

COUNTY OF NELSON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

COUNTY OF NELSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

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COUNTY OF NELSON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2009

BOARD OF SUPERVISORS

Allen M. Hale, Chairperson
Thomas H. Bruguere, Jr., Vice-Chairperson

Constance Brennan
Thomas D. Harvey

Joe Dan Johnson

COUNTY SCHOOL BOARD

Jane Mays, Chairperson
David Parr, Vice-Chairperson

Stuart Armstrong
Cindy LaChance

John Kirchner

COUNTY SOCIAL SERVICES BOARD

Curtis Trusdale, Chairperson
Mary Allen, Vice-Chairperson

Allen Hale
Diane Harvey

Frank Wood

OTHER OFFICIALS

Michael Gamble
Judy Smythers
Phillip D. Payne, IV
Jean W. Payne
Erma D. Harris
David Brooks
Roger D. Collins
James Oliver
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
Acting Director of Social Services
County Administrator

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF SUPERVISORS COUNTY OF NELSON, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nelson, Virginia (the "County"), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Nelson, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Commonwealth of Virginia, Office of the Auditor of Public Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nelson, Virginia, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the County of Nelson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Jarner, Cox Associates

Charlottesville, Virginia
December 18, 2009

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, 2009.

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 \$20,770,218. Of this amount, \$12,183,382 is unrestricted (an increase of \$1,301,534 from the previous fiscal year), and may be used to meet the government's ongoing obligations to creditors and citizens. Of the net assets, there are \$6,595,759 invested in capital assets net of related debt (an increase of \$3,607,239 from the previous fiscal year). The School Board's net assets were \$11,138,231 of which there are unrestricted net assets in the amount of \$268,382 (an increase of \$119,959 over the previous year). (See Exhibit 1.)

The Government's net assets increased by \$2,818,761. The School Board's net assets increased by \$1,306,711. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unreserved fund balance for the general fund was \$11,383,847. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2008-09 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,169,960 of which \$13,543,144 is available for spending at the government's discretion (unreserved and unrestricted fund balance). (See Exhibit 3.)

Overview of the Financial Statements

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

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net assets and 2) the statement of activities.

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

Overview of the Financial Statements: (Continued)

Government-wide Financial Statements: (Continued)

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

Overview of the Financial Statements: (Continued)

Proprietary funds

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

The financial statements for the Piney River public water and sewer system are reported as an enterprise fund in the County's fund financial statements. This operation provides for the delivery of public water and sewer service to County residents in designated areas of Nelson County. The County does not have any internal service funds.

Fiduciary funds

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

Notes to the financial statements

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

Other Information

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

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

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the County of Nelson, assets exceeded liabilities by \$20,770,218 at the end of the fiscal year.

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

Government-wide Financial Analysis: (Continued)

County of Nelson's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 19,678,307	\$ 18,869,271	\$ 320,024	\$ 1,080,133	\$ 19,998,331	\$ 19,949,404
Capital assets	29,787,312	30,310,168	5,871,969	4,624,355	35,659,281	34,934,523
Total assets	<u>\$ 49,465,619</u>	<u>\$ 49,179,439</u>	<u>\$ 6,191,993</u>	<u>\$ 5,704,488</u>	<u>\$ 55,657,612</u>	<u>\$ 54,883,927</u>
Long-term liabilities	\$ 31,484,445	\$ 33,413,688	\$ 1,168,096	\$ 1,175,000	\$ 32,652,541	\$ 34,588,688
Other liabilities	1,961,250	1,627,817	273,603	715,965	2,234,853	2,343,782
Total liabilities	<u>\$ 33,445,695</u>	<u>\$ 35,041,505</u>	<u>\$ 1,441,699</u>	<u>\$ 1,890,965</u>	<u>\$ 34,887,394</u>	<u>\$ 36,932,470</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 1,891,886	\$ 720,324	\$ 4,703,873	\$ 3,449,355	\$ 6,595,759	\$ 4,169,679
Restricted for:						
Construction	730,554	1,315,179	-	-	730,554	1,315,179
Debt service and bond covenants	1,214,102	1,220,583	3,679	-	1,217,781	1,220,583
Unrestricted	12,183,382	10,881,848	42,742	364,168	12,226,124	11,246,016
Total net assets	<u>\$ 16,019,924</u>	<u>\$ 14,137,934</u>	<u>\$ 4,750,294</u>	<u>\$ 3,813,523</u>	<u>\$ 20,770,218</u>	<u>\$ 17,951,457</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 31.8 percent of total net assets. The County uses these capital assets to provide services to citizens therefore; these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from assets restricted for that purpose or other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County has restricted net assets for construction (\$730,554) and for debt service and bond covenants (\$1,217,781) at June 30, 2009

The remaining balance of unrestricted net assets, which is \$12,183,382 or 76.1 percent of total net assets, may be used to meet government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report a positive balance in total net assets. The governmental activities reported positive balances of \$ 1,891,886 in net assets invested in capital assets, net of related debt and \$12,183,382 in unrestricted net assets. The business-type activities reported positive balances of \$4,703,873 in net assets invested in capital assets, net of related debt and \$42,742 in unrestricted net assets.

The government's total net assets increased by \$2,818,761 during the current fiscal year, compared to a increase of \$2,799,681 in FY 2008.

Government-wide Financial Analysis: (Continued)

Governmental and Business-type Activities

Governmental activities increased the County's net assets by \$1,881,990. Business-type activities increased the County's net assets by \$936,771. Key elements of this increase are as follows:

County of Nelson's Changes in Net Assets For the Year Ended June 30, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$ 786,709	\$ 781,173	\$ 51,452	\$ 56,946	\$ 838,161	\$ 838,119
Operating grants & contributions	2,978,055	3,301,632	-	-	2,978,055	3,301,632
Capital grants & contributions	103,200	596,878	1,109,138	2,498,162	1,212,338	3,095,040
General revenues:						
General property taxes	18,681,477	16,116,702	-	-	18,681,477	16,116,702
Other local taxes	3,612,363	3,776,293	-	-	3,612,363	3,776,293
Use of money and property	264,340	535,958	-	-	264,340	535,958
Miscellaneous	136,135	216,226	-	-	136,135	216,226
Transfers	(26,472)	-	26,472	-	-	-
Grants and contributions not restricted to specific programs	1,946,684	1,923,332	-	-	1,946,684	1,923,332
Total revenues	\$ 28,482,491	\$ 27,248,194	\$ 1,187,062	\$ 2,555,108	\$ 29,669,553	\$ 29,803,302
Expenses:						
General government	\$ 1,777,787	\$ 1,879,166	\$ -	\$ -	\$ 1,777,787	\$ 1,879,166
Judicial administration	714,904	750,073	-	-	714,904	750,073
Public safety	3,136,604	3,633,406	-	-	3,136,604	3,633,406
Public works	1,862,324	1,888,291	250,291	91,922	2,112,615	1,980,213
Health and welfare	2,055,329	2,274,350	-	-	2,055,329	2,274,350
Education	13,777,084	12,706,379	-	-	13,777,084	12,706,379
Parks, recreation and cultural	548,156	983,322	-	-	548,156	983,322
Community development	1,235,328	1,260,873	-	-	1,235,328	1,260,873
Interest on long-term debt	1,492,985	1,535,839	-	-	1,492,985	1,535,839
Total expenses	\$ 26,600,501	\$ 26,911,699	\$ 250,291	\$ 91,922	\$ 26,850,792	\$ 27,003,621
Increase (decrease) in net assets	\$ 1,881,990	\$ 336,495	\$ 936,771	\$ 2,463,186	\$ 2,818,761	\$ 2,799,681
Beginning net assets	14,137,934	13,801,439	3,813,523	1,350,337	17,951,457	15,151,776
Ending net assets	\$ 16,019,924	\$ 14,137,934	\$ 4,750,294	\$ 3,813,523	\$ 20,770,218	\$ 17,951,457

- General property tax revenue increased \$2,564,775 primarily due to a real estate reassessment effective January 1, 2008. A full year of real estate tax based on the new reassessment values was collected in fiscal year 2008-2009.
- Expenses generally reflected an overall reduction with the exception of education. Education reflects additional local expense in the amount of \$1,070,705 due for the most part to reductions in state funded education expenditures.
- Capital grants to provide water and sewer infrastructure relative to business-type activities totaled \$1,109,138 which reflects a reduction of \$1,389,024 from the prior year due to the completion of significant capital projects during fiscal year 2008-2009.

Government-wide Financial Analysis: (Continued)

Governmental and Business-type Activities: (Continued)

- Parks, recreational, and cultural expenditures reflect a \$435,166 reduction due to significant capital expenditures being incurred in fiscal year 2007-2008 for development of the Blue Ridge Railway Trail.
- Public Safety expenditures reflect a reduction of \$496,802 primarily due to a \$380,000 contribution to the EMS revolving loan fund in fiscal year 2007-2008.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$17,169,960, an increase of \$244,919 from the prior year. Approximately, 78.9 percent of this total amount constitutes the unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is reserved as follows:

- Debt service-\$1,301,739
- Ryan School Reserve-\$38,227
- Courthouse Construction-\$1,545,288
- School Construction-\$21,108
- Solid Waste Project-\$709,446
- Other Special Revenue Funds-\$11,008

The general fund is the chief operating fund of the County. As of June 30, 2009, total fund balance of the general fund was \$12,131,520, of which \$11,383,847 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total general fund expenditures. The unreserved fund balance represents 47.6 percent of total general fund expenditures, which includes transfers to the School Board component unit of \$11,809,702. Total fund balance represents 50.7 percent of total general fund expenditures.

The fund balance of the County's general fund decreased by \$1,144,740 during the current fiscal year. Key factors in this decrease are as follows:

- General property taxes increased approximately \$2,500,000 primarily due to the real estate reassessment effective January 1, 2008.
- Federal grants for capital projects decreased by approximately \$500,000 over the prior year.
- The County allocated \$2,866,258 to the Capital Projects Fund for the purpose of courthouse construction.
- The County funded school operations with approximately \$1,500,000 more than the previous year due primarily to reductions in state funding.

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

Governmental funds: (Continued)

- The County incurred costs for the construction and equipping of solid waste convenience centers (approximately \$405,000).
- Overall General Fund expenditures were approximately \$1,700,000 less than the prior year.

Proprietary funds

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

Unrestricted net assets of the Piney River Water and Sewer Fund at the end of the fiscal year were \$42,742. This is a decrease over the prior year of \$321,476 primarily attributable to federal grants received for capital projects in the prior year.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were \$557,534 more than the original budgeted expenditure appropriations, which is 2.2 percent of the total original budget, and can be briefly summarized as follows:

- Supplemental appropriation in the amount of \$395,607 to fund construction and equipping of solid waste convenience centers supported by remaining financing proceeds.
- Supplemental appropriation to utilize approximately \$32,000 in forfeited asset proceeds received but not expended in the prior year.
- Supplemental appropriation of \$51,095 representing additional federal grants not anticipated in the original budget.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2009 is \$29,787,312 (net of accumulated depreciation and is a decrease of \$522,856 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 367,347	\$ 351,559	\$ 40,000	\$ 40,000	\$ 407,347	\$ 391,559
Infrastructure	-	-	5,831,969	768,914	5,831,969	768,914
Buildings and improvements	25,813,286	28,030,843	-	-	25,813,286	28,030,843
Machinery and equipment	1,131,162	706,150	-	-	1,131,162	706,150
Construction in progress	2,475,517	1,221,616	-	3,815,441	2,475,517	5,037,057
Total	<u>\$ 29,787,312</u>	<u>\$ 30,310,168</u>	<u>\$ 5,871,969</u>	<u>\$ 4,624,355</u>	<u>\$ 35,659,281</u>	<u>\$ 34,934,523</u>

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

Capital Asset and Debt Administration: (Continued)

Capital Assets: (Continued)

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, 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Lease Revenue School Bonds	\$ 11,495,000	\$ 11,690,000	\$ -	\$ -	\$ 11,495,000	\$ 11,690,000
General Obligation Bonds	13,100,000	13,970,000	-	-	13,100,000	13,970,000
State Literary Fund Loans	2,500,000	2,750,000	-	-	2,500,000	2,750,000
Revenue Bonds	2,230,000	2,460,000	1,168,096	1,175,000	3,398,096	3,635,000
Capital Leases	420,631	663,390	-	-	420,631	663,390
Retirement Incentive Loan	463,245	499,778	-	-	463,245	499,778
Total	<u>\$ 30,208,876</u>	<u>\$ 32,033,168</u>	<u>\$ 1,168,096</u>	<u>\$ 1,175,000</u>	<u>\$ 31,376,972</u>	<u>\$ 33,208,168</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 is currently 6.2 percent (September 2009), which is a significant increase from the rate of 4.0 percent a year ago (September 2008). This compares favorably to the state's average unemployment rate of 6.5 percent (September 2009) and the national average rate of 9.5 percent (September 2009).
- Due to current housing market conditions, the county anticipates a potential leveling in building permit fees and recordation taxes as compared to the sharp reductions in the last two fiscal years.
- The County anticipates reductions in state funding at least in the next two fiscal years due to declining state economic forecasts. The full extent of these reductions is not known at this time. However, for fiscal year 2009-2010 the reductions are expected to be at least \$1,000,000 which is primarily reductions in constitutional office and education funding. Approximately half of this funding shortfall is anticipated to be mitigated with federal stimulus dollars.

All of these factors were considered in preparing the County's budget for the 2009-2010 fiscal year.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2009

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents	\$ 13,391,742	\$ 108,718	13,500,460	\$ 1,981,779	\$ 121,049
Restricted cash	1,944,656	3,679	1,948,335	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,851,770	-	1,851,770	-	-
Accounts receivable	310,026	22,063	332,089	53,973	13,440
Notes receivable	-	-	-	-	128,000
Due from component unit	528,671	-	528,671	-	-
Due from other governmental units	1,612,312	185,564	1,797,876	567,726	-
Inventories	-	-	-	86,963	-
Prepaid expenses	18,100	-	18,100	47,458	-
Deferred charges	21,030	-	21,030	-	-
Capital assets (net of accumulated depreciation):					
Land and improvements	367,347	40,000	407,347	851,210	-
Buildings and improvements	25,813,286	-	25,813,286	8,288,554	-
Improvements other than buildings	-	5,831,969	5,831,969	-	-
Machinery and equipment	1,131,162	-	1,131,162	1,730,085	-
Construction in progress	2,475,517	-	2,475,517	-	-
Total assets	\$ 49,465,619	\$ 6,191,993	\$ 55,657,612	\$ 13,607,748	\$ 262,489
LIABILITIES					
Accounts payable	\$ 794,018	\$ 270,509	\$ 1,064,527	\$ 68,560	\$ -
Accrued liabilities	617,426	3,094	620,520	1,418,699	-
Compensated absences	388,731	-	388,731	424,287	-
Amounts held for others	51,498	-	51,498	-	-
Due to primary government	-	-	-	528,671	-
Deferred revenue	109,577	-	109,577	-	-
Long-term liabilities:					
Due within one year	2,018,703	11,980	2,030,683	-	-
Due in more than one year	29,457,942	1,156,116	30,614,058	-	-
Net OPEB obligation	7,800	-	7,800	29,300	-
Total liabilities	\$ 33,445,695	\$ 1,441,699	\$ 34,887,394	\$ 2,469,517	\$ -
NET ASSETS					
Invested in capital assets, net of related debt	\$ 1,891,886	\$ 4,703,873	\$ 6,595,759	\$ 10,869,849	\$ -
Restricted for:					
Construction	730,554	-	730,554	-	-
Debt service and bond covenants	1,214,102	3,679	1,217,781	-	-
Unrestricted (deficit)	12,183,382	42,742	12,226,124	268,382	262,489
Total net assets	\$ 16,019,924	\$ 4,750,294	\$ 20,770,218	\$ 11,138,231	\$ 262,489

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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,777,787	\$ 95,899	\$ 256,496	\$ -
Judicial administration	714,904	239,439	445,348	-
Public safety	3,136,604	177,910	911,658	-
Public works	1,862,324	208,670	-	-
Health and welfare	2,055,329	-	1,305,706	-
Education	13,777,084	-	-	-
Parks, recreation, and cultural	548,156	53,657	7,191	103,200
Community development	1,235,328	11,134	51,656	-
Interest on long-term debt	1,492,985	-	-	-
Total governmental activities	\$ 26,600,501	\$ 786,709	\$ 2,978,055	\$ 103,200
Business-type activities:				
Piney River Water & Sewer	250,291	51,452	-	1,109,138
Total primary government	\$ 26,850,792	\$ 838,161	\$ 2,978,055	\$ 1,212,338
COMPONENT UNITS:				
School Board	\$ 23,421,964	\$ 507,184	\$ 10,745,344	\$ 118,028
Nelson County Economic Development Authority	52,864	-	-	-
Total component units	\$ 23,474,828	\$ 507,184	\$ 10,745,344	\$ 118,028
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Meals taxes				
Transient occupancy tax				
Communications sales and use taxes				
Motor vehicle licenses				
Other local taxes				
Payment from County of Nelson -- Education				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (1,425,392)	\$ -	\$ (1,425,392)		
(30,117)	-	(30,117)		
(2,047,036)	-	(2,047,036)		
(1,653,654)	-	(1,653,654)		
(749,623)	-	(749,623)		
(13,777,084)	-	(13,777,084)		
(384,108)	-	(384,108)		
(1,172,538)	-	(1,172,538)		
(1,492,985)	-	(1,492,985)		
<u>\$ (22,732,537)</u>	<u>\$ -</u>	<u>\$ (22,732,537)</u>		
-	910,299	910,299		
<u>\$ (22,732,537)</u>	<u>\$ 910,299</u>	<u>\$ (21,822,238)</u>		
			\$ (12,051,408)	\$ -
			-	(52,864)
			<u>\$ (12,051,408)</u>	<u>\$ (52,864)</u>
\$ 18,681,477	\$ -	\$ 18,681,477	\$ -	\$ -
887,401	-	887,401	-	-
452,958	-	452,958	-	-
561,752	-	561,752	-	-
398,926	-	398,926	-	-
493,977	-	493,977	-	-
406,365	-	406,365	-	-
410,984	-	410,984	-	-
-	-	-	13,056,133	-
264,340	-	264,340	602	10,343
136,135	-	136,135	301,384	-
1,946,684	-	1,946,684	-	-
(26,472)	26,472	-	-	-
<u>\$ 24,614,527</u>	<u>\$ 26,472</u>	<u>\$ 24,640,999</u>	<u>\$ 13,358,119</u>	<u>\$ 10,343</u>
\$ 1,881,990	\$ 936,771	\$ 2,818,761	\$ 1,306,711	\$ (42,521)
<u>14,137,934</u>	<u>3,813,523</u>	<u>17,951,457</u>	<u>9,831,520</u>	<u>305,010</u>
<u>\$ 16,019,924</u>	<u>\$ 4,750,294</u>	<u>\$ 20,770,218</u>	<u>\$ 11,138,231</u>	<u>\$ 262,489</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 At June 30, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 9,157,495	\$ 88,637	\$ 4,131,602	\$ 14,008	\$ 13,391,742
Restricted cash	709,446	-	1,235,210	-	1,944,656
Prepaid costs	18,100	-	-	-	18,100
Receivables (net of allowance):					
Property taxes receivable, net	1,851,770	-	-	-	1,851,770
Accounts receivable	310,026	-	-	-	310,026
Due from component unit	645,404	-	-	-	645,404
Due from other governmental units	1,612,312	-	-	-	1,612,312
Total assets	\$ 14,304,553	\$ 88,637	\$ 5,366,812	\$ 14,008	\$ 19,774,010
Liabilities					
Accounts payable	\$ 363,001	\$ 1,000	\$ 427,017	\$ 3,000	\$ 794,018
Amounts held for others	51,498	-	-	-	51,498
Deferred revenue	1,758,534	-	-	-	1,758,534
Total liabilities	\$ 2,173,033	\$ 1,000	\$ 427,017	\$ 3,000	\$ 2,604,050
Fund balance					
Reserved for:					
Debt service	\$ -	\$ 87,637	\$ 1,214,102	\$ -	\$ 1,301,739
Ryan School Reserve	38,227	-	-	-	38,227
Courthouse construction	-	-	1,545,288	-	1,545,288
School construction	-	-	21,108	-	21,108
Solid waste project	709,446	-	-	-	709,446
Subsequent year's expenditures:					
Special Revenue Funds	-	-	-	11,008	11,008
Unreserved/undesignated	11,383,847	-	2,159,297	-	13,543,144
Total fund balances	\$ 12,131,520	\$ 87,637	\$ 4,939,795	\$ 11,008	\$ 17,169,960
Total liabilities and fund balances	\$ 14,304,553	\$ 88,637	\$ 5,366,812	\$ 14,008	\$ 19,774,010

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 At June 30, 2009

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 17,169,960

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

Land and improvements	\$ 367,347	
Construction in progress	2,475,517	
Buildings and improvements, net of depreciation	2,405,428	
Equipment, net of depreciation	1,131,162	
School Board capital assets, net of depreciation	23,407,858	29,787,312

Deferred loan costs are not financial resources and, therefore, are not reported in funds. 1,648,957

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 21,030

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

Compensated absences are not payable with current assets and accordingly are not reported as fund liabilities. (388,731)

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	\$ (617,426)	
Bonds, notes and capital leases payable	(29,745,631)	
Bond premiums	(544,154)	
Early retirement incentive obligation	(463,245)	
Accrued landfill remediation costs	(723,615)	(32,094,071)

Net OPEB obligation not reported in the funds (7,800)

Net assets of governmental activities \$ 16,019,924

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, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 18,493,456	\$ -	\$ -	\$ -	\$ 18,493,456
Other local taxes	3,566,133	-	-	-	3,566,133
Permits, privilege fees, and regulatory licenses	276,174	-	-	-	276,174
Fines and forfeitures	179,627	-	-	-	179,627
Revenue from the use of money and property	181,387	-	82,953	-	264,340
Charges for services	327,137	-	-	3,771	330,908
Miscellaneous	131,135	-	-	5,000	136,135
Recovered costs	565,016	-	-	-	565,016
Intergovernmental revenues:					
Revenue from the Commonwealth	4,285,674	-	-	45,000	4,330,674
Revenue from the Federal Government	697,265	-	-	-	697,265
Total revenues	\$ 28,703,004	\$ -	\$ 82,953	\$ 53,771	\$ 28,839,728
Expenditures					
Current:					
General government administration	\$ 1,658,928	\$ -	\$ -	\$ -	\$ 1,658,928
Judicial administration	715,250	-	-	-	715,250
Public safety	3,490,000	-	-	-	3,490,000
Public works	1,852,970	-	-	6,310	1,859,280
Health and welfare	2,162,372	-	-	-	2,162,372
Education	11,818,226	-	-	-	11,818,226
Parks, recreation, and cultural	534,228	-	-	-	534,228
Community development	1,198,028	-	-	58,000	1,256,028
Capital projects	500,506	-	1,205,442	-	1,705,948
Debt service:					
Principal retirement	-	1,824,292	-	-	1,824,292
Interest and other fiscal charges	-	1,543,785	-	-	1,543,785
Total expenditures	\$ 23,930,508	\$ 3,368,077	\$ 1,205,442	\$ 64,310	\$ 28,568,337
Excess (deficiency) of revenues over (under) expenditures	\$ 4,772,496	\$ (3,368,077)	\$ (1,122,489)	\$ (10,539)	\$ 271,391
Other financing sources (uses)					
Transfers in	\$ -	\$ 3,367,684	\$ 2,866,258	\$ -	\$ 6,233,942
Transfers out	(5,917,236)	(18,472)	(324,706)	-	(6,260,414)
Total other financing sources (uses)	\$ (5,917,236)	\$ 3,349,212	\$ 2,541,552	\$ -	\$ (26,472)
Net change in fund balances	\$ (1,144,740)	\$ (18,865)	\$ 1,419,063	\$ (10,539)	\$ 244,919
Fund balance, beginning of year, as adjusted	13,276,260	106,502	3,520,732	21,547	16,925,041
Fund balance, end of year	\$ 12,131,520	\$ 87,637	\$ 4,939,795	\$ 11,008	\$ 17,169,960

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, 2009

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ 244,919

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	\$	1,929,088	
Depreciation expense		(1,196,923)	
Adjustment for jointly owned capital assets		(1,246,431)	(514,266)

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. (8,590)

Governmental funds report loan costs as expenditures. However, in the statement of activities such costs are deferred and amortized over the life of the loan. This is the amount of amortization for loan costs in the current period. (2,900)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 234,251

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Decrease in landfill liability	\$	40,759	
Repayments:			
General obligation school bonds		870,000	
Plus: Amortization of issuance premium		60,678	
Lease revenue bonds		195,000	
State Literary Fund loans		250,000	
Infrastructure revenue bonds		230,000	
Plus: Amortization of issuance premium		11,314	
Capital leases		242,759	
Early retirement incentive obligation		36,533	
Net adjustment			1,937,043

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	\$	20,525	
Net OPEB obligation		(7,800)	
Accrued interest on bonds and loans		(21,192)	(8,467)

Change in net assets of governmental activities \$ 1,881,990

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

Statement of Net Assets
 Proprietary Fund
 At June 30, 2009

	Business-Type Activities - Enterprise Fund <u>Piney River Water & Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 108,718
Restricted cash	3,679
Accounts receivable, net	22,063
Grants receivable	185,564
Total current assets	<u>\$ 320,024</u>
Noncurrent assets:	
Land	\$ 40,000
Other capital assets, net of accumulated depreciation	5,831,969
Total noncurrent assets	<u>\$ 5,871,969</u>
Total assets	<u>\$ 6,191,993</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 270,509
Accrued interest expense	3,094
Current portion of bonds payable	11,980
Total current liabilities	<u>\$ 285,583</u>
Long-term liabilities	
Bonds payable	\$ 1,156,116
Total long-term liabilities	<u>1,156,116</u>
Total liabilities	<u>\$ 1,441,699</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 4,703,873
Restricted for:	
Debt service and bond covenants	3,679
Unrestricted	<u>42,742</u>
Total net assets	<u><u>\$ 4,750,294</u></u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Fund
 For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund Piney River Water & Sewer Fund
Operating revenues:	
Charges for services, net	\$ 51,452
Total operating revenues	<u>\$ 51,452</u>
Operating expenses:	
Contractual services	\$ 53,685
Other charges	5,031
Depreciation expense	181,610
Total operating expenses	<u>\$ 240,326</u>
Operating loss	<u>\$ (188,874)</u>
Nonoperating expense:	
Interest expense	\$ 9,965
Net nonoperating expense	<u>\$ 9,965</u>
Loss before capital contributions and transfers	<u>\$ (198,839)</u>
Capital contributions:	
Capital grant - Rural Development	\$ 1,079,349
Capital grant - STAG	29,789
Total capital contributions	<u>\$ 1,109,138</u>
Transfers:	
Transfers in	\$ 26,472
Total transfers	<u>\$ 26,472</u>
Change in net assets	<u>\$ 936,771</u>
Net assets, beginning of year	<u>3,813,523</u>
Net assets, end of year	<u><u>\$ 4,750,294</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, 2009

	Business-Type Activities - Enterprise Fund Piney River Water & Sewer Fund
Cash flows from operating activities	
Receipts from customers	\$ 48,070
Payments to suppliers	(61,492)
Transfers from local government	26,472
Net cash provided by (used in) operating activities	<u>\$ 13,050</u>
Cash flows from capital and related financing activities	
Purchases of capital assets, net of related payable	\$ (1,807,341)
Principal repayments on bonds payable	(6,904)
Interest paid on bonds payable	(71,434)
Capital contributions received	1,493,958
Net cash provided by (used in) capital and related financing activities	<u>\$ (391,721)</u>
Net increase (decrease) in cash and cash equivalents	\$ (378,671)
Cash and cash equivalents, beginning of year	<u>\$ 491,068</u>
Cash and cash equivalents, end of year (including restricted cash of \$3,679)	<u><u>\$ 112,397</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (188,874)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	181,610
Transfers from local government	26,472
Changes in assets and liabilities:	
Accounts receivable	(3,382)
Accounts payable	(2,776)
Net cash provided by (used in) operating activities	<u><u>\$ 13,050</u></u>
Supplemental information:	
Interest paid during year	\$ 71,434
Capitalized interest	(41,546)
Change in accrued interest payable	(19,923)
Interest expense for year	<u><u>\$ 9,965</u></u>

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

Statement of Fiduciary Net Assets
 At June 30, 2009

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>224,465</u>
Total assets	\$ <u><u>224,465</u></u>
Liabilities:	
Amounts held for others	\$ <u>224,465</u>
Total liabilities	\$ <u><u>224,465</u></u>

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

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. Reporting Entity

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

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

B. Reporting Entity (Continued)

Related Organizations - The County's officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the Board appointment. The Nelson County Service Authority board members are appointed by the County Board of Supervisors. The County's accountability for the Authority does not extend beyond making the appointments. The County appropriated \$156,000 to the Authority for operating grants for fire protection services in fiscal year 2009 and provides space for its administrative offices. The County also paid \$171,093 to the Authority for its share of the debt service of the Colleen water line. The Authority is not included in the reporting entity. A copy of the Authority's financial statements can be obtained from the Authority administrative office located in Lovingston, Virginia.

Jointly Governed Organizations - The County appoints representative members of the governing bodies of the Jefferson-Madison Regional Library, the Region Ten Community Services Board, and the Thomas Jefferson Planning District Commission. The County does not retain ongoing financial interests in these organizations. During the year, the County contributed \$243,648 for operations to the Jefferson-Madison Regional Library, \$72,078 to the Region Ten Community Services Board, \$18,254 to the Thomas Jefferson Planning District Commission, \$488,754 to the Albemarle-Charlottesville Regional Jail Authority, and \$88,098 to the Jefferson Area Board for Aging.

In June 2008, the County entered into a Use Agreement with the Region 2000 Services Authority to make use of its facilities. The Region 2000 Services Authority was formed by five participating jurisdictions to operate solid waste disposal landfills. The operating and debt service costs of the Region 2000 Services Authority are funded through the charging of tipping fees. In 2009, the County paid the Region 2000 Services Authority \$278,305 in tipping fees. See Note 17 for further discussion of the Use Agreement.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the *primary government* is financially accountable.

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

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

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

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

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

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

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

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

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the County in fiscal year 2009.

1. Governmental Funds:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

1. Governmental Funds: (continued)

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

2. Proprietary Fund

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

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

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

3. Fiduciary Funds (Trust and Agency Funds):

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

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

The County has no Trust Funds.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

4. Component Units:

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

– Governmental Fund:

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

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

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

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

E. Deposits and investments

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

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

F. Restricted Cash

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

The General Fund has recorded \$709,446 of restricted cash, which represents unexpended proceeds and accumulated interest from the issuance of VRA Infrastructure Revenue Bonds in 2007. The funds are held by the Trustee in a separate account, as required by the loan agreement.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

F. Restricted Cash: (Continued)

The Capital Projects Fund has recorded \$1,235,210 of restricted cash, which represents unexpended proceeds and accumulated interest from the issuance of the Lease Revenue School Bonds in 2002. The restricted funds are held by the Trustee in separate Project fund, Bond fund, and Debt Service fund accounts, as required by the terms of the loan agreement. See Note 7 for further discussion of the Debt Service Reserve fund.

The Piney River Water and Sewer Fund has recorded \$3,679 in restricted cash. This amount represents the reserve required to be established by the loan agreement. See Note 7 for further discussion.

G. Property Taxes

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

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

H. Budgets and Budgetary Accounting

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

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

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

H. Budgets and Budgetary Accounting: (Continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, the Housing Improvement Fund, the Piney River Water/Sewer Fund, the Street Lights Fund, the Capital Projects Fund, the Debt Service Fund, and the School Operating Fund.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.
7. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2009, as adopted, appropriated and legally amended.

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

I. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,033,244 at June 30, 2009. The allowance is comprised of property taxes and sewer charges.

J. Capital Assets

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

J. Capital Assets: (Continued)

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

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

K. Compensated Absences

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

L. Use of Estimates

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

M. Long-Term Obligations

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

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

N. Fund Equity

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

O. Net Assets

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

P. Loan costs

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

Q. Inventory

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

R. Reclassifications

Amounts representing restricted cash were presented separately in the accompanying financial statements. In prior years, restricted cash was included in the balances of cash and cash equivalents in the General and Capital Projects Funds.

Certain corrections were also made to the presentation of fund balances in Exhibit 3 in the accompanying financial statements. The corrections were made to properly reflect the nature and amount of fund balance reservations in the Capital Projects Fund.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments)

The County's investments at June 30, 2009 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, 2009 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Locality's Rated Debt Investments' Values	
Local Government	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Money Market Mutual Fund	\$ 1,235,210
Local Government Investment Pool	4,538,912
Virginia State Non-arbitrage Pool	715,154
Repurchase Agreements - Underlying: U.S. Agency Securities	720,901
Total	\$ 7,210,177
Component Unit -- Economic Development Authority	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 8,721

Interest Rate Risk

Investment Maturities (in years)		
Local Government		
Investment Type	Fair Value	Less than 1 Year
U.S. Agencies	\$ 720,901	\$ 720,901
Total	\$ 720,901	\$ 720,901

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

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

NOTE 3—RECEIVABLES:

Receivables at June 30, 2009 consist of the following:

	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>General Fund</u>	<u>Business-Type Activities</u>	<u>School Board</u>	<u>Economic Development Authority</u>
Property taxes	\$ 2,055,591	\$ -	\$ -	\$ -
Vehicle license taxes	173,170	-	-	-
Utility taxes	37,748	-	-	-
Recordation taxes	15,272	-	-	-
Lodging fees	23,978	-	-	-
Meals taxes	45,163	-	-	-
Landfill fees	18,614	-	-	-
EMS revenue recovery	781,640	-	-	-
Note receivable	-	-	-	128,000
E-rate reimbursement	-	-	2,095	-
Sewer charges	-	26,177	-	-
Workers compensation dividend	-	-	20,285	-
Other	39,750	-	31,593	13,440
	<u>3,190,926</u>	<u>26,177</u>	<u>53,973</u>	<u>141,440</u>
Total receivables	\$ 3,190,926	\$ 26,177	\$ 53,973	\$ 141,440
Allowance for uncollectibles	<u>(1,029,130)</u>	<u>(4,114)</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 2,161,796</u>	<u>\$ 22,063</u>	<u>\$ 53,973</u>	<u>\$ 141,440</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 2009. The note accrues interest at 7% per annum and is secured by a deed of trust. During 2009, the Board of the EDA agreed to extend the maturity date of the note to June 2010.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government		Component
	Governmental	Business-	Unit
	Activities	Type	School
	General	Activities	Board
	Fund		
Commonwealth of Virginia:			
Local sales taxes	\$ 139,446	\$ -	\$ 368,573
Personal property tax relief act	734,930	-	-
Comprehensive Services Act	217,976	-	-
Public assistance	35,037	-	-
Communications tax	71,695	-	-
Rolling stock tax	91,558	-	-
Shared expenses and grants	119,753	-	-
Other	72,167	-	-
Federal government:			
Public assistance	47,080	-	-
TEA-21 grant	81,700	-	-
Other	970	-	-
Water & sewer grants:			
- Rural Development	-	71,070	-
- STAG	-	114,494	-
Federal pass-through school funds	-	-	199,153
Total	\$ 1,612,312	\$ 185,564	\$ 567,726

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (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	\$ (3,042,978)
Transfer to the Piney River Water & Sewer fund to support operations	(8,000)
Transfer to the Capital Projects fund to pay for Courthouse construction	<u>(2,866,258)</u>

Net transfers from General Fund \$ (5,917,236)

Transfer to the Piney River Water & Sewer fund to pay principal and interest on long-term debt	\$ (18,472)
Transfer from the General Fund to pay principal and interest on long-term debt	3,042,978
Transfer from the Capital Projects fund to pay principal and interest on long-term debt	<u>324,706</u>

Net transfers to Debt Service Fund \$ 3,349,212

Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ (324,706)
Transfer from the General Fund fund to pay for Courthouse construction	<u>2,866,258</u>

Net transfers to the Capital Projects Fund \$ 2,541,552

Transfer from the General Fund to support operations	\$ 8,000
Transfer from the Debt Service Fund to pay principal and interest on long-term debt	<u>18,472</u>

Net transfers to the Piney River Water & Sewer Fund \$ 26,472

The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2009.

Governmental Activities:

	Balance July 1, 2008	Increases	Decreases	Adjust- ments	Balance June 30, 2009
Capital assets not being depreciated:					
Land and land improvements	\$ 351,559	\$ 15,788	\$ -	\$ -	\$ 367,347
Construction in progress	1,221,616	1,253,901	-	-	2,475,517
Total capital assets not being depreciated	<u>\$ 1,573,175</u>	<u>\$ 1,269,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,842,864</u>
Other capital assets:					
Buildings and improvements	\$ 4,016,614	\$ 6,079	\$ -	\$ -	\$ 4,022,693
School buildings, improvements and equipment *	29,073,389	-	-	(1,557,759)	27,515,630
Furniture, equipment and vehicles	2,207,337	653,320	(153,378)	-	2,707,279
Total other capital assets	<u>\$ 35,297,340</u>	<u>\$ 659,399</u>	<u>\$ (153,378)</u>	<u>\$ (1,557,759)</u>	<u>\$ 34,245,602</u>
Less: Accumulated depreciation for:					
Buildings and improvements	\$ 1,352,487	\$ 235,017	\$ -	\$ 29,761	\$ 1,617,265
School buildings, improvements and equipment *	3,706,673	712,427	-	(311,328)	4,107,772
Furniture, equipment and vehicles	1,501,187	249,479	(144,788)	(29,761)	1,576,117
Total accumulated depreciation	<u>\$ 6,560,347</u>	<u>\$ 1,196,923</u>	<u>\$ (144,788)</u>	<u>\$ (311,328)</u>	<u>\$ 7,301,154</u>
Other capital assets, net	<u>\$ 28,736,993</u>	<u>\$ (537,524)</u>	<u>\$ (8,590)</u>	<u>\$ (1,246,431)</u>	<u>\$ 26,944,448</u>
Net capital assets	<u>\$ 30,310,168</u>	<u>\$ 732,165</u>	<u>\$ (8,590)</u>	<u>\$ (1,246,431)</u>	<u>\$ 29,787,312</u>
Depreciation expense was allocated as follows:					
General government administration		\$ 46,887			
Public safety		99,773			
Public works		217,933			
Health and welfare		22,697			
Education		712,427			
Parks, recreation and cultural		78,874			
Community development		18,332			
Total depreciation expense		<u>\$ 1,196,923</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, 2009 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2008	Increases	Decreases	Adjust- ments	Balance June 30, 2009
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	\$ 43,482,190	\$ 244,881	\$ -	\$ -	\$ 43,727,071
School buildings, improvements and equipment allocated to County *	(29,073,389)	-	-	1,557,759	(27,515,630)
Furniture, equipment and vehicles	3,695,257	462,225	(7,840)	-	4,149,642
Total other capital assets	\$ 18,104,058	\$ 707,106	\$ (7,840)	\$ 1,557,759	\$ 20,361,083
Less: Accumulated depreciation for:					
Buildings and improvements	\$ 10,856,407	\$ 1,174,252	\$ -	\$ -	\$ 12,030,659
School buildings, improvements and equipment allocated to County *	(3,706,673)	(712,427)	-	311,328	(4,107,772)
Furniture, equipment and vehicles	2,122,437	304,960	(7,840)	-	2,419,557
Total accumulated depreciation	\$ 9,272,171	\$ 766,785	\$ (7,840)	\$ 311,328	\$ 10,342,444
Other capital assets, net	\$ 8,831,887	\$ (59,679)	\$ -	\$ 1,246,431	\$ 10,018,639
Net capital assets	\$ 9,683,097	\$ (59,679)	\$ -	\$ 1,246,431	\$ 10,869,849
Depreciation expense allocated to education		\$ 766,785			

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

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

Net capital assets	\$ 29,787,312
Less: Long-term debt applicable to capital assets at June 30, 2009	\$ 30,289,785
Less: Bond proceeds and related premium received but not expended on capital assets at June 30, 2009	2,394,359
	<u>27,895,426</u>
Net assets invested in capital assets, less related debt	<u>\$ 1,891,886</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business Type Activities:
Piney River Water & Sewer Operations

	Balance July 1, 2008	Increases	Decreases	Adjust- ments	Balance June 30, 2009
Capital assets not being depreciated:					
Land and land improvements	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Construction in progress	3,815,441	1,429,225	(5,244,666)	-	-
Total capital assets not being depreciated	<u>\$ 3,855,441</u>	<u>\$ 1,429,225</u>	<u>\$ (5,244,666)</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Other capital assets:					
Infrastructure	\$ 1,111,701	\$ 5,244,666	\$ -	\$ -	\$ 6,356,367
Total other capital assets	<u>\$ 1,111,701</u>	<u>\$ 5,244,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,356,367</u>
Less: Accumulated depreciation for:					
Infrastructure	\$ 342,787	\$ 181,611	\$ -	\$ -	\$ 524,398
Total accumulated depreciation	<u>\$ 342,787</u>	<u>\$ 181,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,398</u>
Other capital assets, net	<u>\$ 768,914</u>	<u>\$ 5,063,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,831,969</u>
Net capital assets	<u>\$ 4,624,355</u>	<u>\$ 6,492,280</u>	<u>\$ (5,244,666)</u>	<u>\$ -</u>	<u>\$ 5,871,969</u>

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

Net capital assets	\$ 5,871,969
Less: Long-term debt applicable to capital assets at June 30, 2009	<u>1,168,096</u>
Net assets invested in capital assets, less related debt	<u>\$ 4,703,873</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligation debt, and General Fund capital leases and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences. Thus, all of the long-term debt obligations are reported as liabilities of the primary government.

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2009.

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements & Other Reductions</u>	<u>Balance June 30, 2009</u>
Primary Government:				
Governmental activities:				
Lease revenue school bonds	\$ 11,690,000	\$ -	\$ 195,000	\$ 11,495,000
General obligation bonds:				
School	13,970,000	-	870,000	13,100,000
Premium on issuance	560,643	-	60,678	499,965
State Literary Fund loans:				
School	2,750,000	-	250,000	2,500,000
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	2,460,000	-	230,000	2,230,000
Premium on issuance	55,503	-	11,314	44,189
Capital leases	663,390	-	242,759	420,631
Retirement incentive obligation loan	499,778	-	36,533	463,245
Landfill liability	764,374	-	40,759	723,615
	<u>\$ 33,413,688</u>	<u>\$ -</u>	<u>\$ 1,937,043</u>	<u>\$ 31,476,645</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year			\$ 2,018,703	
Long-term liabilities due in more than one year			<u>29,457,942</u>	
Total			<u>\$ 31,476,645</u>	

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements & Other Reductions</u>	<u>Balance June 30, 2009</u>
Business-type activities:				
USDA Water Revenue Bond	\$ 499,000	\$ -	\$ 3,879	\$ 495,121
USDA Sewer Revenue Bond	<u>676,000</u>	<u>-</u>	<u>3,025</u>	<u>672,975</u>
	<u>\$ 1,175,000</u>	<u>\$ -</u>	<u>\$ 6,904</u>	<u>\$ 1,168,096</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 11,980
Long-term liabilities due in more than one year				<u>1,156,116</u>
Total				<u>\$ 1,168,096</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,655,994	\$ 1,481,874
2011	1,674,179	1,402,064
2012	1,777,569	1,319,246
2013	1,811,176	1,232,723
2014	1,680,014	1,149,538
2015-2019	8,606,391	4,487,723
2020-2024	8,266,554	2,447,743
2025-2029	4,691,448	783,788
2030-2034	157,448	157,912
2035-2039	196,056	119,304
2040-2044	244,140	71,220
2045-2049	<u>195,372</u>	<u>15,205</u>
Total	<u>\$ 30,956,341</u>	<u>\$ 14,668,340</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (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>		
\$890,000 School Bonds, 1990, issued June 15, 1990, due in various annual installments ranging from \$25,000 to \$55,000 through December 15, 2009, interest rates from 7% to 7.225%	\$ 40,000	\$ 40,000
\$1,500,000 School Bonds, 1992, issued December 1992, due in various installments of \$50,000 and \$110,000, through June 15, 2013, interest rates from 5.1% to 8.1%	225,000	60,000
\$4,500,000 School Bonds, 1993, issued April 1993, due in various installments of \$145,000 to \$405,000, through June 15, 2013, interest rates from 5.1% to 5.5%	690,000	200,000
\$750,000 School Bonds, 1994, issued May 1994, due in various installments of \$30,000 to \$40,000 through July 2014, interest at 6.1%	195,000	40,000
\$14,280,000 School Bonds, 2003, issued November 2003, due in various installments of \$420,000 to \$1,110,000 through January 2024, interest rates from 3.1% to 5.35%	11,950,000	540,000
Unamortized premium on issuance of 2003 School Bonds	<u>499,965</u>	<u>58,059</u>
Total general obligation school bonds	<u>\$ 13,599,965</u>	<u>\$ 938,059</u>
<u>Lease Revenue School Bonds:</u>		
\$12,135,000 Lease Revenue Bonds Series 2002, issued June 2002, due in various semi-annual installments ranging from \$70,000 to \$1,010,000, through June 2029, interest rates from 2.2% to 5.0%	<u>\$ 11,495,000</u>	<u>\$ 235,000</u>
<u>State Literary Fund Loans:</u>		
\$5,000,000 issued April 1, 1999, due in annual installments of \$250,000 plus interest through April 1, 2019, interest at 5%	<u>\$ 2,500,000</u>	<u>\$ 250,000</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (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%.	\$ 2,230,000	\$ 240,000
 Unamortized premium	<u>44,189</u>	<u>10,155</u>
 Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 2,274,189</u>	<u>\$ 250,155</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%. The balance of this loan at June 30, 2009 was:	 <u>\$ 463,245</u>	 <u>\$ 39,014</u>
 Total governmental loans and bonds	 <u><u>\$ 30,332,399</u></u>	 <u><u>\$ 1,712,228</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (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%	\$ 495,121	\$ 5,252
\$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>672,975</u>	<u>6,728</u>
Total business-type long-term obligations	<u>\$ 1,168,096</u>	<u>\$ 11,980</u>

Lease Revenue School Bonds Series 2002

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

The Debt Service Reserve Fund was established in 2002 with \$1,060,500 of bond proceeds. The Debt Service Reserve Fund has a balance of \$1,214,102 at June 30, 2009.

USDA Revenue Bonds

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

The reserve was established in December 2008, and has a balance of \$3,679 at June 30, 2009. The reserve has been reflected as restricted cash in the accompanying financial statements.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

USDA Revenue Bonds: (Continued)

The County paid \$71,434 in interest on the USDA Water and Sewer Bonds in fiscal 2009, of which \$41,546 has been capitalized in the accompanying financial statements.

Capital Leases:

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

The assets acquired through capital leases are as follows:

School buses	\$	1,041,068
Less accumulated depreciation		<u>(261,011)</u>
Total	\$	<u><u>780,057</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

<u>Year Ending June 30,</u>		<u>Governmental Activities</u>
2010	\$	225,969
2011		153,283
2012		<u>74,657</u>
Total minimum lease payments	\$	453,909
Less: amount representing interest		<u>(33,278)</u>
Present value of minimum lease payments	\$	<u><u>420,631</u></u>

Federal Arbitrage Regulations:

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

NOTE 8—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

The County's policy is to pay accrued vacation and compensatory time upon termination. Vacation time earned is limited to a maximum of 24 to 54 days, depending on years of service. Compensatory leave credits lapse after twelve months following the performance of work. School Board employees are paid up to 36 days of accrued vacation upon termination and at a rate of \$10 per day for sick leave only at retirement. Social Services employees are paid up to a maximum of 24 to 54 days of accrued vacation upon termination. Social Services employees are also paid unused sick leave upon termination; such pay is limited to the lesser of 25% of the unused balance or \$2,500.

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

	Balance July 1, 2008	Net Increase/ (Decrease)	Balance June 30, 2009
Primary Government:			
Governmental activities	\$ 409,256	\$ (20,525)	\$ 388,731
Component Unit School Board	\$ 422,299	\$ 1,988	\$ 424,287

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employee contribution rates for the fiscal year ended 2009 were 10.30% and 8.51% of annual covered payroll, respectively.

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

C. Annual Pension Cost:

For fiscal year 2009, the County's annual pension cost of \$348,784 (does not include the employee share assumed by the County which was \$169,313) was equal to the County's required and actual contributions.

For fiscal year 2009, the County School Board's annual pension cost for the Board's non-professional employees was \$135,509 (does not include the employee share assumed by the Board which was \$79,618) 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, 2007	\$ 295,157	100%	-
June 30, 2008	319,129	100%	-
June 30, 2009	348,784	100%	-
School Board Non-Professional:			
June 30, 2007	\$ 148,352	100%	-
June 30, 2008	154,682	100%	-
June 30, 2009	135,509	100%	-

(1) Employer portion only

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

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

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the County's plan was 87.27% funded. The actuarial accrued liability for benefits was \$13,903,555, and the actuarial value of assets was \$12,134,272, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,769,283. The covered payroll (annual payroll of active employees covered by the plan) was \$3,295,312, and ratio of the UAAL to the covered payroll was 53.69%.

As of June 30, 2008, the most recent actuarial valuation date, the County School Board's plan was 88.65% funded. The actuarial accrued liability for benefits was \$5,081,289, and the actuarial value of assets was \$4,504,802, resulting in an unfunded actuarial accrued liability (UAAL) of \$576,487. The covered payroll (annual payroll of active employees covered by the plan) was \$1,582,865, and ratio of the UAAL to the covered payroll was 36.42%.

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

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Nelson County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. That report may be downloaded from their website at [http://www.varetire.org/ Pdf/publications/2008AnnuRept.pdf](http://www.varetire.org/Pdf/publications/2008AnnuRept.pdf) or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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

PROFESSIONAL EMPLOYEES: (CONTINUED)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Nelson County School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2009 was 8.81% of annual covered payroll.

The School Board's contributions to VRS for the years ended June 30, 2009, 2008, 2007 were \$961,614, \$1,106,941, and \$942,286. The contributions made by the School Board for current year and the two preceding years represented 100% of the required contribution for each year.

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS:

A. Plan Descriptions

County

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

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

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

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

School Board

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

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Local Choice Expanded Benefits --PPO, (b) Local Choice 2000 - PPO, or (c) Local Choice High Deductible - PPO. An eligible retiree under the age of 65 may elect coverage for himself, for one dependent and himself, or for a family.

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

A. Plan Descriptions: (Continued)

School Board: (Continued)

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

B. Funding Policies

County

The contribution requirements of plan members and the County are established and may be amended by the County Board of Supervisors. For eligible retirees, 100% of the nominal premium is the responsibility of the retiree. As of July 1, 2009, monthly required premiums were as follows:

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

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

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, 2008, 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

C. Annual OPEB Cost

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

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

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 31,800	\$ 112,500
Interest on OPEB obligation	-	-
Adjustment to ARC	-	-
Annual OPEB cost	<u>\$ 31,800</u>	<u>\$ 112,500</u>
Estimated contributions made	<u>(24,000)</u>	<u>(83,200)</u>
Increase in net OPEB obligation	\$ 7,800	\$ 29,300
Net OPEB obligation at beginning of year	<u>-</u>	<u>-</u>
Net OPEB obligation at end of year	<u><u>\$ 7,800</u></u>	<u><u>\$ 29,300</u></u>

The County’s and the School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2009 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, 2009	\$ 31,800	75.00%	\$ 7,800
School Board:			
June 30, 2009	\$ 112,500	74.00%	\$ 29,300

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

D. Funded Status and Funding Progress

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

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plans (the Plans as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent, with the long-term perspective of the calculations.

County

In the January 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return, and an annual healthcare cost trend rate based on the Getzen Trend Model (6.80% graded to 4.50% graded over 80 years). The payroll growth rate was assumed to be 3.75%, which reflects a 2.50% inflation rate and a productivity component of 1.25%. The payroll growth rate also incorporates a step rate/ promotional rate of increase ranging from .50% to 1.25% based on years of service.

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

E. Actuarial Methods and Assumptions: (Continued)

School Board

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

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

NOTE 11—EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2009.

NOTE 12—DEFERRED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred tax revenue:		
Uncollected property tax billings for which asset recognition criteria have not been met have been recorded as deferred revenue. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,602,727
Uncollected vehicle license tax billings for which asset recognition criteria have not been met have been recorded as deferred revenue. The uncollected tax billings are not available for the funding of current expenditures.	-	46,230
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	109,577	109,577
Total primary government	<u>\$ 109,577</u>	<u>\$ 1,758,534</u>

The Component Unit School Board had no deferred revenue.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 13—COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

Federal programs in which the County and School Board participate were audited in accordance with the provisions of U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The County has entered into construction and engineering contracts for the Piney River Project, Phase III totaling \$5,412,214 as of June 30, 2009. Outstanding commitments under the contracts (exclusive of construction and retainage payable in the amount of \$346,164) as of that date were \$733,670. The project is being funded primarily with Rural Development loans and grants and a STAG grant.

The County has entered into a construction contract in the amount of \$6,867,043 and an architectural services contract in the amount of \$824,820 for the construction of new courthouse facilities. The new facilities were mandated by the Judge of the Circuit Court. Outstanding commitments under the two contracts (exclusive of accounts and retainage payable of \$401,687) were \$6,330,694 at June 30, 2009. The construction of the new facilities is being funded primarily through the proceeds of a Rural Development loan obtained in July 2009. See Note 21 for further discussion.

The County has entered into a construction contract of \$989,000 for the development of the Blue Ridge trail. The outstanding commitment under the contract (exclusive of accounts and retainage payable of \$81,700) was \$258,300. The Blue Ridge trail project is being funded with a TEA-21 grant from the Department of Transportation.

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 \$69,183.

NOTE 14—LITIGATION:

At June 30, 2009 there were no matters of litigation involving the County or its component units that would have an adverse material affect 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, 2009 (Continued)

NOTE 15—SURETY BONDS:

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

NOTE 16—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.

Unemployment Insurance:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 16—RISK MANAGEMENT: (CONTINUED)

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 17—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 \$723,615 as of June 30, 2009. This cost may be revised in the future depending on changes in regulations and applicable environmental laws.

The County demonstrated financial assurance requirements for closure, post closure care and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

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

NOTE 18—RELATED PARTY TRANSACTIONS:

The County had certain transactions with the Nelson County Service Authority during fiscal year 2009. In addition to purchasing water from the Authority at its normal rates, the County provides office space for the Authority's administrative operations free of charge, and appropriated \$156,000 to the Authority for fire protection services. The County also paid \$171,093 to the Authority for debt service requirements for the Colleen water line.

In October 2007, the County entered into an agreement with the Nelson County Service Authority (NCSA) to operate and maintain the Piney River III Water and Sewer system (Piney River III). NCSA also bills Piney River III customers, and remits collections to the County on a monthly basis. The County pays NCSA \$3.62 per 1,000 gallons of water delivered to Piney River III customers and \$2.94 per 1,000 gallons of sewerage delivered to NCSA by Piney River III customers.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

NOTE 19—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 2009. Eligible employees age 50 and over may defer up to \$22,000 in 2009. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

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

NOTE 20—RESTATEMENT OF FUND BALANCE:

A prior period adjustment has been recorded to opening fund balances and net assets as of July 1, 2008 as follows:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund balance at June 30, 2008	\$ 13,160,732	\$ 3,636,260	\$ 16,796,992
Reclassification of courthouse construction costs	<u>115,528</u>	<u>(115,528)</u>	<u>-</u>
Fund balance at July 1, 2009	<u>\$ 13,276,260</u>	<u>\$ 3,520,732</u>	<u>\$ 16,796,992</u>

NOTE 21—SUBSEQUENT EVENT:

In July 2009, the County obtained a \$7,500,000 loan from Rural Development in order to finance the construction of new courthouse facilities.

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 17,960,586	\$ 17,960,586	\$ 18,493,456	\$ 532,870
Other local taxes	3,772,193	3,772,193	3,566,133	(206,060)
Permits, privilege fees, and regulatory licenses	337,400	341,400	276,174	(65,226)
Fines and forfeitures	60,000	76,107	179,627	103,520
Revenue from the use of money and property	238,980	241,302	181,387	(59,915)
Charges for services	408,940	417,578	327,137	(90,441)
Miscellaneous	71,500	71,910	131,135	59,225
Recovered costs	552,900	557,360	565,016	7,656
Intergovernmental revenues:				
Commonwealth	4,466,831	4,486,283	4,285,674	(200,609)
Federal	1,126,137	1,180,453	697,265	(483,188)
Total revenues	\$ 28,995,467	\$ 29,105,172	\$ 28,703,004	\$ (402,168)
EXPENDITURES				
Current:				
General government administration	\$ 1,834,041	\$ 1,800,347	\$ 1,658,928	\$ 141,419
Judicial administration	743,134	785,293	715,250	70,043
Public safety	3,558,157	3,780,827	3,490,000	290,827
Public works	1,957,075	1,969,347	1,852,970	116,377
Health and welfare	2,205,322	2,205,322	2,162,372	42,950
Education	11,818,606	11,818,606	11,818,226	380
Parks, recreation, and cultural	1,177,109	1,181,847	534,228	647,619
Community development	1,686,482	1,600,264	1,198,028	402,236
Capital projects	708,000	1,103,607	500,506	603,101
Total expenditures	\$ 25,687,926	\$ 26,245,460	\$ 23,930,508	\$ 2,314,952
Excess (deficiency) of revenues over (under) expenditures	\$ 3,307,541	\$ 2,859,712	\$ 4,772,496	\$ 1,912,784
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 5,000	\$ -	\$ (5,000)
Transfers out	(5,916,296)	(5,917,236)	(5,917,236)	-
Total other financing sources and uses	\$ (5,916,296)	\$ (5,912,236)	\$ (5,917,236)	\$ (5,000)
Net change in fund balances	\$ (2,608,755)	\$ (3,052,524)	\$ (1,144,740)	\$ 1,907,784
Fund balances - beginning	2,608,755	3,052,524	13,276,260	10,223,736
Fund balances - ending	\$ -	\$ -	\$ 12,131,520	\$ 12,131,520

Schedule of Pension and OPEB Funding Progress
At June 30, 2009

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2006	\$ 9,722,624	\$ 11,564,604	\$ 1,841,980	84.07%	\$ 2,984,633	61.72%
June 30, 2007	11,037,140	12,756,423	1,719,283	86.52%	3,194,999	53.81%
June 30, 2008	12,134,272	13,903,555	1,769,283	87.27%	3,295,312	53.69%

County Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 447,900	\$ 447,900	0.00%	\$ 3,370,800	13.29%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2006	\$ 3,500,859	\$ 4,187,036	\$ 686,177	83.61%	\$ 1,492,164	45.99%
June 30, 2007	3,994,285	4,616,563	622,278	86.52%	1,520,439	40.93%
June 30, 2008	4,504,802	5,081,289	576,487	88.65%	1,582,865	36.42%

School Board Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 1,094,200	\$ 1,094,200	0.00%	\$ 12,354,600	8.86%

Other Supplementary Information

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Combining and Individual Fund Statements and Schedules

Debt Service Fund

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt service:				
Principal retirement	\$ 1,824,292	\$ 1,824,292	\$ 1,824,292	\$ -
Interest and other fiscal charges	1,543,392	1,543,842	1,543,785	57
Total expenditures	\$ 3,367,684	\$ 3,368,134	\$ 3,368,077	\$ 57
Excess (deficiency) of revenues over (under) expenditures	\$ (3,367,684)	\$ (3,368,134)	\$ (3,368,077)	\$ 57
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,367,684	\$ 3,367,684	\$ 3,367,684	\$ -
Transfers out	-	(18,472)	(18,472)	-
Total other financing sources and uses	\$ 3,367,684	\$ 3,349,212	\$ 3,349,212	\$ -
Net change in fund balances	\$ -	\$ (18,922)	\$ (18,865)	\$ 57
Fund balances - beginning	-	18,922	106,502	87,580
Fund balances - ending	\$ -	\$ -	\$ 87,637	\$ 87,637

Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 140,000	\$ 140,000	\$ 82,953	\$ (57,047)
Total revenues	\$ 140,000	\$ 140,000	\$ 82,953	\$ (57,047)
EXPENDITURES				
Capital projects	\$ 11,395,258	\$ 11,395,258	\$ 1,205,442	\$ 10,189,816
Total expenditures	\$ 11,395,258	\$ 11,395,258	\$ 1,205,442	\$ 10,189,816
Excess (deficiency) of revenues over (under) expenditures	\$ (11,255,258)	\$ (11,255,258)	\$ (1,122,489)	\$ 10,132,769
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,866,258	\$ 2,866,258	\$ 2,866,258	\$ -
Transfers out	(324,706)	(324,706)	(324,706)	-
Issuance of Rural Development loan	8,508,000	8,508,000	-	(8,508,000)
Total other financing sources and uses	\$ 11,049,552	\$ 11,049,552	\$ 2,541,552	\$ (8,508,000)
Net change in fund balances	\$ (205,706)	\$ (205,706)	\$ 1,419,063	\$ 1,624,769
Fund balances - beginning, as adjusted	205,706	205,706	3,520,732	3,315,026
Fund balances - ending	\$ -	\$ -	\$ 4,939,795	\$ 4,939,795

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2009

	Housing Improvement Fund	Street Lights Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 2,486	\$ 11,522	\$ 14,008
Total assets	<u>\$ 2,486</u>	<u>\$ 11,522</u>	<u>\$ 14,008</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,000	\$ -	\$ 3,000
Fund Balance			
Designated:			
Subsequent year's expenditures	\$ (514)	\$ 11,522	\$ 11,008
Total fund balance	<u>\$ (514)</u>	<u>\$ 11,522</u>	<u>\$ 11,008</u>
Total liabilities and fund balances	<u>\$ 2,486</u>	<u>\$ 11,522</u>	<u>\$ 14,008</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2009

	<u>Housing Improvement Fund</u>	<u>Street Lights Fund</u>	<u>Total</u>
Revenues			
Charges for services	\$ -	\$ 3,771	\$ 3,771
Miscellaneous	5,000	-	5,000
Recovered costs	-	-	-
Intergovernmental revenues:			
Commonwealth	45,000	-	45,000
Total revenues	<u>\$ 50,000</u>	<u>\$ 3,771</u>	<u>\$ 53,771</u>
Expenditures			
Current:			
Public works	\$ -	\$ 6,310	\$ 6,310
Community development	58,000	-	58,000
Total expenditures	<u>\$ 58,000</u>	<u>\$ 6,310</u>	<u>\$ 64,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,000)</u>	<u>\$ (2,539)</u>	<u>\$ (10,539)</u>
Net change in fund balances	\$ (8,000)	\$ (2,539)	\$ (10,539)
Fund balances - beginning	<u>7,486</u>	<u>14,061</u>	<u>21,547</u>
Fund balances - ending	<u><u>\$ (514)</u></u>	<u><u>\$ 11,522</u></u>	<u><u>\$ 11,008</u></u>

COUNTY OF NELSON, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2009

	Housing Improvement Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	5,000	5,000
Intergovernmental revenues:				
Commonwealth	33,350	56,750	45,000	(11,750)
Federal	-	3,000	-	(3,000)
Total revenues	<u>\$ 33,350</u>	<u>\$ 59,750</u>	<u>\$ 50,000</u>	<u>\$ (9,750)</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Community development	33,350	59,750	58,000	1,750
Total expenditures	<u>\$ 33,350</u>	<u>\$ 59,750</u>	<u>\$ 58,000</u>	<u>\$ 1,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (8,000)	\$ (8,000)
Fund balances - beginning	-	-	7,486	7,486
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (514)</u>	<u>\$ (514)</u>

Street Lights Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ 300	\$ 300	\$ 3,771	\$ 3,471	
-	-	-	-	
-	-	-	-	
-	-	-	-	
<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 3,771</u>	<u>\$ 3,471</u>	
\$ 7,360	\$ 7,360	\$ 6,310	\$ 1,050	
-	-	-	-	
<u>\$ 7,360</u>	<u>\$ 7,360</u>	<u>\$ 6,310</u>	<u>\$ 1,050</u>	
<u>\$ (7,060)</u>	<u>\$ (7,060)</u>	<u>\$ (2,539)</u>	<u>\$ 4,521</u>	
<u>\$ 7,060</u>	<u>\$ 7,060</u>	<u>\$ -</u>	<u>\$ (7,060)</u>	
<u>\$ 7,060</u>	<u>\$ 7,060</u>	<u>\$ -</u>	<u>\$ (7,060)</u>	
\$ -	\$ -	\$ (2,539)	\$ (2,539)	
-	-	14,061	14,061	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,522</u>	<u>\$ 11,522</u>	

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 At June 30, 2009

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>EMS Loan Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 19,222	\$ 205,243	\$ 224,465
Total assets	<u>\$ 19,222</u>	<u>\$ 205,243</u>	<u>\$ 224,465</u>
Liabilities			
Amounts held for others	\$ 19,222	\$ 205,243	\$ 224,465
Total liabilities	<u>\$ 19,222</u>	<u>\$ 205,243</u>	<u>\$ 224,465</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets				
Cash and cash equivalents	\$ 54,201	\$ 43,558	\$ 78,537	\$ 19,222
Liabilities				
Amounts held for others	\$ 54,201	\$ 43,558	\$ 78,537	\$ 19,222
EMS Loan Fund:				
Assets				
Cash and cash equivalents	\$ 826	\$ 204,417	\$ -	\$ 205,243
Liabilities				
Amounts held for others	\$ 826	\$ 204,417	\$ -	\$ 205,243
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 55,027	\$ 247,975	\$ 78,537	\$ 224,465
Liabilities				
Amounts held for others	\$ 55,027	\$ 247,975	\$ 78,537	\$ 224,465

Component Unit School Board
 Balance Sheet
 At June 30, 2009

	<u>School Fund</u>
Assets	
Cash and cash equivalents	\$ 1,981,779
Accounts receivable	53,973
Due from other governments	567,726
Inventories	86,963
Prepaid items	<u>47,458</u>
Total assets	<u>\$ 2,737,899</u>
Liabilities	
Accounts payable	\$ 68,560
Accrued liabilities	1,418,699
Due to primary government	<u>645,404</u>
Total liabilities	<u>\$ 2,132,663</u>
Fund balance	
Unreserved:	
Designated:	
Subsequent year's expenditures	<u>\$ 605,236</u>
Total fund balances	<u>\$ 605,236</u>
Total liabilities and fund balance	<u>\$ 2,737,899</u>

Component Unit School Board
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
 At June 30, 2009

Total fund balance for governmental fund (Exhibit 20) \$ 605,236

Total net assets reported for governmental activities in the statement of net assets is different because:

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

Land and improvements	\$	851,210	
Buildings and improvements, net of depreciation		31,696,412	
Equipment, net of depreciation		1,730,085	
School Board capital assets in primary government, net of depreciation		<u>(23,407,858)</u>	10,869,849

Collection by County government of insurance recovery previously accrued by School Board			116,733
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Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Compensated absences	\$	(424,287)	
Net OPEB obligation		<u>(29,300)</u>	<u>(453,587)</u>

Total net assets of governmental activities (Exhibit 1)			<u>\$ 11,138,231</u>
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Component Unit School Board
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Fund
 For the Year Ended June 30, 2009

	<u>School Fund</u>
Revenues	
Revenue from the use of money and property	\$ 602
Charges for services	507,184
Miscellaneous	301,384
Recovered costs	224,017
Intergovernmental revenues:	
Appropriations from primary government	11,809,702
Commonwealth	9,021,690
Federal	<u>1,841,682</u>
Total revenues	<u>\$ 23,706,261</u>
Expenditures	
Current:	
Education	
Instruction	\$ 14,956,367
Administration, attendance and health	1,376,610
Transportation	2,422,392
Facilities operations	2,722,521
School food services	994,655
Facilities	71,095
Technology	<u>1,011,374</u>
Total expenditures	<u>\$ 23,555,014</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 151,247
Fund balance, beginning of year	<u>453,989</u>
Fund balance, end of year	<u><u>\$ 605,236</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, 2009

Net change in fund balance - total governmental fund (Exhibit 22) \$ 151,247

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	\$ 707,106	
Depreciation expense	(766,785)	
Adjustment for jointly owned capital assets	<u>1,246,431</u>	1,186,752

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	\$ (1,988)	
Net OPEB obligation	<u>(29,300)</u>	<u>(31,288)</u>

Change in net assets of governmental activities (Exhibit 2) \$ 1,306,711

Component Unit School Board
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2009

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 602	\$ 452
Charges for services	599,578	501,271	507,184	5,913
Miscellaneous	340,295	269,254	301,384	32,130
Recovered costs	128,101	224,017	224,017	-
Intergovernmental revenues:				
Local government	11,810,082	11,810,082	11,809,702	(380)
Commonwealth	9,352,624	9,102,821	9,021,690	(81,131)
Federal	1,716,931	2,040,166	1,841,682	(198,484)
Total revenues	\$ 23,947,761	\$ 23,947,761	\$ 23,706,261	\$ (241,500)
EXPENDITURES				
Current:				
Education				
Instruction	\$ 15,595,755	\$ 15,297,258	\$ 14,956,367	\$ 340,891
Administration, attendance and health	1,373,813	1,381,567	1,376,610	4,957
Transportation	2,478,437	2,432,156	2,422,392	9,764
Facilities operations	2,769,551	2,993,990	2,722,521	271,469
School food services	1,014,464	945,925	994,655	(48,730)
Facilities	-	71,095	71,095	-
Technology	925,741	1,035,770	1,011,374	24,396
Total expenditures	\$ 24,157,761	\$ 24,157,761	\$ 23,555,014	\$ 602,747
Excess (deficiency) of revenues over (under) expenditures	\$ (210,000)	\$ (210,000)	\$ 151,247	\$ 361,247
Fund balances - beginning	210,000	210,000	453,989	243,989
Fund balances - ending	\$ -	\$ -	\$ 605,236	\$ 605,236

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,029,887	\$ 15,029,887	\$ 15,530,140	\$ 500,253
Real and personal public service corporation taxes	580,970	580,970	530,202	(50,768)
Personal property taxes	2,073,594	2,073,594	2,120,481	46,887
Mobile home taxes	32,000	32,000	30,404	(1,596)
Machinery and tools taxes	13,135	13,135	9,638	(3,497)
Penalties	110,000	110,000	139,213	29,213
Interest	121,000	121,000	133,378	12,378
Total general property taxes	<u>\$ 17,960,586</u>	<u>\$ 17,960,586</u>	<u>\$ 18,493,456</u>	<u>\$ 532,870</u>
Other local taxes:				
Local sales and use taxes	\$ 977,820	\$ 977,820	\$ 887,401	\$ (90,419)
Consumers' utility taxes	440,000	440,000	452,958	12,958
Business license taxes	31,000	31,000	29,583	(1,417)
Utility franchise taxes	114,000	114,000	103,609	(10,391)
Motor vehicle licenses	314,000	314,000	360,135	46,135
Bank franchise tax	72,000	72,000	50,755	(21,245)
Taxes on recordation and wills	267,982	267,982	227,037	(40,945)
Transient occupancy tax	466,610	466,610	398,926	(67,684)
Meals tax	544,965	544,965	561,752	16,787
Communication sales and use taxes	543,816	543,816	493,977	(49,839)
Total other local taxes	<u>\$ 3,772,193</u>	<u>\$ 3,772,193</u>	<u>\$ 3,566,133</u>	<u>\$ (206,060)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 8,723	\$ (1,277)
Dog pound fees	1,400	1,400	1,210	(190)
Land use application fees	85,000	85,000	88,919	3,919
Transfer fees	1,400	1,400	739	(661)
Special use permits	800	800	135	(665)
Zoning & Subdivision fees	3,500	3,500	1,080	(2,420)
Building permits	198,000	198,000	126,729	(71,271)
Building inspection fees	12,300	12,300	8,463	(3,837)
Well & Septic fees	12,000	12,000	5,075	(6,925)
Land disturbing fees	-	-	16,005	16,005
Tourism collections	7,000	11,000	11,134	134
Sheriff's fees	6,000	6,000	7,962	1,962
Total permits, privilege fees, and regulatory licenses	<u>\$ 337,400</u>	<u>\$ 341,400</u>	<u>\$ 276,174</u>	<u>\$ (65,226)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 60,000	\$ 76,107	\$ 179,627	\$ 103,520
Total fines and forfeitures	<u>\$ 60,000</u>	<u>\$ 76,107</u>	<u>\$ 179,627</u>	<u>\$ 103,520</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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)				
Revenue from use of money and property:				
Revenue from use of money	\$ 225,000	\$ 227,322	\$ 168,196	\$ (59,126)
Revenue from use of property	13,980	13,980	13,191	(789)
Total revenue from use of money and property	<u>\$ 238,980</u>	<u>\$ 241,302</u>	<u>\$ 181,387</u>	<u>\$ (59,915)</u>
Charges for services:				
Excess fees paid to Circuit Court	\$ -	\$ -	\$ 13	\$ 13
Charges for courthouse security	24,000	30,500	47,890	17,390
Courthouse maintenance fees	6,000	6,000	9,836	3,836
Charges for courthouse services	-	-	(3)	(3)
Document reproduction fees	4,000	4,000	5,602	1,602
Sales of maps & ordinances	12,700	12,700	1,378	(11,322)
Law library fees	1,500	1,500	1,511	11
Charges for Commonwealth's Attorney	500	500	565	65
Charges for sanitation and waste removal	300,000	300,000	204,899	(95,101)
Charges for parks and recreation	58,240	60,378	53,657	(6,721)
Miscellaneous jail and inmate fees	2,000	2,000	1,789	(211)
Total charges for services	<u>\$ 408,940</u>	<u>\$ 417,578</u>	<u>\$ 327,137</u>	<u>\$ (90,441)</u>
Miscellaneous revenue:				
Primary fees	\$ -	\$ -	\$ 120	\$ 120
Other miscellaneous	71,500	71,910	131,015	59,105
Total miscellaneous revenue	<u>\$ 71,500</u>	<u>\$ 71,910</u>	<u>\$ 131,135</u>	<u>\$ 59,225</u>
Recovered costs:				
School Resource officer and other costs	\$ 30,000	\$ 30,000	\$ 31,464	\$ 1,464
Buildings & grounds	75,000	75,000	70,360	(4,640)
Jaunt Wintergreen	42,000	42,000	40,000	(2,000)
EMS revenue recovery	400,000	400,000	408,869	8,869
Other recovered costs	5,900	10,360	14,323	3,963
Total recovered costs	<u>\$ 552,900</u>	<u>\$ 557,360</u>	<u>\$ 565,016</u>	<u>\$ 7,656</u>
Total revenue from local sources	<u>\$ 23,402,499</u>	<u>\$ 23,438,436</u>	<u>\$ 23,720,065</u>	<u>\$ 281,629</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 76,991	\$ 76,991	\$ 91,558	\$ 14,567
Mobile home titling tax	30,000	30,000	18,280	(11,720)
Tax on deeds	74,035	74,035	65,451	(8,584)
Personal property tax relief funds	1,708,030	1,708,030	1,708,030	-
Total noncategorical aid	<u>\$ 1,889,056</u>	<u>\$ 1,889,056</u>	<u>\$ 1,883,319</u>	<u>\$ (5,737)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 207,386	\$ 207,386	\$ 214,807	\$ 7,421
Sheriff	805,362	805,362	771,249	(34,113)
Commissioner of revenue	93,975	93,975	97,718	3,743
Treasurer	96,753	96,753	110,359	13,606
Registrar/electoral board	45,069	45,069	45,621	552
Clerk of the Circuit Court	179,961	190,161	210,735	20,574
Total shared expenses	<u>\$ 1,428,506</u>	<u>\$ 1,438,706</u>	<u>\$ 1,450,489</u>	<u>\$ 11,783</u>
Welfare:				
Public assistance and welfare administration	<u>\$ 449,976</u>	<u>\$ 449,976</u>	<u>\$ 390,341</u>	<u>\$ (59,635)</u>
Other categorical aid:				
E911 wireless grant	\$ 142,052	\$ 142,052	\$ 40,989	\$ (101,063)
DMV animal friendly plates	420	420	490	70
Fire programs	38,078	42,350	39,309	(3,041)
Four for life	15,093	16,887	16,886	(1)
Litter control grant	6,823	6,823	6,656	(167)
Victim-witness grant	19,408	19,834	19,806	(28)
School resource officer	13,565	13,565	13,532	(33)
At-risk grant	463,854	463,854	405,621	(58,233)
Library grant	-	-	2,191	2,191
Asset forfeiture proceeds	-	-	8,247	8,247
Other categorical	-	2,760	2,798	38
Performing arts grant	-	-	5,000	5,000
Total other categorical aid	<u>\$ 699,293</u>	<u>\$ 708,545</u>	<u>\$ 561,525</u>	<u>\$ (147,020)</u>
Total categorical aid	<u>\$ 2,577,775</u>	<u>\$ 2,597,227</u>	<u>\$ 2,402,355</u>	<u>\$ (194,872)</u>
Total revenue from the Commonwealth	<u>\$ 4,466,831</u>	<u>\$ 4,486,283</u>	<u>\$ 4,285,674</u>	<u>\$ (200,609)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 29,218</u>	<u>\$ 29,218</u>	<u>\$ 63,365</u>	<u>\$ 34,147</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 457,964	\$ 457,964	\$ 509,744	\$ 51,780
Sheriff's grants	-	15,677	12,232	(3,445)
COPS grant	-	-	1,273	1,273
SCAAP (federal prisoners)	-	1,639	7,451	5,812
Domestic preparedness grant	-	37,000	-	(37,000)
Trail grant (TEA-21)	246,297	246,297	103,200	(143,097)
Tunnel grant (TEA-21)	392,658	392,658	-	(392,658)
Total categorical aid	<u>\$ 1,096,919</u>	<u>\$ 1,151,235</u>	<u>\$ 633,900</u>	<u>\$ (517,335)</u>
Total revenue from the federal government	<u>\$ 1,126,137</u>	<u>\$ 1,180,453</u>	<u>\$ 697,265</u>	<u>\$ (483,188)</u>
Total General Fund	<u><u>\$ 28,995,467</u></u>	<u><u>\$ 29,105,172</u></u>	<u><u>\$ 28,703,004</u></u>	<u><u>\$ (402,168)</u></u>
Special Revenue Funds:				
Housing Improvement Fund				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 5,000	\$ 5,000
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Rural Broadband Planning Initiative	\$ 33,350	\$ 56,750	\$ 45,000	\$ (11,750)
Total categorical aid	<u>\$ 33,350</u>	<u>\$ 56,750</u>	<u>\$ 45,000</u>	<u>\$ (11,750)</u>
Total revenue from the Commonwealth	<u>\$ 33,350</u>	<u>\$ 56,750</u>	<u>\$ 45,000</u>	<u>\$ (11,750)</u>
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ -	\$ 3,000	\$ -	\$ (3,000)
Total categorical aid	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ (3,000)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ (3,000)</u>
Total Housing Improvement Fund	<u><u>\$ 33,350</u></u>	<u><u>\$ 59,750</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ (9,750)</u></u>
Street Lights Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for services	\$ 300	\$ 300	\$ 3,771	\$ 3,471
Total charges for services	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 3,771</u>	<u>\$ 3,471</u>
Total Street Lights Fund	<u><u>\$ 300</u></u>	<u><u>\$ 300</u></u>	<u><u>\$ 3,771</u></u>	<u><u>\$ 3,471</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 140,000	\$ 140,000	\$ 82,953	\$ (57,047)
Total revenue from local sources	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 82,953</u>	<u>\$ (57,047)</u>
Total Capital Improvements Fund	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 82,953</u>	<u>\$ (57,047)</u>
Total Primary Government	<u>\$ 29,169,117</u>	<u>\$ 29,305,222</u>	<u>\$ 28,839,728</u>	<u>\$ (465,494)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 150	\$ 150	\$ 602	\$ 452
Charges for services:				
Charges for education	\$ 599,578	\$ 501,271	\$ 507,184	\$ 5,913
Total charges for services	<u>\$ 599,578</u>	<u>\$ 501,271</u>	<u>\$ 507,184</u>	<u>\$ 5,913</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 340,295	\$ 269,254	\$ 301,384	\$ 32,130
Recovered costs:				
Other recovered costs	\$ 128,101	\$ 224,017	\$ 224,017	\$ -
Total recovered costs	<u>\$ 128,101</u>	<u>\$ 224,017</u>	<u>\$ 224,017</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 1,068,124</u>	<u>\$ 994,692</u>	<u>\$ 1,033,187</u>	<u>\$ 38,495</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 11,810,082	\$ 11,810,082	\$ 11,809,702	\$ (380)
Total revenues from local governments	<u>\$ 11,810,082</u>	<u>\$ 11,810,082</u>	<u>\$ 11,809,702</u>	<u>\$ (380)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,214,105	\$ 2,080,782	\$ 1,999,651	\$ (81,131)
Basic school aid	4,407,796	4,361,537	4,361,537	-
Remedial summer education	44,410	41,622	41,622	-
GED Funding	15,717	15,717	15,717	-
Regular foster care	73,973	38,388	38,388	-
Gifted and talented	37,662	36,852	36,852	-
Remedial education	102,944	100,728	100,728	-
Social security fringe benefits	232,669	227,662	227,662	-
Retirement fringe benefits	300,461	293,996	293,996	-
Group life insurance instructional	10,043	9,827	9,827	-
State lottery payments	199,409	162,664	162,664	-
Early reading intervention	26,337	10,535	10,535	-

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
VPSA technology	\$ 154,000	\$ 154,000	\$ 154,000	\$ -
Homebound education	6,817	5,730	5,730	-
Regional program tuition	106,088	125,397	125,397	-
Vocational education - standards of quality	82,020	80,255	80,255	-
Vocational education - equipment	-	3,678	3,678	-
Vocational occupational prep	32,196	28,288	28,288	-
Special education - standards of quality	623,520	610,102	610,102	-
Special education - foster children	-	11,772	11,772	-
School food	15,886	16,001	16,001	-
Free textbooks	99,194	97,059	97,059	-
Enrollment loss	71,563	89,239	89,239	-
At risk payments	104,082	101,823	101,823	-
Primary class size	157,667	146,889	146,889	-
Standards of Learning algebra readiness	14,767	17,106	17,106	-
At risk four-year olds	69,530	87,556	87,556	-
Mentor teacher program	2,449	2,693	2,693	-
English as a second language	29,157	26,895	26,895	-
School construction	118,162	118,028	118,028	-
Total categorical aid	<u>\$ 9,352,624</u>	<u>\$ 9,102,821</u>	<u>\$ 9,021,690</u>	<u>\$ (81,131)</u>
Total revenue from the Commonwealth	<u>\$ 9,352,624</u>	<u>\$ 9,102,821</u>	<u>\$ 9,021,690</u>	<u>\$ (81,131)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 320,112	\$ 455,303	\$ 378,880	\$ (76,423)
Migrant education	12,129	6,259	3,238	(3,021)
Reading first	305,288	357,527	312,367	(45,160)
Title VI-B, special education pre-school	13,764	13,723	13,627	(96)
Language Acquisition State Grant	18,688	26,598	21,698	(4,900)
Title VI-B, flow through	463,736	514,876	453,049	(61,827)
Vocational education	36,543	51,801	37,938	(13,863)
Technology literacy challenge fund grant	3,928	5,974	3,545	(2,429)
Drug free schools	8,679	7,388	6,785	(603)
Forest reserve	11,000	5,760	5,760	-
Title II - Part A	107,564	140,388	117,417	(22,971)
School food	415,500	454,569	454,569	-
School food commodities	-	-	32,809	32,809
Total categorical aid	<u>\$ 1,716,931</u>	<u>\$ 2,040,166</u>	<u>\$ 1,841,682</u>	<u>\$ (198,484)</u>
Total School Operating Fund	<u>\$ 23,947,761</u>	<u>\$ 23,947,761</u>	<u>\$ 23,706,261</u>	<u>\$ (241,500)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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	\$ 114,645	\$ 114,645	\$ 110,291	\$ 4,354
General government administration:				
County administrator	\$ 482,965	\$ 397,754	\$ 357,964	\$ 39,790
County attorney	45,000	45,000	40,045	4,955
Board of Equalization	-	247	246	1
Commissioner of revenue	219,979	225,423	222,567	2,856
Treasurer	299,461	308,504	291,684	16,820
Accounting	216,813	222,485	214,210	8,275
Technology	330,100	331,659	270,506	61,153
Land use panel	9,800	9,800	8,771	1,029
Total general and financial administration	<u>\$ 1,604,118</u>	<u>\$ 1,540,872</u>	<u>\$ 1,405,993</u>	<u>\$ 134,879</u>
Board of elections:				
Registrar	\$ 82,793	\$ 94,777	\$ 92,933	\$ 1,844
Electoral board and officials	32,485	50,053	49,711	342
Total board of elections	<u>\$ 115,278</u>	<u>\$ 144,830</u>	<u>\$ 142,644</u>	<u>\$ 2,186</u>
Total general government administration	<u>\$ 1,834,041</u>	<u>\$ 1,800,347</u>	<u>\$ 1,658,928</u>	<u>\$ 141,419</u>
Judicial administration:				
Courts:				
Circuit court	\$ 27,818	\$ 30,578	\$ 27,372	\$ 3,206
General district court	6,565	6,565	5,854	711
VJCCA	63,767	63,767	19,785	43,982
Juvenile and domestic relations court	7,112	7,112	5,118	1,994
Clerk of the circuit court	326,733	350,361	333,414	16,947
Total courts	<u>\$ 431,995</u>	<u>\$ 458,383</u>	<u>\$ 391,543</u>	<u>\$ 66,840</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 311,139	\$ 326,910	\$ 323,707	\$ 3,203
Total commonwealth's attorney	<u>\$ 311,139</u>	<u>\$ 326,910</u>	<u>\$ 323,707</u>	<u>\$ 3,203</u>
Total judicial administration	<u>\$ 743,134</u>	<u>\$ 785,293</u>	<u>\$ 715,250</u>	<u>\$ 70,043</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,243,510	\$ 1,324,741	\$ 1,235,868	\$ 88,873
E-911	491,024	551,022	438,053	112,969
Emergency services council	541,667	547,733	542,562	5,171
Emergency services	55,345	55,345	38,343	17,002
Paid EMS	465,733	465,733	375,939	89,794
Forestry service	10,778	15,089	15,089	-

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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	\$ 378,385	\$ 442,374	\$ 490,634	\$ (48,260)
Building inspector	284,374	291,399	275,579	15,820
Animal control	87,141	87,191	77,833	9,358
Medical examiner	200	200	100	100
Total law enforcement and traffic control	<u>\$ 3,558,157</u>	<u>\$ 3,780,827</u>	<u>\$ 3,490,000</u>	<u>\$ 290,827</u>
Total public safety	<u>\$ 3,558,157</u>	<u>\$ 3,780,827</u>	<u>\$ 3,490,000</u>	<u>\$ 290,827</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 265,517	\$ 265,517	\$ 215,722	\$ 49,795
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 265,517</u>	<u>\$ 265,517</u>	<u>\$ 215,722</u>	<u>\$ 49,795</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,212,383	\$ 1,212,383	\$ 1,165,673	\$ 46,710
Total sanitation and waste removal	<u>\$ 1,212,383</u>	<u>\$ 1,212,383</u>	<u>\$ 1,165,673</u>	<u>\$ 46,710</u>
Maintenance of general buildings and grounds:				
General properties	\$ 479,175	\$ 491,447	\$ 471,575	\$ 19,872
Total maintenance of general buildings and grounds	<u>\$ 479,175</u>	<u>\$ 491,447</u>	<u>\$ 471,575</u>	<u>\$ 19,872</u>
Total public works	<u>\$ 1,957,075</u>	<u>\$ 1,969,347</u>	<u>\$ 1,852,970</u>	<u>\$ 116,377</u>
Health and welfare:				
Health:				
Health department	\$ 220,021	\$ 220,021	\$ 220,021	\$ -
Total health	<u>\$ 220,021</u>	<u>\$ 220,021</u>	<u>\$ 220,021</u>	<u>\$ -</u>
Mental health and mental retardation:				
Region Ten community services board	\$ 72,078	\$ 72,078	\$ 72,078	\$ -
Total mental health and mental retardation	<u>\$ 72,078</u>	<u>\$ 72,078</u>	<u>\$ 72,078</u>	<u>\$ -</u>
Welfare:				
Public assistance and administration	\$ 1,199,523	\$ 1,199,523	\$ 1,170,697	\$ 28,826
Tax relief for the elderly	-	-	66,030	(66,030)
At risk youth program	713,700	713,700	633,546	80,154
Total welfare	<u>\$ 1,913,223</u>	<u>\$ 1,913,223</u>	<u>\$ 1,870,273</u>	<u>\$ 42,950</u>
Total health and welfare	<u>\$ 2,205,322</u>	<u>\$ 2,205,322</u>	<u>\$ 2,162,372</u>	<u>\$ 42,950</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Community College	\$ 8,524	\$ 8,524	\$ 8,524	\$ -
Appropriation to public school system	11,810,082	11,810,082	11,809,702	380
Total education	<u>\$ 11,818,606</u>	<u>\$ 11,818,606</u>	<u>\$ 11,818,226</u>	<u>\$ 380</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 936,061	\$ 938,199	\$ 290,580	\$ 647,619
Total parks and recreation	<u>\$ 936,061</u>	<u>\$ 938,199</u>	<u>\$ 290,580</u>	<u>\$ 647,619</u>
Library:				
Regional library	\$ 241,048	\$ 243,648	\$ 243,648	\$ -
Total library	<u>\$ 241,048</u>	<u>\$ 243,648</u>	<u>\$ 243,648</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 1,177,109</u>	<u>\$ 1,181,847</u>	<u>\$ 534,228</u>	<u>\$ 647,619</u>
Community development:				
Planning and community development:				
Planning	\$ 172,528	\$ 178,688	\$ 166,562	\$ 12,126
Community development	244,113	256,598	237,840	18,758
Economic development	18,250	18,250	18,210	40
Housing development	60,729	60,729	60,729	-
Hydrant rentals	156,000	156,000	156,000	-
Colleen water/sewer subsidy	171,094	171,094	171,093	1
Other community development	281,294	281,600	279,171	2,429
Soil and water conservation district	25,500	25,500	25,500	-
Anti-litter program	6,823	6,823	4,483	2,340
VPI extension service	48,775	48,775	48,208	567
Other	501,376	396,207	30,232	365,975
Total planning and community development	<u>\$ 1,686,482</u>	<u>\$ 1,600,264</u>	<u>\$ 1,198,028</u>	<u>\$ 402,236</u>
Total community development	<u>\$ 1,686,482</u>	<u>\$ 1,600,264</u>	<u>\$ 1,198,028</u>	<u>\$ 402,236</u>
Capital projects:				
Other	\$ 708,000	\$ 1,103,607	\$ 500,506	\$ 603,101
Total capital projects	<u>\$ 708,000</u>	<u>\$ 1,103,607</u>	<u>\$ 500,506</u>	<u>\$ 603,101</u>
Total General Fund	<u><u>\$ 25,687,926</u></u>	<u><u>\$ 26,245,460</u></u>	<u><u>\$ 23,930,508</u></u>	<u><u>\$ 2,314,952</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Housing Improvement Fund:				
Community development:				
Planning and community development:				
Broadband planning	\$ 33,350	\$ 56,750	\$ 55,000	\$ 1,750
Other professional services	-	3,000	3,000	-
Total community development	<u>\$ 33,350</u>	<u>\$ 59,750</u>	<u>\$ 58,000</u>	<u>\$ 1,750</u>
Total Housing Improvement Fund	<u><u>\$ 33,350</u></u>	<u><u>\$ 59,750</u></u>	<u><u>\$ 58,000</u></u>	<u><u>\$ 1,750</u></u>
Street Lights Fund:				
Public works:				
Other public works:				
Street lights	\$ 7,360	\$ 7,360	\$ 6,310	\$ 1,050
Total Street Lights Fund	<u>\$ 7,360</u>	<u>\$ 7,360</u>	<u>\$ 6,310</u>	<u>\$ 1,050</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 1,824,292	\$ 1,824,292	\$ 1,824,292	\$ -
Interest and other fiscal charges	1,543,392	1,543,842	1,543,785	57
Total Debt Service Fund	<u><u>\$ 3,367,684</u></u>	<u><u>\$ 3,368,134</u></u>	<u><u>\$ 3,368,077</u></u>	<u><u>\$ 57</u></u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
High school renovation project	\$ 29,000	\$ 29,000	\$ -	\$ 29,000
Courthouse construction	11,366,258	11,366,258	1,205,442	10,160,816
Total capital projects	<u>\$ 11,395,258</u>	<u>\$ 11,395,258</u>	<u>\$ 1,205,442</u>	<u>\$ 10,189,816</u>
Total Capital Projects Fund	<u><u>\$ 11,395,258</u></u>	<u><u>\$ 11,395,258</u></u>	<u><u>\$ 1,205,442</u></u>	<u><u>\$ 10,189,816</u></u>
Total Primary Government	<u><u>\$ 40,491,578</u></u>	<u><u>\$ 41,075,962</u></u>	<u><u>\$ 28,568,337</u></u>	<u><u>\$ 12,507,625</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction costs:				
Other instructional costs	\$ 15,595,755	\$ 15,297,258	\$ 14,956,367	\$ 340,891
Total instruction costs	<u>\$ 15,595,755</u>	<u>\$ 15,297,258</u>	<u>\$ 14,956,367</u>	<u>\$ 340,891</u>
Operating costs:				
Administration, attendance and health services	\$ 1,373,813	\$ 1,381,567	\$ 1,376,610	\$ 4,957
Pupil transportation	2,478,437	2,432,156	2,422,392	9,764
Operation and maintenance of school plant	2,769,551	2,993,990	2,722,521	271,469
School food	1,014,464	945,925	994,655	(48,730)
Facilities	-	71,095	71,095	-
Technology	925,741	1,035,770	1,011,374	24,396
Total operating costs	<u>\$ 8,562,006</u>	<u>\$ 8,860,503</u>	<u>\$ 8,598,647</u>	<u>\$ 261,856</u>
Total education	<u>\$ 24,157,761</u>	<u>\$ 24,157,761</u>	<u>\$ 23,555,014</u>	<u>\$ 602,747</u>
Total Discretely Presented Component Unit-School Board	<u><u>\$ 24,157,761</u></u>	<u><u>\$ 24,157,761</u></u>	<u><u>\$ 23,555,014</u></u>	<u><u>\$ 602,747</u></u>

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STATISTICAL INFORMATION

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COUNTY OF NELSON, VIRGINIA

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

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
	Government Administration	Judicial Administration	Public Safety				Public Works	Health and Welfare		Education	Parks, Recreation, and Cultural			
2002-03	\$ 1,386,912	\$ 509,115	\$ 2,252,067	\$ 1,693,523	\$ 1,693,710	\$ 8,440,751	\$ 431,647	\$ 1,294,569	\$ 1,316,047	\$ 19,018,341				
2003-04	1,257,716	519,619	2,529,037	1,666,627	1,752,635	18,499,295	430,853	1,259,282	1,661,467	29,576,531				
2004-05	1,079,533	719,411	2,764,691	1,260,355	1,927,342	10,387,246	324,812	2,302,404	1,759,270	22,525,064				
2005-06	1,432,202	631,862	2,759,162	2,213,279	1,830,272	11,133,456	551,912	1,122,651	1,565,175	23,239,971				
2006-07	1,614,998	753,367	3,287,580	1,905,872	2,188,578	11,900,846	523,915	1,251,149	1,499,320	24,925,625				
2007-08	1,879,166	750,073	3,633,406	1,980,213	2,274,350	12,706,379	983,322	1,260,873	1,535,839	27,003,621				
2008-09	1,777,787	714,904	3,136,604	2,112,615	2,055,329	13,777,084	548,156	1,235,328	1,492,985	26,850,792				

(1) Information has only been available for 7 years.

(2) Primary government only

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2002-03	\$ 708,609	\$ 2,689,157	\$ 388,353	\$ 12,020,269	\$ 2,761,744	\$ 283,732	\$ 108,161	\$ 1,880,848	\$ 20,840,873	
2003-04	823,348	2,536,899	-	8,213,965	2,839,896	132,379	13,741	2,365,198	16,925,426	
2004-05	1,001,111	3,644,002	-	12,267,305	3,170,478	248,884	31,176	1,911,689	22,274,645	
2005-06	936,052	2,798,169	291,992	12,879,059	3,464,371	544,498	301,915	2,105,442	23,321,498	
2006-07	896,876	3,141,611	140,524	13,654,498	3,551,448	739,478	58,374	2,058,042	24,240,851	
2007-08	838,119	3,301,632	3,095,040	16,116,702	3,776,293	535,958	216,226	1,923,332	29,803,302	
2008-09	838,161	2,978,055	1,212,338	18,681,477	3,612,363	264,340	136,135	1,946,684	29,669,553	

(1) Information has only been available for 7 years.

(2) Primary government only

COUNTY OF NELSON, VIRGINIA

Table 3

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General			Other		Permit Privilege Fees & Regulatory Licenses		Fines & Forfeitures		Revenues from the Use of Money & Property		Charges for Services		Miscellaneous		Recovered Costs		Inter-governmental		Total
	Property Taxes	Property Taxes	Taxes	Local Taxes	Taxes	Regulatory Licenses	Fees & Regulatory Licenses	Fines & Forfeitures	Use of Money & Property	Property	Charges for Services	Charges for Services	Miscellaneous	Recovered Costs	Recovered Costs	Inter-governmental	Inter-governmental			
2000	\$ 13,428,694	\$ 2,403,002	\$ 2,403,002			218,697	\$ 34,274	\$ 306,935	\$ 650,302	\$ 5,947,094	\$ 99,889	\$ 11,513,342	\$ 34,602,229							
2001	10,330,310	2,512,958	2,512,958			194,130	51,630	912,862	663,234	715,402	328,166	12,246,405	27,955,097							
2002	10,135,286	2,586,616	2,586,616			228,825	43,512	577,821	654,778	698,162	290,463	13,015,062	28,230,525							
2003	11,127,697	2,761,744	2,761,744			300,363	125,071	284,150	295,431	382,717	642,263	13,505,740	29,425,176							
2004	12,767,131	2,839,896	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	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	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	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	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	3,566,133			276,174	179,627	264,942	838,092	437,519	789,033	15,891,311	40,736,287							

(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 (4)	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2) (6)	Recreation and Cultural	Community Development	Capital Projects (3) (5)	Debt Service	Total
2000	\$ 870,445	\$ 314,842	\$ 1,945,157	\$ 1,404,494	\$ 1,391,372	\$ 17,067,884	\$ 230,805	\$ 956,440	\$ 6,966,791	\$ -	\$ 31,148,230
2001	968,034	438,817	1,956,127	1,546,050	1,330,278	17,589,038	237,345	1,756,216	2,517,269	-	28,339,174
2002	1,068,301	561,152	2,120,199	1,417,915	1,531,779	17,963,769	314,690	1,491,381	8,870,784	-	35,339,970
2003	1,327,078	509,900	2,231,972	1,722,460	1,682,380	16,747,523	376,278	1,361,578	13,712,859	2,376,136	42,048,164
2004	1,132,513	518,119	2,405,339	1,661,745	1,831,001	17,868,836	366,780	1,250,681	2,875,725	17,387,093	47,297,832
2005	1,165,325	527,428	2,811,894	1,564,083	1,908,228	19,625,267	381,880	1,967,806	892,627	3,506,035	34,350,573
2006	1,377,453	625,426	2,767,839	1,942,203	1,816,350	20,941,942	714,483	1,196,540	1,001,588	3,354,562	35,738,386
2007	1,489,087	747,594	3,319,272	1,886,045	2,174,308	22,634,587	481,057	1,270,625	956,411	3,383,580	38,342,566
2008	1,814,008	753,803	3,787,098	2,030,006	2,333,862	23,311,305	1,094,156	1,272,646	2,765,619	3,469,550	42,632,053
2009	1,658,928	715,250	3,490,000	1,859,280	2,162,372	23,563,538	534,228	1,256,028	1,705,948	3,368,077	40,313,649

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

(2) Includes School Debt Service and Capital Leases - Fiscal 2000 through Fiscal 2002

(3) Includes General Fund Debt Service - Fiscal 2000 and 2001

(4) Includes General Fund Capital Leases - Fiscal 2000 and 2001

(5) Includes Capital Projects Fund Debt Service - Fiscal 2001. Does not include repayment of debt.

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

COUNTY OF NELSON, VIRGINIA

Table 5

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total (1) (2)		Current Tax (1) (3)	Percent of Levy Collected	Delinquent (1)		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1)		Percent of Delinquent Taxes to Tax Levy
	Tax Levy				Tax Collections	Tax Collections			Delinquent Taxes (1)			
2000	\$ 13,513,267	\$	12,637,002	93.52%	\$ 354,114	\$	12,991,116	96.14%	\$	1,896,270		14.03%
2001	10,150,308		9,647,721	95.05%	266,019		9,913,740	97.67%		1,585,400		15.62%
2002	9,926,148		9,486,834	95.57%	387,107		9,873,941	99.47%		1,520,462		15.32%
2003	10,850,753		10,066,095	92.77%	591,096		10,657,191	98.22%		1,802,952		16.62%
2004	12,576,983		11,770,010	93.58%	659,388		12,429,398	98.83%		1,384,855		11.01%
2005	11,950,617		11,239,161	94.05%	933,353		12,172,514	101.86%		1,670,318		13.98%
2006	12,370,699		12,038,922	97.32%	776,181		12,815,103	103.59%		1,452,213		11.74%
2007	13,128,010		12,579,789	95.82%	538,403		13,118,192	99.93%		1,734,181		13.21%
2008	15,476,228		14,747,107	95.29%	859,787		15,606,894	100.84%		1,964,747		12.70%
2009	18,330,136		17,460,606	95.26%	760,255		18,220,861	99.40%		2,055,591		11.21%

(1) Exclusive of penalties and interest.

(2) Beginning in fiscal year 2000, real estate taxes were collected in installments. The due date of the first half installment is June 5. For fiscal year 2000 and beyond, the tax levy includes the second half of the prior year and first half of the current year real estate tax levies.

(3) For fiscal years 2000 to 2004, does not include second half of tax year real estate taxes that were collected prior to year end.

COUNTY OF NELSON, VIRGINIA

Table 6

Assessed Value of Taxable Property
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery & Tools	Public Utility	Total
2000	\$ 1,101,821,101	\$ 105,470,441	\$ 8,304,826	\$ 6,114,266	\$ 66,521,399	\$ 1,288,232,033
2001	1,128,836,204	110,387,510	7,806,396	3,495,288	68,825,595	1,319,350,993
2002	1,149,749,818	113,482,709	7,662,832	1,604,056	73,358,730	1,345,858,145
2003	1,353,724,870	104,869,461	5,861,443	1,795,981	83,076,312	1,549,328,067
2004	1,364,660,680	100,054,868	5,485,496	1,537,849	72,852,929	1,544,591,822
2005	1,404,375,438	103,397,922	5,380,616	1,103,410	65,707,864	1,579,965,250
2006	1,446,732,528	119,346,836	5,518,958	1,091,610	61,254,854	1,633,944,786
2007	1,507,991,734	115,041,842	5,524,702	1,092,641	42,262,807	1,671,913,726
2008	2,845,613,076	123,677,866	5,389,338	1,116,973	42,226,210	3,018,023,463
2009	2,892,345,140	124,217,409	5,383,546	405,780	90,039,734	3,112,391,609

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
2000	0.67	2.95	0.67	1.25
2001	0.72	2.95	0.72	1.25
2002	0.72	2.95	0.72	1.25
2003	0.72	2.92	0.72	1.25
2004	0.72	2.95	0.72	1.25
2005	0.72	2.95	0.72	1.25
2006	0.72	2.95	0.72	1.25
2007	0.72	2.95	0.72	1.25
2008	0.55	2.95	0.55	1.25
2009	0.55	2.95	0.55	1.25

(1) Per \$100 of assessed value

COUNTY OF NELSON, VIRGINIA

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value		Net Bonded Debt per Capita
				Debt Service Monies Available					
2000	14,445	\$ 1,288,232,033	\$ 19,532,964	\$ -	\$ 19,532,964	1.52%	\$	1,352	
2001	14,445	1,319,350,993	18,826,445	-	18,826,445	1.43%		1,303	
2002	14,445	1,345,858,145	35,885,709	1,060,500	34,825,209	2.59%		2,411	
2003	14,445	1,549,328,067	35,255,717	1,068,699	34,187,018	2.21%		2,367	
2004	14,445	1,544,591,822	33,816,762	1,220,001	32,596,761	2.11%		2,257	
2005	14,445	1,579,965,250	32,641,021	1,236,349	31,404,672	1.99%		2,174	
2006	14,445	1,633,944,786	31,461,023	1,276,323	30,184,700	1.85%		2,090	
2007	15,161	1,671,913,726	32,668,988	1,490,684	31,178,304	1.86%		2,056	
2008	15,161	3,018,023,463	31,369,778	1,328,085	30,041,693	1.00%		1,982	
2009	15,161	3,112,391,609	29,788,245	1,301,739	28,486,506	0.92%		1,879	

(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
2000	\$ 702,876	\$ 681,095	\$ 1,383,971	\$ 31,148,230	4.44%
2001	716,519	938,906	1,655,425	28,339,174	5.84%
2002	752,650	719,253	1,471,903	35,339,970	4.16%
2003	662,650	1,060,877	1,723,527	42,048,164	4.10%
2004	662,650	878,385	1,541,035	47,297,832	3.26%
2005	1,147,650	1,739,856	2,887,506	34,350,573	8.41%
2006	1,150,000	1,549,909	2,699,909	35,738,386	7.55%
2007	1,220,000	1,494,468	2,714,468	38,342,566	7.08%
2008	1,506,583	1,554,613	3,061,196	42,632,053	7.18%
2009	1,545,000	1,479,738	3,024,738	40,313,649	7.50%

(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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nelson, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County of Nelson, Virginia's basic financial statements and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Commonwealth of Virginia, Office of the Auditor of Public Accounts; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Nelson, Virginia, in a separate letter dated December 18, 2009.

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

Robinson, Jarner, Cox Associates

Charlottesville, Virginia
December 18, 2009

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO THE BOARD OF SUPERVISORS
COUNTY OF NELSON, VIRGINIA

Compliance

We have audited the compliance of the County of Nelson, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of Nelson, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Nelson, Virginia's management. Our responsibility is to express an opinion on the County of Nelson, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Nelson, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Nelson, Virginia's compliance with those requirements.

In our opinion, the County of Nelson, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Robinson, Jarner, Cox Associates

Charlottesville, Virginia
December 18, 2009

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/Program Title	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 1,579
Temporary Assistance for Needy Families (TANF)	93.558	95,473
Refugee and Entrant Assistance - State Administered Programs	93.566	204
Low Income Home Energy Assistance	93.568	6,662
Child Care and Development Block Grant	93.575	44,374
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	30,036
Chafee Education and Training Vouchers Program (ETV)	93.599	12,424
Child Welfare Services - State Grants	93.645	561
Foster Care - Title IV-E	93.658	39,862
ARRA - Foster Care - Title IV-E	93.658	1,495
Adoption Assistance	93.659	2,639
Social Services Block Grant	93.667	41,305
Chafee Foster Care Independence Program	93.674	4,129
ARRA - Child Care and Development Block Grant	93.713	358
State Children's Insurance Program	93.767	10,554
Medical Assistance Program	93.778	85,203
		<u>376,858</u>
Total Department of Health and Human Services		\$ <u>376,858</u>
Department of Agriculture:		
Direct Payments:		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ <u>1,079,349</u>
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.555	\$ 32,809
Department of Education:		
National School Breakfast Program	10.553	109,798
National School Lunch Program	10.555	344,771
School and Roads -- Grants to the States	10.665	5,760
Department of Social Services:		
State Admin Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>132,886</u>
Total Department of Agriculture - pass-through payments		\$ <u>626,024</u>
Total Department of Agriculture		\$ <u>1,705,373</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/Program Title	Federal Catalog Number	Expenditures
Department of the Interior:		
Direct payments:		
Bureau of Land Management:		
Payments in Lieu of Taxes	15.226	\$ 63,365
Total Department of the Interior		\$ 63,365
Department of Justice:		
Direct payments:		
Public Safety Partnership and Community Policing Grant	16.710	\$ 1,273
SCAAP Grant	16.606	7,451
Total Department of Justice - direct payments		\$ 8,724
Pass Through Payments:		
Department of Criminal Justice Service:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 1,575
Total Department of Justice - pass-through		\$ 1,575
Total Department of Justice		\$ 10,299
Department of Transportation:		
Direct payments:		
State and Community Highway Safety	20.600	\$ 10,657
Pass Through Payments:		
Department of Conservation and Recreation:		
Recreational Trails Program	20.219	103,200
Total Department of Transportation		\$ 113,857
Environmental Protection Agency:		
Direct payments:		
Congressionally Mandated Projects	66.202	\$ 29,789
Total Environmental Protection Agency		\$ 29,789
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 378,880
Migrant Education State Grant Program	84.011	3,238
Special Education -- Grants to States	84.027	453,049
Career and Technical Education - Basic Grants to States	84.048	37,938
Special Education -- Preschool Grants	84.173	13,627
Safe & Drug Free Schools and Communities -- State Grants	84.186	6,785
Education Technology State Grants	84.318	3,545
Reading First State Grants	84.357	312,367
English Language Acquisition Grants	84.365	21,698
Improving Teacher Quality State Grants	84.367	117,417
Total Department of Education		\$ 1,348,544
Total Federal Assistance		\$ 3,648,085

COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Nelson, Virginia. The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - 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	\$ 697,265
Proprietary Fund:	
Piney River Water & Sewer Fund	
Capital grants	<u>1,109,138</u>
Total primary government	\$ <u>1,806,403</u>

Component Unit Public Schools:

School Operating Fund	\$ <u>1,841,682</u>
Total component unit public schools	\$ <u>1,841,682</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,648,085</u></u>
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COUNTY OF NELSON, VIRGINIA

Findings and Questioned Costs
For the Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

 Material weaknesses identified? No

 Significant deficiencies identified not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? No

 Significant deficiencies identified not considered to be material weaknesses? None reported

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>	
10.760	Water and Waste Disposal Systems for Rural Communities	\$ 1,079,349
10.553	National School Breakfast Program	109,798
10.555	National School Lunch Program	344,771
10.555	Food Distribution	32,809
84.010	Title I Grants to Local Educational Agencies	378,880

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, 2009

There were no findings reported for the year ended June 30, 2008.

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