Economic Development Authority (EDA) in December, 2007. The note and accrued interest were payable in full in June 2013. The note accrues interest at 7% per annum and is secured by a deed of trust. During 2013, the Board of the EDA agreed to extend the maturity date of the note to June 2014.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Component
	Governmental			Unit
	Activities			
	Other			
	General	Governmental	Total	School
	Fund	Funds		Board
Commonwealth of Virginia:				
Local sales taxes	\$ 156,868	\$ -	\$ 156,868	-
State sales taxes	-	-	-	330,261
Personal property tax relief act	734,930	-	734,930	-
Comprehensive Services Act	72,681	-	72,681	-
Public assistance	31,233	-	31,233	-
Communications tax	76,654	-	76,654	-
Rolling stock tax	110,695	-	110,695	-
Shared expenses and grants	111,003	-	111,003	-
Other	33,156	-	33,156	-
Federal government:				
Public assistance	45,552	-	45,552	-
TEA-21 grant	69,100	-	69,100	-
USDA	39,906	-	39,906	-
Community development block grant	-	9,000	9,000	-
Other	7,753	-	7,753	-
Federal pass-through school funds	-	-	-	214,513
Total	\$ 1,489,531	\$ 9,000	\$ 1,498,531	\$ 544,774

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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	\$ (3,542,257)
Transfer to the Broadband Fund	(909,367)
Transfer to the Piney River Water & Sewer fund to support operations	<u>(45,000)</u>

Net transfers from General Fund	\$ <u><u>(4,496,624)</u></u>
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Transfer from the General Fund to pay principal and interest on long-term debt	\$ 3,542,257
Transfer to the Capital Projects fund	<u>(332,118)</u>

Net transfers to Debt Service Fund	\$ <u><u>3,210,139</u></u>
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Transfer to the Broadband Fund	\$ (250,000)
Transfer from the Debt Service Fund fund to pay for Courthouse construction and other projects	<u>332,118</u>

Net transfers to the Capital Projects Fund	\$ <u><u>82,118</u></u>
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Transfer to the Broadband Fund	\$ <u>(24,300)</u>
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Net transfers from the Housing Improvement Fund	\$ <u><u>(24,300)</u></u>
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Transfer from the General Fund to support operations	\$ <u>45,000</u>
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Net transfers to the Piney River Water & Sewer Fund	\$ <u><u>45,000</u></u>
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Transfer from the General Fund to pay for broadband project	\$ 909,367
Transfer from the Capital Projects Fund to pay for broadband project	250,000
Transfer from the Housing Improvment Fund to pay for broadband project	<u>24,300</u>

Net transfers to the Broadband Authority Fund	\$ <u><u>1,183,667</u></u>
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The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2013:

Governmental Activities:

	Balance July 1, 2012,	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land and land improvements	\$ 425,761	\$ -	\$ -	\$ 425,761
Construction in progress	681,661	1,303,115	-	1,984,776
Total capital assets not being depreciated	<u>\$ 1,107,422</u>	<u>\$ 1,303,115</u>	<u>\$ -</u>	<u>\$ 2,410,537</u>
Other capital assets:				
Buildings and improvements	\$ 14,365,837	\$ 118,218	\$ -	\$ 14,484,055
Furniture, equipment and vehicles	4,595,720	182,847	205,564	4,573,003
School buildings, improvements and equipment *	22,250,000	-	1,665,000	20,585,000
Total other capital assets	<u>\$ 41,211,557</u>	<u>\$ 301,065</u>	<u>\$ 1,870,564</u>	<u>\$ 39,642,058</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,665,486	\$ 494,908	\$ -	\$ 3,160,394
Furniture, equipment and vehicles	2,152,318	392,861	126,372	2,418,807
School buildings, improvements and equipment *	4,741,126	514,625	435,375	4,820,376
Total accumulated depreciation	<u>\$ 9,558,930</u>	<u>\$ 1,402,394</u>	<u>\$ 561,747</u>	<u>\$ 10,399,577</u>
Other capital assets, net	<u>\$ 31,652,627</u>	<u>\$ (1,101,329)</u>	<u>\$ 1,308,817</u>	<u>\$ 29,242,481</u>
Net capital assets	<u><u>\$ 32,760,049</u></u>	<u><u>\$ 201,786</u></u>	<u><u>\$ 1,308,817</u></u>	<u><u>\$ 31,653,018</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 264,049		
Public safety		252,677		
Public works		262,237		
Health and welfare		20,011		
Education		514,625		
Parks, recreation and cultural		74,191		
Community development		14,604		
Total depreciation expense		<u><u>\$ 1,402,394</u></u>		

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land and land improvements	\$ 851,210	\$ -	\$ -	\$ 851,210
Total capital assets not being depreciated	\$ 851,210	\$ -	\$ -	\$ 851,210
Other capital assets:				
Buildings and improvements	\$ 43,926,109	\$ -	\$ -	\$ 43,926,109
Furniture, equipment and vehicles	4,492,169	32,378	-	4,524,547
School buildings, improvements and equipment allocated to County *	(22,250,000)	1,665,000	-	(20,585,000)
Total other capital assets	\$ 26,168,278	\$ 1,697,378	\$ -	\$ 27,865,656
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 15,593,119	\$ 1,191,757	\$ -	\$ 16,784,876
Furniture, equipment and vehicles	2,868,062	280,077	-	3,148,139
School buildings, improvements and equipment allocated to County *	(4,741,126)	(514,625)	(435,375)	(4,820,376)
Total accumulated depreciation	\$ 13,720,055	\$ 957,209	\$ (435,375)	\$ 15,112,639
Other capital assets, net	\$ 12,448,223	\$ 740,169	\$ 435,375	\$ 12,753,017
Net capital assets	\$ 13,299,433	\$ 740,169	\$ 435,375	\$ 13,604,227
Depreciation expense allocated to education		\$ 957,209		

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

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

Net capital assets	\$ 31,653,018
Less: Long-term debt applicable to capital assets at June 30, 2013	\$ 30,365,633
Less: Bond proceeds and related premium received but not yet expended on capital assets at June 30, 2013	1,653,346
Net position investment in capital assets	\$ 2,940,731

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business Type Activities:

Piney River Water & Sewer Operations

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land and land improvements	\$ 40,000	\$ -	\$ -	\$ 40,000
Total capital assets not being depreciated	\$ 40,000	\$ -	\$ -	\$ 40,000
Other capital assets:				
Infrastructure	\$ 6,557,827	\$ -	\$ -	\$ 6,557,827
Equipment	25,619	-	-	25,619
Total other capital assets	\$ 6,583,446	\$ -	\$ -	\$ 6,583,446
Less: Accumulated depreciation for:				
Infrastructure	\$ 1,086,497	\$ 187,366	\$ -	\$ 1,273,863
Equipment	15,373	5,124	-	20,497
Total accumulated depreciation	\$ 1,101,870	\$ 192,490	\$ -	\$ 1,294,360
Other capital assets, net	\$ 5,481,576	\$ (192,490)	\$ -	\$ 5,289,086
Net capital assets	\$ 5,521,576	\$ (192,490)	\$ -	\$ 5,329,086

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business Type Activities: (Continued)

Nelson County Broadband Authority

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Construction in progress	\$ 2,062,945	\$ 1,198,394	\$ 3,261,339	\$ -
Total capital assets not being depreciated	\$ 2,062,945	\$ 1,198,394	\$ 3,261,339	\$ -
Other capital assets:				
Equipment	\$ -	\$ 3,261,339	\$ -	\$ 3,261,339
Total other capital assets	\$ -	\$ 3,261,339	\$ -	\$ 3,261,339
Less: Accumulated depreciation for:				
Equipment	\$ -	\$ 169,755	\$ -	\$ 169,755
Total accumulated depreciation	\$ -	\$ 169,755	\$ -	\$ 169,755
Other capital assets, net	\$ -	\$ 3,091,584	\$ -	\$ 3,091,584
Net capital assets	\$ 2,062,945	\$ 4,289,978	\$ 3,261,339	\$ 3,091,584

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

Net capital assets	\$ 8,420,670
Less: Long-term debt applicable to capital assets at June 30, 2013	<u>1,116,838</u>
Net position investment in capital assets	<u>\$ 7,303,832</u>

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2013:

	Balance July 1, 2012	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2013
Primary Government:				
Governmental activities:				
Lease revenue refunding bonds	\$ 9,990,000	\$ -	\$ 480,000.00	\$ 9,510,000
Lease revenue bonds	6,705,490	441,391	7,146,881	-
General obligation bonds:				
School	10,510,000	-	865,000	9,645,000
Premium on issuance	334,273	-	49,191	285,082
State Literary Fund loans:				
School	1,750,000	-	1,750,000	-
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	3,040,000	-	275,000	2,765,000
Premium on issuance	294,918	-	44,789	250,129
Refunding Revenue bonds:				
General	-	7,305,000	-	7,305,000
Premium on issuance	-	1,026,998	-	1,026,998
Retirement incentive obligation loan	338,076	-	47,513	290,563
Compensated absences	264,952	76,431	-	341,383
Net OPEB obligation	23,445	40,754	38,200	25,999
Landfill liability	982,018	25,212	-	1,007,230
Total	\$ 34,233,172	\$ 8,915,786	\$ 10,696,574	\$ 32,452,384
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 2,434,444
Long-term liabilities due in more than one year				<u>30,017,940</u>
Total				\$ <u>32,452,384</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

	Balance July 1, 2012	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2013
Business-type activities:				
USDA Water Revenue Bond	\$ 479,520	\$ -	\$ 5,966	\$ 473,554
USDA Sewer Revenue Bond	650,986	-	7,702	643,284
	<u>\$ 1,130,506</u>	<u>\$ -</u>	<u>\$ 13,668</u>	<u>\$ 1,116,838</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 14,275
Long-term liabilities due in more than one year				<u>1,102,563</u>
Total				<u>\$ 1,116,838</u>

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

Year Ending June 30,	Principal	Interest
2014	\$ 2,205,014	\$ 1,167,282
2015	2,214,099	1,109,282
2016	2,293,446	1,016,906
2017	2,393,073	921,239
2018	2,142,999	825,851
2019-2023	10,892,198	2,753,743
2024-2028	7,671,022	780,030
2029-2033	150,692	164,669
2034-2038	187,642	127,718
2039-2043	233,661	81,699
2044-2048	248,555	25,078
Total	<u>\$ 30,632,401</u>	<u>\$ 8,973,497</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Governmental:		
<u>General Obligation School Bonds:</u>		
\$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%	\$ 40,000	\$ 40,000
\$14,280,000 School Bonds, 2003, issued November 2003, due in various installments of \$420,000 to \$1,110,000 through January 2024, interest rates from 3.1% to 5.35%	9,605,000	665,000
Unamortized premium on issuance of 2003 School Bonds	<u>285,082</u>	<u>45,965</u>
Total general obligation school bonds	<u>\$ 9,930,082</u>	<u>\$ 750,965</u>
<u>Lease Revenue Refunding Bonds:</u>		
\$9,990,000 Lease Revenue Refunding Bonds Series 2012, issued March 2012, due in various semi-annual installments ranging from \$480,000 to \$860,000, through August 2027, interest rates at 2.75%	<u>\$ 9,510,000</u>	<u>\$ 465,000</u>
Total lease revenue refunding bonds	<u>\$ 9,510,000</u>	<u>\$ 465,000</u>
<u>VRA Refunding Revenue Bonds:</u>		
\$7,305,000 Refunding Revenue Bonds Series 2013A, issued June 5, 2013, payable in various annual installments through October 1, 2027; Interest payable semiannually at rates ranging from 2.017% to 4.13%.	\$ 7,305,000	\$ 565,000
Unamortized premium on issuance of 2013 VRA Bonds	<u>1,026,998</u>	<u>116,457</u>
Total VRA refunding revenue bonds	<u>\$ 8,331,998</u>	<u>\$ 681,457</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Governmental: (Continued)		
<u>Virginia Resource Authority Infrastructure Revenue Bonds:</u>		
\$2,460,000 issued June 7, 2007 due in semi-annual installments of interest only through April, 2008, interest at 4.48%; annual installments of principal and semi-annual payments of interest thereafter through September, 2016 with principal installments in amounts ranging from \$230,000 to \$325,000 and interest rates ranging from 4.1% to 4.625%.	\$ 1,210,000	\$ 280,000
Unamortized premium	10,857	4,977
\$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	125,000
Unamortized premium	<u>239,272</u>	<u>42,168</u>
Total Virginia Resource Authority Infrastructure Revenue Bonds	\$ <u>3,015,129</u>	\$ <u>452,145</u>
<u>Loan Payable - Early Retirement Incentive Costs:</u>		
The County School Board adopted the early retirement incentive program. The School Board's share of the liability for those employees who elected to participate totaled \$761,771. This obligation was refinanced with a loan from a bank in August, 1999. This liability is not included in the pension benefit obligation disclosed in Note 9. The loan is payable in annual installments of \$70,468 (including principal and interest) due May 1, 2018, interest at 6.79%.	\$ 290,563	\$ 50,739
Total governmental loans and bonds	\$ <u><u>31,077,772</u></u>	\$ <u><u>2,400,306</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
Business-type:		
<u>USDA Revenue Bonds:</u>		
\$499,000 Water Revenue Bond, Series 2007, issued November 8, 2007, interest only due on November 8, 2008, and then monthly principal and interest payments of \$2,186 through October, 2047; interest at 4.25%	\$ 473,554	\$ 6,223
\$676,000 Water Revenue Bond, Series 2007, issued November 8, 2007, interest only due on November 8, 2008, and then monthly principal and interest payments of \$3,070 through October, 2047; interest at 4.5%	<u>643,284</u>	<u>8,052</u>
Total business-type long-term obligations	<u>\$ 1,116,838</u>	<u>\$ 14,275</u>

Current Refunding of Debt:

On June 5, 2013 the County issued \$7,305,000 of Refunding Revenue Bonds, Series 2013A to currently refund its 1991 Literary Fund loan and 2009 Rural Development Loan. This refunding was undertaken to reduce total debt service over the next thirty years by \$3,672,312 and resulted in an economic gain of \$1,761,291.

USDA Revenue Bonds

Under the terms of the USDA Water and Sewer Revenue Bonds, the County is required to establish a reserve equal to 10% of the monthly installments of principal and interest until an amount equal to twelve monthly installments has been established. The requirement to establish the reserve commences with the first scheduled monthly installment of principal and interest. The funds are not required to be held in a separate bank account.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

USDA Revenue Bonds: (Continued)

The reserve was established in December 2008, and has a balance of \$28,908 at June 30, 2013. The reserve has been reflected as restricted cash in the accompanying financial statements.

The County paid \$49,367 in interest on the USDA Water and Sewer Bonds in fiscal 2013, 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 obligations transactions of the School Board for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements & Other Reductions</u>	<u>Balance June 30, 2013</u>
School Board				
Compensated absences	\$ 338,492	\$ 46,378	\$ -	\$ 384,870
Net OPEB obligation	<u>130,501</u>	<u>133,400</u>	<u>80,600</u>	<u>183,301</u>
Total	<u>\$ 468,993</u>	<u>\$ 179,778</u>	<u>\$ 80,600</u>	<u>\$ 568,171</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year			\$	38,487
Long-term liabilities due in more than one year				<u>529,684</u>
Total			\$	<u>568,171</u>

NOTE 8—COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the County and its components units have accrued the liability arising from all outstanding compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—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.

	Balance July 1, 2012	Net Increase/ (Decrease)	Balance June 30, 2013
Primary Government:			
Governmental activities	\$ 264,952	\$ 76,431	\$ 341,383
Component Unit School Board	\$ 338,492	\$ 46,378	\$ 384,870

NOTE 9—DEFINED BENEFIT PENSION PLAN:

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

A. Plan Description:

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service 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 were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplies. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employee contribution rates for the fiscal year ended 2013 were 13.15% and 9.21% of annual covered payroll, respectively.

The School Board's professional employees contribution rate for the fiscal year ended 2013, 2012, and 2011 to the VRS statewide sharing pool for its employees was 11.66%, 6.33%, and 3.93%, respectively. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, 2011 were \$1,241,762, \$1,175,937, and \$923,974. 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 2013, the County's annual pension cost of \$474,882 was equal to the County's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the School Board's non-professional employees was \$141,101 which was equal to the Board's required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 352,551	100%	-
June 30, 2012	360,280	100%	-
June 30, 2013	474,882	100%	-
School Board Non-Professional:			
June 30, 2011	196,341	100%	-
June 30, 2012	116,455	100%	-
June 30, 2013	141,101	100%	-

(1) Employer portion only

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.75% to 6.20% per year for teachers, 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% for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the 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 and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 75.93% funded. The actuarial accrued liability for benefits was \$16,526,361, and the actuarial value of assets was \$12,548,691, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,977,670. The covered payroll (annual payroll of active employees covered by the plan) was \$3,398,629, and ratio of the UAAL to the covered payroll was 117.04%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 78.09% funded. The actuarial accrued liability for benefits was \$6,316,276, and the actuarial value of assets was \$4,932,376, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,383,900. The covered payroll (annual payroll of active employees covered by the plan) was \$1,477,219 and ratio of the UAAL to the covered payroll was 93.68%.

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 POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE:

A. Plan Descriptions

County

The County offers health insurance benefits to qualified retirees under a single-employer plan (the County Plan). Health benefits are for medical coverage only.

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Key Advantage Expanded Benefits - PPO, or (b) Key Advantage 200 - PPO. An eligible retiree under the age of 65 may elect coverage for himself, for one dependent and himself, or for a family.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

A. Plan Descriptions: (Continued)

County: (Continued)

Eligible retirees 65 years or older may only participate in the Key Advantage 65 - PPO. An eligible retiree 65 years or older may elect coverage for himself, or for one dependent and himself.

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

School Board

The School Board offers health insurance benefits to qualified retirees under a single-employer plan (the School Board Plan). Health benefits include medical, dental and vision coverage.

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Local Choice Expanded Benefits --PPO, (b) Local Choice 2000 - PPO, or (c) Local Choice High Deductible - PPO.

An eligible retiree under the age of 65 may elect coverage for himself, for one dependent and himself, or for a family.

Eligible retirees 65 years or older may only participate in the Advantage 65 - PPO. An eligible retiree 65 years or older may elect coverage for himself, or for one dependent and himself.

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

B. Funding Policies

County

The contribution requirements of plan members and the County are established and may be amended by the County Board of Supervisors. For eligible retirees, 100% of the nominal premium is the responsibility of the retiree. As of July 1, 2012, monthly required premiums were as follows:

	Monthly premium owed by retiree		
	Retiree	Retiree and one dependent	Family
Key Advantage 200 -- PPO	\$ 507	\$ 938	\$ 1,369
Key Advantage Expanded Benefits -- PPO	\$ 526	\$ 973	\$ 1,420
Key Advantage 65 -- PPO	\$ 152	\$ 304	N/A

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (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, 2011, monthly required premiums were as follows:

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

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

C. Annual OPEB Cost and Net OPEB Obligation

The County and the School Board's annual postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* (ARC) of the employer. The County and the School Board have elected to calculate the ARC as the normal cost plus the amortization of the unfunded portion of the actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 40,800	\$ 132,900
Interest on OPEB obligation	821	5,200
Adjustment to ARC	(867)	(4,700)
Annual OPEB cost	\$ 40,754	\$ 133,400
Estimated contributions made	(38,200)	(80,600)
Increase in net OPEB obligation	\$ 2,554	\$ 52,800
Net OPEB obligation at beginning of year	23,445	130,501
Net OPEB obligation at end of year	\$ 25,999	\$ 183,301

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 2013 and the two preceding years were as follows:

<u>Fiscal Year Ending:</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2011	\$ 29,764	80.63%	\$ 21,358
June 30, 2012	30,487	93.15%	23,445
June 30, 2013	40,754	93.73%	25,999
School Board:			
Non-professional			
June 30, 2011	\$ 121,756	68.33%	\$ 97,132
June 30, 2012	124,069	73.10%	130,501
June 30, 2013	133,400	60.42%	183,301

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

D. Funded Status and Funding Progress

At January 1, 2013, the most recent actuarial valuation date, the County Plan was unfunded. The actuarial accrued liability for benefits was \$545,700, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$545,700. The covered payroll (annual payroll of active employees covered by the plan) was \$3,270,200, and the ratio of the UAAL to the covered payroll was 16.69%.

At January 1, 2013, the most recent actuarial valuation date, the School Board Plan was unfunded. The actuarial accrued liability for benefits was \$1,274,900, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,274,000. The covered payroll (annual payroll of active employees covered by the plan) was \$12,329,100, and the ratio of the UAAL to the covered payroll was 10.34%.

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, 2013, most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return, and an annual healthcare cost trend rate based on the Getzen Trend Model (7.70% graded to 4.80% graded over 70 years). The payroll growth rate was assumed to be 3.00%, 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, 2013 was 30 years.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

E. Actuarial Methods and Assumptions: (Continued)

School Board

In the January 1, 2013, most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return, and an annual healthcare cost trend rate based on the Getzen Trend Model (7.70% graded to 4.80% graded over 70 years). The payroll growth rate was assumed to be 3.00%.

The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at January 1, 2013 was 30 years.

NOTE 11—VRS HEALTH INSURANCE CREDIT - OTHER POSTEMPLOYMENT BENEFITS:

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$118,212, \$62,099, and \$62,081, 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, 2013.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 13—UNAVAILABLE/UNEARNED:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Unavailable tax revenue:		
Uncollected property tax billings for which asset recognition criteria have not been met have been recorded as deferred revenue. The uncollected tax billings are not available for the funding of current expenditures.	\$ 9,981,961	\$ 11,814,629
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	188,135	188,135
Total primary government	\$ 10,170,096	\$ 12,002,764

The Component Unit School Board had no unearned or unavailable 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.

Operating Leases:

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

NOTE 15—LITIGATION:

At June 30, 2013 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 16—SURETY BONDS:

	<u>Amount</u>
Virginia Department of Risk Management - Surety	
Judy Smythers, Clerk of the Circuit Court	\$ 450,000
Angela F. Johnson, Treasurer	400,000
Jean W. Payne, Commissioner of the Revenue	3,000
David Brooks, Sheriff	30,000
Above constitutional officers' employee - blanket bond	50,000
Virginia Association of Counties	
Group Self-Insurance Risk Pool - Crime coverage	
School Board employees	
Employee dishonesty - limit of liability	250,000
Fidelity and Deposit Company - Crime coverage	
Nelson County Department of Social Services employees	
Employee theft - per employee per occurrence	100,000
National Grange Mutual Insurance Company - Surety	
Thomas H. Bruguiera, Jr., Supervisor	1,000
Constance Brennan, Supervisor	1,000
Stephen A. Carter, County Administrator	2,000
Thomas D. Harvey, Supervisor	1,000
Allen M. Hale, Supervisor	1,000
Larry D. Saunders, 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.

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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 17—RISK MANAGEMENT: (CONTINUED)

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 \$1,007,230 as of June 30, 2013. This cost may be revised in the future depending on changes in regulations and applicable environmental laws.

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

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

NOTE 19—RELATED PARTY TRANSACTIONS:

The County had certain transactions with the Nelson County Service Authority during fiscal year 2013. In addition to purchasing water from the Authority at its normal rates, the County provides office space for the Authority's administrative operations free of charge, and appropriated \$156,000 to the Authority for fire protection services. The County also paid \$162,812 to the Authority for debt service requirements for the Colleen water line.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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 2013. Eligible employees age 50 and over may defer up to \$22,000 in 2013. 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.

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 20,195,156	\$ 20,195,156	\$ 21,529,646	\$ 1,334,490
Other local taxes	3,735,266	3,735,266	3,912,469	177,203
Permits, privilege fees, and regulatory licenses	193,150	193,150	176,921	(16,229)
Fines and forfeitures	236,600	256,840	278,688	21,848
Revenue from the use of money and property	104,500	104,500	109,932	5,432
Charges for services	236,950	236,950	224,528	(12,422)
Miscellaneous	25,410	25,410	124,531	99,121
Recovered costs	760,663	774,722	684,674	(90,048)
Intergovernmental revenues:				
Commonwealth	4,602,112	4,608,444	4,603,001	(5,443)
Federal	935,360	1,003,970	718,596	(285,374)
Total revenues	\$ 31,025,167	\$ 31,134,408	\$ 32,362,986	\$ 1,228,578
EXPENDITURES				
Current:				
General government administration	\$ 1,873,644	\$ 2,001,630	\$ 1,885,620	\$ 116,010
Judicial administration	732,529	781,492	733,316	48,176
Public safety	4,411,109	4,621,051	4,452,145	168,906
Public works	1,910,900	1,938,854	1,766,078	172,776
Health and welfare	2,371,730	2,457,724	2,446,824	10,900
Education	13,579,157	13,579,157	13,239,167	339,990
Parks, recreation, and cultural	473,664	477,354	465,924	11,430
Community development	1,132,023	1,223,797	944,992	278,805
Nondepartmental	1,580,720	1,020,770	87,166	933,604
Capital projects	2,945,980	2,975,480	1,224,680	1,750,800
Total expenditures	\$ 31,011,456	\$ 31,077,309	\$ 27,245,912	\$ 3,831,397
Excess (deficiency) of revenues over (under) expenditures	\$ 13,711	\$ 57,099	\$ 5,117,074	\$ 5,059,975
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(4,327,154)	(4,496,624)	(4,496,624)	-
Issuance of long-term debt	1,800,000	1,800,000	-	(1,800,000)
Total other financing sources (uses)	\$ (2,527,154)	\$ (2,696,624)	\$ (4,496,624)	\$ (1,800,000)
Net change in fund balances	\$ (2,513,443)	\$ (2,639,525)	\$ 620,450	\$ 3,259,975
Fund balances - beginning	2,513,443	2,639,525	19,722,660	17,083,135
Fund balances - ending	\$ -	\$ -	\$ 20,343,110	\$ 20,343,110

Schedule of Pension and OPEB Funding Progress
At June 30, 2013

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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%
June 30, 2012	12,548,691	16,526,361	3,977,670	75.93%	3,398,629	117.04%

County Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered 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%
January 1, 2013	-	545,700	545,700	0.00%	3,270,200	16.69%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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%
June 30, 2012	4,932,376	6,316,276	1,383,900	78.09%	1,477,219	93.68%

School Board Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered 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%
January 1, 2013	-	1,274,900	1,274,900	0.00%	12,329,100	10.34%

Other Supplementary Information

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Combining and Individual Fund Statements and Schedules

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Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,213,456	\$ 1,997,868	\$ 10,564,394	\$ (8,566,526)
Interest and other fiscal charges	1,328,801	1,251,421	1,391,364	(139,943)
Total expenditures	\$ 3,542,257	\$ 3,249,289	\$ 11,955,758	\$ (8,706,469)
Excess (deficiency) of revenues over (under) expenditures	\$ (3,542,257)	\$ (3,249,289)	\$ (11,955,758)	\$ (8,706,469)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,542,257	\$ 3,542,257	\$ 3,542,257	\$ -
Transfers out	-	(332,118)	(332,118)	-
Issuance of VPSA/Literary loans	-	-	7,692,136	7,692,136
Premium on issuance	-	-	1,026,998	1,026,998
Total other financing sources (uses)	\$ 3,542,257	\$ 3,210,139	\$ 11,929,273	\$ 8,719,134
Net change in fund balances	\$ -	\$ (39,150)	\$ (26,485)	\$ 12,665
Fund balances - beginning	-	39,150	190,486	151,336
Fund balances - ending	\$ -	\$ -	\$ 164,001	\$ 164,001

Capital Projects Fund

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 75	\$ 75	\$ 79	\$ 4
Total revenues	\$ 75	\$ 75	\$ 79	\$ 4
EXPENDITURES				
Capital projects	\$ 853,826	\$ 853,826	\$ 239,044	\$ 614,782
Total expenditures	\$ 853,826	\$ 853,826	\$ 239,044	\$ 614,782
Excess (deficiency) of revenues over (under) expenditures	\$ (853,751)	\$ (853,751)	\$ (238,965)	\$ 614,786
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 332,118	\$ 332,118
Transfers out	-	(250,000)	(250,000)	-
Issuance of lease revenue bonds	387,137	387,137	54,255	(332,882)
Total other financing sources (uses)	\$ 387,137	\$ 137,137	\$ 136,373	\$ (764)
Net change in fund balances	\$ (466,614)	\$ (716,614)	\$ (102,592)	\$ 614,022
Fund balances - beginning	466,614	716,614	2,250,387	1,533,773
Fund balances - ending	\$ -	\$ -	\$ 2,147,795	\$ 2,147,795

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2013

	Housing Improvement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:				
Federal	684,008	684,008	582,066	(101,942)
Total revenues	\$ 684,008	\$ 684,008	\$ 582,066	\$ (101,942)
EXPENDITURES				
Current:				
Community development	\$ 657,008	\$ 657,008	\$ 557,766	\$ 99,242
Total expenditures	\$ 657,008	\$ 657,008	\$ 557,766	\$ 99,242
Excess (deficiency) of revenues over (under) expenditures	\$ 27,000	\$ 27,000	\$ 24,300	\$ (2,700)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (27,000)	\$ (27,000)	\$ (24,300)	\$ 2,700
Total other financing sources (uses)	\$ (27,000)	\$ (27,000)	\$ (24,300)	\$ 2,700
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	50	50
Fund balances - ending	\$ -	\$ -	\$ 50	\$ 50

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 At June 30, 2013

	Agency Funds		
	Special Welfare	EMS Loan Fund	Total
Assets			
Cash and cash equivalents	\$ 25,796	\$ 687,930	\$ 713,726
Other receivables	5,903	-	5,903
	<u>31,699</u>	<u>687,930</u>	<u>719,629</u>
Total assets	\$ <u>31,699</u>	\$ <u>687,930</u>	\$ <u>719,629</u>
Liabilities			
Amounts held for others	\$ 31,699	\$ 687,930	\$ 719,629
	<u>31,699</u>	<u>687,930</u>	<u>719,629</u>
Total liabilities	\$ <u>31,699</u>	\$ <u>687,930</u>	\$ <u>719,629</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets				
Cash and cash equivalents	\$ 22,809	\$ 14,304	\$ 11,317	\$ 25,796
Other receivables	-	5,903	-	5,903
Total assets	<u>22,809</u>	<u>20,207</u>	<u>11,317</u>	<u>31,699</u>
Liabilities				
Amounts held for others	<u>\$ 22,809</u>	<u>\$ 20,207</u>	<u>\$ 11,317</u>	<u>\$ 31,699</u>
EMS Loan Fund:				
Assets				
Cash and cash equivalents	<u>\$ 659,293</u>	<u>\$ 163,637</u>	<u>\$ 135,000</u>	<u>\$ 687,930</u>
Liabilities				
Amounts held for others	<u>\$ 659,293</u>	<u>\$ 163,637</u>	<u>\$ 135,000</u>	<u>\$ 687,930</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 682,102	\$ 177,941	\$ 146,317	\$ 713,726
Other receivables	-	5,903	-	5,903
Total assets	<u>682,102</u>	<u>183,844</u>	<u>146,317</u>	<u>719,629</u>
Liabilities				
Amounts held for others	<u>\$ 682,102</u>	<u>\$ 183,844</u>	<u>\$ 146,317</u>	<u>\$ 719,629</u>

Component Unit School Board
 Balance Sheet
 At June 30, 2013

	<u>School Operating Fund</u>
Assets	
Cash and cash equivalents	\$ 1,706,091
Receivables:	
Accounts receivable	10,802
Due from other governments	544,774
Inventories	96,519
Prepaid items	<u>17,948</u>
Total assets	<u>\$ 2,376,134</u>
Liabilities	
Accounts payable	\$ 84,575
Accrued liabilities	1,475,205
Due to primary government	<u>558,404</u>
Total liabilities	<u>\$ 2,118,184</u>
Fund balance	
Nonspendable	\$ 114,467
Committed	257,950
Unassigned	<u>(114,467)</u>
Total fund balances	<u>\$ 257,950</u>
Total liabilities and fund balance	<u>\$ 2,376,134</u>

Component Unit School Board

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

At June 30, 2013

Total fund balance for governmental fund (Exhibit 20)	\$	257,950
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. Those assets consist of:

Land and improvements	\$	851,210	
Buildings and improvements, net of depreciation		27,141,233	
Equipment, net of depreciation		1,376,408	
School Board capital assets in primary government, net of depreciation		<u>(15,764,624)</u>	13,604,227

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Compensated absences	\$	(384,870)	
Net OPEB obligation		<u>(183,301)</u>	<u>(568,171)</u>
Total net position of governmental activities (Exhibit 1)			\$ <u><u>13,294,006</u></u>

Component Unit School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2013

	School Operating Fund
Revenues	
Revenue from the use of money and property	\$ 87
Charges for services	450,615
Miscellaneous	347,159
Recovered costs	89,665
Intergovernmental revenues:	
Appropriations from primary government	13,236,117
Commonwealth	7,781,562
Federal	1,714,626
	<u>23,619,831</u>
Total revenues	\$ 23,619,831
Expenditures	
Current:	
Education	
Instruction	\$ 15,567,896
Administration, attendance and health	1,223,835
Transportation	2,177,582
Facilities operations	2,704,743
School food services	1,088,332
Technology	1,155,509
	<u>23,917,897</u>
Total expenditures	\$ 23,917,897
Excess (deficiency) of revenues over (under) expenditures	\$ (298,066)
Fund balance, beginning of year	<u>556,016</u>
Fund balance, end of year	<u><u>\$ 257,950</u></u>

Component Unit School Board
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance of Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2013

Net change in fund balance - total governmental fund (Exhibit 22)	\$	(298,066)
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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	\$	32,378	
Depreciation expense		(957,209)	
Adjustment for jointly owned capital assets		<u>1,229,625</u>	304,794

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	\$	(46,378)	
Net OPEB obligation		<u>(52,800)</u>	<u>(99,178)</u>

Change in net position of governmental activities (Exhibit 2)	\$	<u><u>(92,450)</u></u>
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Component Unit School Board

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

For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 75	\$ -	\$ 87	\$ 87
Charges for services	568,268	516,298	450,615	(65,683)
Miscellaneous	448,983	362,024	347,159	(14,865)
Recovered costs	103,101	89,665	89,665	-
Intergovernmental revenues:				
Local government	13,576,107	13,576,107	13,236,117	(339,990)
Commonwealth	7,790,063	7,707,694	7,781,562	73,868
Federal	2,038,844	2,338,044	1,714,626	(623,418)
Total revenues	\$ 24,525,441	\$ 24,589,832	\$ 23,619,831	\$ (970,001)
EXPENDITURES				
Current:				
Education				
Instruction	\$ 16,444,980	\$ 16,127,214	\$ 15,567,896	\$ 559,318
Administration, attendance and health	1,306,550	1,340,974	1,223,835	117,139
Transportation	2,296,884	2,298,793	2,177,582	121,211
Facilities operations	2,877,827	2,892,607	2,704,743	187,864
School food services	1,063,607	1,063,607	1,088,332	(24,725)
Technology	1,062,163	1,172,236	1,155,509	16,727
Total expenditures	\$ 25,052,011	\$ 24,895,431	\$ 23,917,897	\$ 977,534
Excess (deficiency) of revenues over (under) expenditures	\$ (526,570)	\$ (305,599)	\$ (298,066)	\$ 7,533
Fund balances - beginning	526,570	305,599	556,016	250,417
Fund balances - ending	\$ -	\$ -	\$ 257,950	\$ 257,950

Supporting Schedules

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 17,024,104	\$ 17,024,104	\$ 17,796,631	\$ 772,527
Real and personal public service corporation taxes	595,000	595,000	662,087	67,087
Personal property taxes	2,285,552	2,285,552	2,684,018	398,466
Mobile home taxes	26,000	26,000	13,713	(12,287)
Machinery and tools taxes	4,500	4,500	8,216	3,716
Penalties	130,000	130,000	183,584	53,584
Interest	130,000	130,000	181,397	51,397
Total general property taxes	\$ 20,195,156	\$ 20,195,156	\$ 21,529,646	\$ 1,334,490
Other local taxes:				
Local sales and use taxes	\$ 1,034,128	\$ 1,034,128	\$ 1,045,178	\$ 11,050
Consumers' utility taxes	460,711	460,711	479,765	19,054
Business license taxes	30,000	30,000	32,610	2,610
Utility franchise taxes	102,115	102,115	92,209	(9,906)
Motor vehicle licenses	686,625	686,625	708,474	21,849
Bank franchise tax	60,000	60,000	72,716	12,716
Taxes on recordation and wills	202,450	202,450	220,425	17,975
Transient occupancy tax	420,000	420,000	433,692	13,692
Meals tax	739,237	739,237	827,211	87,974
Street light tax	-	-	189	189
Total other local taxes	\$ 3,735,266	\$ 3,735,266	\$ 3,912,469	\$ 177,203
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 11,342	\$ 3,342
Dog pound fees	1,400	1,400	3,073	1,673
Land use application fees	15,000	15,000	6,370	(8,630)
Transfer fees	750	750	830	80
Zoning & Subdivision fees	1,000	1,000	3,452	2,452
Building permits	135,000	135,000	115,488	(19,512)
Building inspection fees	7,000	7,000	17,009	10,009
Special use permits	1,000	1,000	280	(720)
Well & Septic fees	6,000	6,000	7,075	1,075
Land disturbing fees	11,000	11,000	8,280	(2,720)
Tourism collections	7,000	7,000	3,722	(3,278)
Total permits, privilege fees, and regulatory licenses	\$ 193,150	\$ 193,150	\$ 176,921	\$ (16,229)
Fines and forfeitures:				
Court fines and forfeitures	\$ 236,600	\$ 256,840	\$ 278,688	\$ 21,848
Total fines and forfeitures	\$ 236,600	\$ 256,840	\$ 278,688	\$ 21,848
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 50,976	\$ (49,024)
Revenue from use of property	4,500	4,500	12,678	8,178
Sale of general property	-	-	5,744	5,744
Real estate tax sale proceeds	-	-	40,534	40,534
Total revenue from use of money and property	\$ 104,500	\$ 104,500	\$ 109,932	\$ 5,432

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Sheriff's fees	\$ 6,000	\$ 6,000	\$ 10,988	\$ 4,988
Law library fees	2,500	2,500	2,478	(22)
Courthouse maintenance fees	9,500	9,500	8,044	(1,456)
Document reproduction fees	3,000	3,000	4,527	1,527
Excess fees paid to Circuit Court	-	-	6	6
Court appointed attorney fees	-	-	1,575	1,575
Fingerprint/Report fees	100	100	310	210
Cost of postage - Circuit Court	-	-	21	21
Charges for Commonwealth's Attorney	500	500	1,279	779
Charges for sanitation and waste removal	165,000	165,000	145,506	(19,494)
Charges for parks and recreation	49,350	49,350	48,016	(1,334)
Sale of literature	1,000	1,000	1,778	778
Total charges for services	\$ 236,950	\$ 236,950	\$ 224,528	\$ (12,422)
Miscellaneous revenue:				
Expenditure refunds	\$ 15,000	\$ 15,000	\$ 95,176	\$ 80,176
Other miscellaneous	10,410	10,410	29,355	18,945
Total miscellaneous revenue	\$ 25,410	\$ 25,410	\$ 124,531	\$ 99,121
Recovered costs:				
DSS Reimbursement	\$ 50,000	\$ 50,000	\$ 54,162	\$ 4,162
School Resource officer and other costs	30,000	30,000	25,207	(4,793)
Jaunt Wintergreen	33,663	33,663	16,500	(17,163)
Colleen water & sewer connection fees	10,000	10,000	4,000	(6,000)
DMV stop fees	12,000	26,059	27,257	1,198
EMS revenue recovery	620,000	620,000	535,232	(84,768)
Forest Service Coop. agreement	5,000	5,000	7,343	2,343
Other recovered costs	-	-	14,973	14,973
Total recovered costs	\$ 760,663	\$ 774,722	\$ 684,674	\$ (90,048)
Total revenue from local sources	\$ 25,487,695	\$ 25,521,994	\$ 27,041,389	\$ 1,519,395
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 86,804	\$ 86,804	\$ 212,626	\$ 125,822
Mobile home titling tax	15,000	15,000	9,417	(5,583)
Tax on deeds	75,160	75,160	57,088	(18,072)
Communication sales & use tax	480,000	480,000	484,829	4,829
Personal property tax relief funds	1,708,030	1,708,030	1,708,524	494
Total noncategorical aid	\$ 2,364,994	\$ 2,364,994	\$ 2,472,484	\$ 107,490

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental revenues (continued):				
Revenue from the Commonwealth (continued):				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 198,974	\$ 198,974	\$ 198,451	\$ (523)
Sheriff	726,332	726,332	726,748	416
Commissioner of revenue	79,320	79,320	79,317	(3)
Treasurer	84,477	84,477	80,077	(4,400)
Registrar/electoral board	35,233	39,233	33,375	(5,858)
Clerk of the Circuit Court	186,661	186,661	198,989	12,328
Total shared expenses	\$ 1,310,997	\$ 1,314,997	\$ 1,316,957	\$ 1,960
Welfare:				
Public assistance and welfare administration	\$ 318,014	\$ 318,014	\$ 309,530	\$ (8,484)
Other categorical aid:				
E911 wireless grant	\$ 40,000	\$ 40,000	\$ 39,087	\$ (913)
DMV animal friendly plates	400	400	413	13
Fire programs	42,000	42,000	42,839	839
Four for life	21,300	21,300	16,596	(4,704)
Litter control grant	5,265	7,597	7,597	-
Victim-witness grant	20,500	20,500	5,337	(15,163)
VJCCA Dept - Juvenile Justice	9,788	9,788	9,882	94
Comprehensive services act	463,854	463,854	373,002	(90,852)
Performance arts grant	5,000	5,000	5,000	-
Other categorical	-	-	4,277	4,277
Total other categorical aid	\$ 608,107	\$ 610,439	\$ 504,030	\$ (106,409)
Total categorical aid	\$ 2,237,118	\$ 2,243,450	\$ 2,130,517	\$ (112,933)
Total revenue from the Commonwealth	\$ 4,602,112	\$ 4,608,444	\$ 4,603,001	\$ (5,443)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 44,864	\$ 44,864	\$ 54,363	\$ 9,499
Categorical aid:				
Public assistance and welfare administration	\$ 477,022	\$ 477,022	\$ 478,134	\$ 1,112
Victim witness program	-	-	16,012	16,012
Sheriff's grants	-	12,000	7,420	(4,580)
VEC grant	-	-	4,000	4,000
SCAAP (federal prisoners)	-	-	2,262	2,262
Domestic preparedness grant	-	-	25,715	25,715
USDA specialty crop grant	-	54,144	59,193	5,049
FEMA disaster relief	-	-	1,845	1,845
Sheriff's Byrne Grant	-	1,914	-	(1,914)
Recovery Act BJA Byrne JAG Grant	-	552	552	-
Trail grant (TEA-21)	335,000	335,000	58,980	(276,020)
Tunnel Grant (TEA-21)	78,474	78,474	10,120	(68,354)
Total categorical aid	\$ 890,496	\$ 959,106	\$ 664,233	\$ (294,873)
Total revenue from the federal government	\$ 935,360	\$ 1,003,970	\$ 718,596	\$ (285,374)
Total General Fund	\$ 31,025,167	\$ 31,134,408	\$ 32,362,986	\$ 1,228,578

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Housing Improvement Fund:				
Intergovernmental Revenue:				
Revenue from the Federal Government:				
Categorical aid:				
Community Development Block Grant	\$ 684,008	\$ 684,008	\$ 582,066	\$ (101,942)
Total categorical aid	\$ 684,008	\$ 684,008	\$ 582,066	\$ (101,942)
Total revenue from the Federal Government	\$ 684,008	\$ 684,008	\$ 582,066	\$ (101,942)
Total Housing Improvement Fund	\$ 684,008	\$ 684,008	\$ 582,066	\$ (101,942)
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 75	\$ 75	\$ 79	\$ 4
Total revenue from local sources	\$ 75	\$ 75	\$ 79	\$ 4
Total Capital Improvements Fund	\$ 75	\$ 75	\$ 79	\$ 4
Total Primary Government	\$ 31,709,250	\$ 31,818,491	\$ 32,945,131	\$ 1,126,640
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 75	\$ -	\$ 87	\$ 87
Charges for services:				
Charges for education	\$ 14,000	\$ 6,000	\$ 6,000	\$ -
Charges for cafeteria	554,268	510,298	444,615	(65,683)
Total charges for services	\$ 568,268	\$ 516,298	\$ 450,615	\$ (65,683)
Miscellaneous revenue:				
Other miscellaneous	\$ 448,983	\$ 362,024	\$ 347,159	\$ (14,865)
Total miscellaneous revenue	\$ 448,983	\$ 362,024	\$ 347,159	\$ (14,865)
Recovered costs:				
Other recovered costs	\$ 103,101	\$ 89,665	\$ 89,665	\$ -
Total recovered costs	\$ 103,101	\$ 89,665	\$ 89,665	\$ -
Total revenue from local sources	\$ 1,120,427	\$ 967,987	\$ 887,526	\$ (80,461)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 13,576,107	\$ 13,576,107	\$ 13,236,117	\$ (339,990)
Total revenues from local governments	\$ 13,576,107	\$ 13,576,107	\$ 13,236,117	\$ (339,990)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues (Continued):				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,924,272	\$ 1,918,116	\$ 1,925,919	\$ 7,803
Basic school aid	3,494,136	3,497,685	3,497,685	-
GED funding	15,717	15,717	15,717	-
Remedial summer education	36,788	36,017	36,017	-
Regular foster care	114,872	65,258	65,258	-
Gifted and talented	35,940	36,057	36,057	-
Remedial education	110,165	110,523	110,523	-
Special education	487,541	489,121	489,121	-
Textbook payment	70,107	-	70,335	70,335
Vocational standards of quality payments	110,947	111,306	111,306	-
Social security fringe benefits	215,643	216,342	216,342	-
Retirement fringe benefits	359,405	360,570	360,570	-
Group life insurance instructional	13,282	13,325	13,325	-
Early reading intervention	15,256	17,798	17,798	-
VPSA technology	154,000	154,000	154,000	-
Homebound education	6,937	6,190	6,190	-
Regional program tuition	94,136	83,198	83,198	-
Vocational education - equipment	-	6,050	6,050	-
Vocational education - occupational/tech ed	30,610	35,353	35,353	-
Special education - foster children	-	37,129	37,129	-
School food	10,953	19,351	18,589	(762)
At risk payments	113,160	113,520	113,520	-
Additional teachers assistance	69,154	69,154	69,154	-
Pre-school initiative	108,000	105,000	105,000	-
Primary class size	153,255	149,456	149,456	-
Other state funds	45,787	41,458	37,950	(3,508)
Total categorical aid	\$ 7,790,063	\$ 7,707,694	\$ 7,781,562	\$ 73,868
Total revenue from the Commonwealth	\$ 7,790,063	\$ 7,707,694	\$ 7,781,562	\$ 73,868
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 5,500	\$ 4,281	\$ 4,281	\$ -
Title 1/A grants to LEAs	614,211	760,937	445,601	(315,336)
IDEA 611 flow-through (Title VI-B)	655,354	640,267	498,842	(141,425)
Title 1 - Carl Perkins vocational	38,497	56,648	39,283	(17,365)
Preschool grants/special ed	13,324	13,324	6,263	(7,061)
Title II/D education technical	3,508	-	3,418	3,418
Longitudinal system expand	-	68,521	2,021	(66,500)
Title III language acquisition	72,339	72,340	27,516	(44,824)
Title II part A	133,982	175,639	95,112	(80,527)
School food	490,000	533,958	533,308	(650)
School food commodities	-	-	58,981	58,981
Total categorical aid	\$ 2,038,844	\$ 2,338,044	\$ 1,714,626	\$ (623,418)
Total School Operating Fund	\$ 24,525,441	\$ 24,589,832	\$ 23,619,831	\$ (970,001)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 118,459	\$ 133,459	\$ 125,629	\$ 7,830
General government administration:				
County administrator	\$ 303,292	\$ 323,772	\$ 317,547	\$ 6,225
County attorney	75,000	107,500	104,741	2,759
Commissioner of revenue	235,741	242,389	238,868	3,521
Reassessment	270,088	270,088	225,686	44,402
Board of equalization	1,905	1,905	-	1,905
Treasurer	311,100	325,159	325,277	(118)
Finance and accounting	227,420	236,000	231,761	4,239
Technology	202,049	203,873	173,687	30,186
Land use panel	8,312	8,312	1,063	7,249
Total general and financial administration	\$ 1,634,907	\$ 1,718,998	\$ 1,618,630	\$ 100,368
Board of elections:				
Board of elections	\$ 31,684	\$ 58,594	\$ 52,912	\$ 5,682
Registrar	88,594	90,579	88,449	2,130
Total board of elections	\$ 120,278	\$ 149,173	\$ 141,361	\$ 7,812
Total general government administration	\$ 1,873,644	\$ 2,001,630	\$ 1,885,620	\$ 116,010
Judicial administration:				
Courts:				
Circuit court	\$ 29,550	\$ 29,550	\$ 27,364	\$ 2,186
General district court	6,313	6,313	3,606	2,707
VJCCA	41,785	71,785	55,710	16,075
Juvenile and domestic relations court	5,916	5,916	5,039	877
Magistrate	840	840	257	583
Clerk of the circuit court	324,977	334,290	314,195	20,095
Total courts	\$ 409,381	\$ 448,694	\$ 406,171	\$ 42,523
Commonwealth's attorney:				
Commonwealth's attorney	\$ 323,148	\$ 332,798	\$ 327,145	\$ 5,653
Total commonwealth's attorney	\$ 323,148	\$ 332,798	\$ 327,145	\$ 5,653
Total judicial administration	\$ 732,529	\$ 781,492	\$ 733,316	\$ 48,176
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,375,979	\$ 1,443,325	\$ 1,429,900	\$ 13,425
E-911	298,089	307,730	229,169	78,561
Emergency services council	601,884	647,128	629,499	17,629
Emergency services	370,923	372,092	346,686	25,406
T.J. EMS Council	19,629	19,629	19,629	-
Fire protection	156,000	156,000	156,000	-
Paid EMS	685,429	685,429	677,817	7,612
Forestry service	20,338	20,338	20,337	1

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 541,731	\$ 613,251	\$ 619,051	\$ (5,800)
Building inspector	211,768	216,790	207,571	9,219
Animal control	127,234	137,234	114,501	22,733
OAR/Jefferson Area Community Corrections	1,945	1,945	1,945	-
Medical examiner	160	160	40	120
Total law enforcement and traffic control	\$ 4,411,109	\$ 4,621,051	\$ 4,452,145	\$ 168,906
Total public safety	\$ 4,411,109	\$ 4,621,051	\$ 4,452,145	\$ 168,906
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 220,500	\$ 220,500	\$ 195,023	\$ 25,477
Total maintenance of highways, streets, bridges & sidewalks	\$ 220,500	\$ 220,500	\$ 195,023	\$ 25,477
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,017,423	\$ 1,023,779	\$ 935,985	\$ 87,794
Total sanitation and waste removal	\$ 1,017,423	\$ 1,023,779	\$ 935,985	\$ 87,794
Maintenance of general buildings and grounds:				
General properties	\$ 672,977	\$ 694,575	\$ 635,070	\$ 59,505
Total maintenance of general buildings and grounds	\$ 672,977	\$ 694,575	\$ 635,070	\$ 59,505
Total public works	\$ 1,910,900	\$ 1,938,854	\$ 1,766,078	\$ 172,776
Health and welfare:				
Health:				
Health department	\$ 223,268	\$ 309,262	\$ 261,338	\$ 47,924
Total health	\$ 223,268	\$ 309,262	\$ 261,338	\$ 47,924
Mental health and mental retardation:				
Region Ten community services board	\$ 72,078	\$ 72,078	\$ 72,078	\$ -
Total mental health and mental retardation	\$ 72,078	\$ 72,078	\$ 72,078	\$ -

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare (Continued):				
Welfare:				
Public assistance and administration	\$ 1,104,441	\$ 1,104,441	\$ 1,095,318	\$ 9,123
MACAA	29,914	29,914	29,914	-
Senior center meals	22,241	22,241	22,241	-
At risk youth program	713,700	713,700	623,773	89,927
Shelter for help	7,644	7,644	7,644	-
JAUNT	101,002	101,002	87,255	13,747
JABA	90,000	90,000	90,000	-
Sexual assault resource agency	765	765	765	-
CASA of Central Virginia	2,500	2,500	2,500	-
Community service	4,177	4,177	4,518	(341)
Tax relief for the elderly	-	-	149,480	(149,480)
Total welfare	\$ 2,076,384	\$ 2,076,384	\$ 2,113,408	\$ (37,024)
Total health and welfare	\$ 2,371,730	\$ 2,457,724	\$ 2,446,824	\$ 10,900
Education:				
Other instructional costs:				
Community College	\$ 3,050	\$ 3,050	\$ 3,050	\$ -
Appropriation to public school system	13,576,107	13,576,107	13,236,117	339,990
Total education	\$ 13,579,157	\$ 13,579,157	\$ 13,239,167	\$ 339,990
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 203,016	\$ 206,706	\$ 195,276	\$ 11,430
Total parks and recreation	\$ 203,016	\$ 206,706	\$ 195,276	\$ 11,430
Cultural enrichment:				
Wintergreen Performing Arts	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total cultural enrichment	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Library:				
Regional library	\$ 260,648	\$ 260,648	\$ 260,648	\$ -
Total library	\$ 260,648	\$ 260,648	\$ 260,648	\$ -
Total parks, recreation, and cultural	\$ 473,664	\$ 477,354	\$ 465,924	\$ 11,430
Community development:				
Planning and community development:				
Planning	\$ 208,632	\$ 225,079	\$ 207,713	\$ 17,366
Community development	273,509	346,504	346,464	40
Nelson Volunteer Coalition	5,100	5,100	5,100	-
Colleen water/sewer subsidy	162,812	162,812	162,812	-
Blue Ridge Railway Trail	335,000	335,000	79,644	255,356
Anti-litter program	5,265	7,597	834	6,763
Nelson County Economic Development Authority	-	-	6,720	(6,720)
Thomas Jefferson Partnership for Economic Development	12,500	12,500	12,500	-
Nelson County Community Development Foundation	55,729	55,729	55,729	-
Total planning and community development	\$ 1,058,547	\$ 1,150,321	\$ 877,516	\$ 272,805

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 47,976	\$ 47,976	\$ 41,976	\$ 6,000
Total cooperative extension program	\$ 47,976	\$ 47,976	\$ 41,976	\$ 6,000
Total community development	\$ 1,132,023	\$ 1,223,797	\$ 944,992	\$ 278,805
Nondepartmental:				
Refunds	\$ 36,000	\$ 42,500	\$ 39,097	\$ 3,403
Reserve for contingency	1,419,296	917,486	-	917,486
Other nondepartmental	125,424	60,784	48,069	12,715
Total nondepartmental	\$ 1,580,720	\$ 1,020,770	\$ 87,166	\$ 933,604
Capital projects:				
Blue Ridge Tunnel (TEA-21)	\$ 45,980	\$ 45,980	\$ 15,642	\$ 30,338
Solid waste truck	-	-	79,820	(79,820)
Public safety radio project	2,900,000	2,900,000	1,092,183	1,807,817
Other capital projects	-	29,500	37,035	(7,535)
Total capital projects	\$ 2,945,980	\$ 2,975,480	\$ 1,224,680	\$ 1,750,800
Total General Fund	\$ 31,011,456	\$ 31,077,309	\$ 27,245,912	\$ 3,831,397
Special Revenue Funds:				
Housing Improvement Fund:				
Community development:				
Planning and community development:				
Dental center renovation	\$ 657,008	\$ 657,008	\$ 557,766	\$ 99,242
Total community development	\$ 657,008	\$ 657,008	\$ 557,766	\$ 99,242
Total Housing Improvement Fund	\$ 657,008	\$ 657,008	\$ 557,766	\$ 99,242

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,213,456	\$ 1,997,868	\$ 10,564,394	\$ (8,566,526)
Interest and other fiscal charges	<u>1,328,801</u>	<u>1,251,421</u>	<u>1,391,364</u>	<u>(139,943)</u>
Total Debt Service Fund	<u>\$ 3,542,257</u>	<u>\$ 3,249,289</u>	<u>\$ 11,955,758</u>	<u>\$ (8,706,469)</u>
Capital Projects Fund:				
Capital projects expenditures:				
Courthouse construction	\$ <u>853,826</u>	\$ <u>853,826</u>	\$ <u>239,044</u>	\$ <u>614,782</u>
Total Capital Projects Fund	<u>\$ 853,826</u>	<u>\$ 853,826</u>	<u>\$ 239,044</u>	<u>\$ 614,782</u>
Total Primary Government	<u>\$ 36,064,547</u>	<u>\$ 35,837,432</u>	<u>\$ 39,998,480</u>	<u>\$ (4,161,048)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instructional costs	\$ <u>16,444,980</u>	\$ <u>16,127,214</u>	\$ <u>15,567,896</u>	\$ <u>559,318</u>
Total instruction costs	<u>\$ 16,444,980</u>	<u>\$ 16,127,214</u>	<u>\$ 15,567,896</u>	<u>\$ 559,318</u>
Operating costs:				
Administration, attendance and health services	\$ 1,306,550	\$ 1,340,974	\$ 1,223,835	\$ 117,139
Pupil transportation	2,296,884	2,298,793	2,177,582	121,211
Operation and maintenance of school plant	2,877,827	2,892,607	2,704,743	187,864
School food	1,063,607	1,063,607	1,088,332	(24,725)
Technology	<u>1,062,163</u>	<u>1,172,236</u>	<u>1,155,509</u>	<u>16,727</u>
Total operating costs	<u>\$ 8,607,031</u>	<u>\$ 8,768,217</u>	<u>\$ 8,350,001</u>	<u>\$ 418,216</u>
Total education	<u>\$ 25,052,011</u>	<u>\$ 24,895,431</u>	<u>\$ 23,917,897</u>	<u>\$ 977,534</u>
Total Discretely Presented Component Unit-School Board	<u>\$ 25,052,011</u>	<u>\$ 24,895,431</u>	<u>\$ 23,917,897</u>	<u>\$ 977,534</u>

STATISTICAL INFORMATION

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COUNTY OF NELSON, VIRGINIA

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2004	\$ 1,257,716	\$ 519,619	\$ 2,529,037	\$ 1,666,627	\$ 1,752,635	\$ 18,499,295	\$ 430,853	\$ 1,259,282	\$ 1,661,467	\$ 29,576,531
2005	1,079,533	719,411	2,764,691	1,260,355	1,927,342	10,387,246	324,812	2,302,404	1,759,270	22,525,064
2006	1,432,202	631,862	2,759,162	2,213,279	1,830,272	11,133,456	551,912	1,122,651	1,565,175	23,239,971
2007	1,614,998	753,367	3,287,580	1,905,872	2,188,578	11,900,846	523,915	1,251,149	1,499,320	24,925,625
2008	1,879,166	750,073	3,633,406	1,980,213	2,274,350	12,706,379	983,322	1,260,873	1,535,839	27,003,621
2009	1,777,787	714,904	3,136,604	2,112,615	2,055,329	13,777,084	548,156	1,235,328	1,492,985	26,850,792
2010	1,615,064	691,588	3,374,456	2,448,517	2,586,290	13,861,510	550,664	830,793	1,404,206	27,363,088
2011	1,938,519	666,374	3,373,814	2,067,363	2,356,458	14,266,695	565,713	724,030	1,472,808	27,431,774
2012	1,985,357	692,589	4,131,423	2,215,956	2,272,554	15,227,323	599,470	812,186	1,502,603	29,439,461
2013	2,218,102	725,905	4,204,470	2,068,094	2,418,330	14,983,417	534,768	1,411,994	1,373,603	29,938,683

(1) Primary Government only

COUNTY OF NELSON, VIRGINIA

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	-	General Property Taxes	Other Local Taxes	Use of Money and Property	Miscel- laneous	Grants and Contributions Not Restricted to Specific Programs	Total
2004	\$ 823,348	\$ 2,536,899	\$ -	\$ -	\$ 8,213,965	\$ 2,839,896	\$ 132,379	\$ 13,741	\$ 2,365,198	\$ 16,925,426
2005	1,001,111	3,644,002	-	-	12,267,305	3,170,478	248,884	31,176	1,911,689	22,274,645
2006	936,052	2,798,169	291,992	291,992	12,879,059	3,464,371	544,498	301,915	2,105,442	23,321,498
2007	896,876	3,141,611	140,524	140,524	13,654,498	3,551,448	739,478	58,374	2,058,042	24,240,851
2008	838,119	3,301,632	3,095,040	3,095,040	16,116,702	3,776,293	535,958	216,226	1,923,332	29,803,302
2009	838,161	2,978,055	1,212,338	1,212,338	18,681,477	3,612,363	264,340	136,135	1,946,684	29,669,553
2010	829,726	3,183,247	931,093	931,093	18,800,138	3,867,866	180,395	169,732	1,900,031	29,862,228
2011	982,162	2,979,948	509,872	509,872	19,270,265	3,496,429	331,077	84,056	2,670,871	30,324,680
2012	741,776	2,659,104	2,753,439	2,753,439	20,120,918	3,610,714	154,369	68,990	2,395,975	32,505,285
2013	680,137	2,721,650	655,166	655,166	21,421,597	3,912,469	110,011	120,335	2,526,847	32,148,212

(1) Primary Government only

COUNTY OF NELSON, VIRGINIA

Table 3

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General		Permit Privilege		Revenues from the		Charges		Miscellaneous		Recovered		Inter-governmental		Total
	Property Taxes	Local Taxes	Fees & Regulatory Licenses	Fines & Forfeitures	Use of Money & Property	for Services	for Services	Recovered Costs	Inter-governmental	Recovered Costs	Inter-governmental				
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					
2013	21,529,646	3,912,469	176,921	278,688	110,098	675,143	471,690	774,339	15,399,851	43,328,845					

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

COUNTY OF NELSON, VIRGINIA

Table 4

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Recreation and Cultural	Community Development	Nondepartmental	Capital Projects	Debt Service	Total
2004	\$ 1,132,513	\$ 518,119	\$ 2,405,339	\$ 1,661,745	\$ 1,831,001	\$ 17,868,836	\$ 366,780	\$ 1,250,681	\$ -	\$ 2,875,725	\$ 17,387,093	\$ 47,297,832
2005	1,165,325	527,428	2,811,894	1,564,083	1,908,228	19,625,267	381,880	1,967,806	-	892,627	3,506,035	34,350,573
2006	1,377,453	625,426	2,767,839	1,942,203	1,816,350	20,941,942	714,483	1,196,540	-	1,001,588	3,354,562	35,738,386
2007	1,489,087	747,594	3,319,272	1,886,045	2,174,308	22,634,587	481,057	1,270,625	-	956,411	3,383,580	38,342,566
2008	1,814,008	753,803	3,787,098	2,030,006	2,333,862	23,311,305	1,094,156	1,272,646	-	2,765,619	3,469,550	42,632,053
2009	1,658,928	715,250	3,490,000	1,859,280	2,162,372	23,563,538	534,228	1,256,028	-	1,705,948	3,368,077	40,313,649
2010	1,474,397	705,391	3,854,484	1,580,185	2,625,881	22,960,454	428,721	734,577	97,360	4,775,336	3,305,908	42,542,694
2011	1,803,127	666,374	3,760,748	1,512,532	2,400,582	23,206,251	437,357	742,872	119,572	3,805,237	3,252,478	41,707,130
2012	1,684,480	692,589	3,902,854	1,701,133	2,326,951	23,717,607	448,611	941,321	62,459	3,011,998	4,083,263	42,573,266
2013	1,885,620	733,316	4,452,145	1,766,078	2,446,824	23,920,947	465,924	1,502,758	87,166	1,463,724	3,429,231	42,153,733

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

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

COUNTY OF NELSON, VIRGINIA

Table 5

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total (1) (2)		Current	Percent	Delinquent (1)		Total	Percent of		Percent of	
	Tax Levy	Tax (1) (3)	Collections	of Levy Collected	Tax Collections	Tax Collections	Tax Collections	Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Delinquent Taxes to Tax Levy	
2004	\$ 12,576,983	\$ 11,770,010		93.58%	\$ 659,388	\$ 12,429,398	98.83%	\$ 1,384,855	11.01%		
2005	11,950,617	11,239,161		94.05%	933,353	12,172,514	101.86%	1,670,318	13.98%		
2006	12,370,699	12,038,922		97.32%	776,181	12,815,103	103.59%	1,452,213	11.74%		
2007	13,128,010	12,579,789		95.82%	538,403	13,118,192	99.93%	1,734,181	13.21%		
2008	15,476,228	14,747,107		95.29%	859,787	15,606,894	100.84%	1,964,747	12.70%		
2009	18,330,136	17,460,606		95.26%	760,255	18,220,861	99.40%	2,055,591	11.21%		
2010	20,346,994	19,384,220		95.27%	675,464	20,059,684	98.59%	2,340,974	11.51%		
2011	20,358,566	19,585,235		96.20%	1,275,961	20,861,196	102.47%	2,390,679	11.74%		
2012	21,147,999	20,464,264		96.77%	883,820	21,348,084	100.95%	2,595,800	12.27%		
2013	22,371,562	21,912,219		97.95%	960,970	22,873,189	102.24%	2,520,749	11.27%		

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

COUNTY OF NELSON, VIRGINIA

Table 6

Assessed Value of Taxable Property
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery & Tools	Public Utility	Total
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
2013	2,936,646,420	140,682,862	5,252,401	674,898	103,528,974	3,186,785,555

Note:

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

COUNTY OF NELSON, VIRGINIA

Table 7

Property Tax Rates (1)
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2004	0.72	2.95	0.72	1.25
2005	0.72	2.95	0.72	1.25
2006	0.72	2.95	0.72	1.25
2007	0.72	2.95	0.72	1.25
2008	0.55	2.95	0.55	1.25
2009	0.55	2.95	0.55	1.25
2010	0.55	2.95	0.55	1.25
2011	0.55	2.95	0.55	1.25
2012	.55/.60	2.95	.55/.60	1.25
2013	0.60	2.95	0.60	1.25

(1) Per \$100 of assessed value

COUNTY OF NELSON, VIRGINIA

Table 8

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

Fiscal Year	Popu- lation (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:			Ratio of Net	
				Debt Service Monies Available	Net Bonded Debt	General Obligation Debt to Assessed Value	Net Bonded Debt per Capita	
2004	14,445	1,544,591,822	33,816,762	1,220,001	32,596,761	2.11%	2,257	
2005	14,445	1,579,965,250	32,641,021	1,236,349	31,404,672	1.99%	2,174	
2006	14,445	1,633,944,786	31,461,023	1,276,323	30,184,700	1.85%	2,090	
2007	15,161	1,671,913,726	32,668,988	1,490,684	31,178,304	1.86%	2,056	
2008	15,161	3,018,023,463	31,369,778	1,328,085	30,041,693	1.00%	1,982	
2009	15,161	3,112,391,609	29,788,245	1,301,739	28,486,506	0.92%	1,879	
2010	15,161	3,129,845,370	31,333,131	1,322,904	30,010,227	0.96%	1,979	
2011	15,161	3,130,182,686	33,211,918	1,613,157	31,598,761	1.01%	2,084	
2012	15,161	3,138,735,840	32,496,317	-	32,496,317	1.04%	2,143	
2013	15,161	3,186,785,555	30,656,196	-	30,656,196	0.96%	2,022	

(1) U.S. Bureau of the Census

(2) From Table 6

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

COUNTY OF NELSON, VIRGINIA

Table 9

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

Fiscal Year	(2) Principal	(2) Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2004	\$ 662,650	\$ 878,385	\$ 1,541,035	\$ 47,297,832	3.26%
2005	1,147,650	1,739,856	2,887,506	34,350,573	8.41%
2006	1,150,000	1,549,909	2,699,909	35,738,386	7.55%
2007	1,220,000	1,494,468	2,714,468	38,342,566	7.08%
2008	1,506,583	1,554,613	3,061,196	42,632,053	7.18%
2009	1,545,000	1,479,738	3,024,738	40,313,649	7.50%
2010	1,644,015	1,435,923	3,079,938	42,542,694	7.24%
2011	1,806,406	1,446,072	3,252,478	41,707,130	7.80%
2012	2,187,022	1,896,241	4,083,263	42,573,266	9.59%
2013	2,037,867	1,391,364	3,429,231	42,153,733	8.14%

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

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

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COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Board of Supervisors
County of Nelson, Virginia
Nelson, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Nelson, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Nelson, Virginia's basic financial statements, and have issued our report thereon dated January 3, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

January 3, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Supervisors of County of Nelson
County of Nelson, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Nelson, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Nelson Virginia's major federal programs for the year ended June 30, 2013. County of Nelson, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Nelson, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 County of Nelson, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Nelson, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Nelson, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Kamm, Cox Associates
Charlottesville, Virginia
January 3, 2014

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	\$ 106,581
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	447
Low Income Home Energy Assistance	93.568	0600409/0600410	10,652
Child Care and Development Block Grant (CCDF Cluster)	93.575	0770109/0770110	-
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund (CCDF Cluster)	93.596	0760109/0760110	17,127
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	553
Foster Care - Title IV-E	93.658	1100109/1100110	37,217
Adoption Assistance	93.659	1120109/1120110	5,949
Social Services Block Grant	93.667	1000109/1000110	71,628
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110	503
Children's Health Insurance Program	93.767	0540109/0540110	3,730
Medical Assistance Program	93.778	1200109/1200110	83,915
Total Department of Health and Human Services			\$ 338,302
Department of Agriculture:			
Direct Payments:			
Specialty crop grant	10.000	N/A	\$ 59,193
Community Facilities Loans and Grants	10.766	N/A	441,391
			\$ 441,391
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	10.555/2011/2012	\$ 58,981
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	10.555/2011/2012	407,453
			466,434
School Breakfast Program (Child Nutrition Cluster)	10.553	10.553/2011/2012	125,854
Schools and Roads - Grants to States	10.665	10.665	4,281
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	139,832
Total Department of Agriculture			\$ 1,236,985
Department of Housing and Urban Development:			
Pass-through payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	10-3	\$ 582,066
Total Department of Housing and Urban Development			\$ 582,066

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 2,262
Total Department of Justice - direct payments			\$ 2,262
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victims Assistance	16.575	10VAGZ0095/11VAGX0001	\$ 16,012
ARRA-Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Government	16.804	N/A	552
Total Department of Justice			\$ 18,826
Department of Commerce:			
Direct payments:			
ARRA-Broadband Technology Opportunities Program	11.557	N/A	\$ 476,944
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL1353100	\$ 7,420
Department of Conservation and Recreation:			
Recreational Trails Program	20.219	N/A	\$ 69,100
Total Department of Transportation			\$ 76,520
U.S. Election Assistance Commission:			
Pass Through Payments:			
Virginia Election Commission:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 4,000
Department of Homeland Security:			
Pass-through payments:			
Department of Emergency Services:			
State Homeland Security Program	97.073	N/A	\$ 25,715
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	1,845
Total Department of Homeland Security			\$ 27,560
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A080046/S010A070046/S010A090046	\$ 445,602
Special Education -- Grants to States (Special Education Cluster)	84.027	H027A080107/H027A090107/H027A070107	498,842
Special Education -- Preschool Grants (Special Education Cluster)	84.173	H173A090112	6,263
Career and Technical Education - Basic Grants to States	84.048	V048A080046/V048A090046	39,283
Education Technology State Grants	84.318	S410A10047	3,418
English Language Acquisition Grants	84.365	T365A080046/S365A090046	27,516
ARRA-Statewide Data Systems	84.384	R384A100037	2,021
Improving Teacher Quality State Grants	84.367	S367A080044/S367A090044	95,112
Total Department of Education			\$ 1,118,057
Total Expenditures of Federal Awards			\$ 3,879,260

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

COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

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, 2013. 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 position, or cash flows of the County of Nelson, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 718,596
Housing Improvement Fund	582,066
Nelson County Broadband Authority	476,944
Loans - Community Facilities Loans and Grants	<u>441,391</u>
Total primary government	<u>\$ 2,218,997</u>

Component Unit Public Schools:

School Operating Fund	<u>\$ 1,714,626</u>
Total component unit public schools	<u>\$ 1,714,626</u>

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

\$ (54,363)

Total federal expenditures per basic financial statements

\$ 3,879,260

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 3,879,260

COUNTY OF NELSON, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? No

 Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 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	Special Education Cluster (IDEA)
10.766	Community Facilities Loans and Grants
14.228	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF NELSON, VIRGINIA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

There were no findings reported for the year ended June 30, 2012.

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