

FINANCIAL SECTION

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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 aggregate 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, 2007, 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 an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nelson, Virginia, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008, 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 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The County of Nelson, Virginia has not presented the Management's Discussion and Analysis. The budgetary comparison information and schedule of pension funding progress 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 consist principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the pension funding progress information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Nelson, Virginia, basic financial statements. The combining fund financial statements, individual nonmajor 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 nonmajor 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
January 28, 2008

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2007

	Component Units		
	Governmental Activities	School Board	Economic Development Authority
ASSETS			
Cash and cash equivalents	\$ 16,531,063	\$ 1,664,260	\$ 161,544
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,488,974	-	-
Accounts receivable	301,524	130,205	3,371
Due from component unit	513,419	-	-
Due from other governmental units	1,626,471	592,647	-
Prepaid expenses	7,002	-	391
Deferred charges	26,830	-	-
Capital assets (net of accumulated depreciation):			
Land	377,809	851,210	63,221
Buildings and improvements	29,714,716	6,473,039	-
Machinery and equipment	316,661	1,071,951	-
Construction in progress	1,023,544	-	-
Total assets	\$ 51,928,013	\$ 10,783,312	\$ 228,527
LIABILITIES			
Accounts payable	\$ 455,553	\$ 98,583	\$ -
Accrued liabilities	-	1,278,893	-
Compensated absences	425,111	410,341	-
Amounts held for others	98,682	-	-
Accrued interest payable	601,618	-	-
Due to primary government	-	513,419	-
Deferred revenue	144,184	-	-
Long-term liabilities:			
Due within one year	2,047,878	-	-
Due in more than one year	33,073,516	-	-
Total liabilities	\$ 36,846,542	\$ 2,301,236	\$ -
NET ASSETS			
Invested in capital assets, net of related debt	\$ 257,217	\$ 8,396,200	\$ 63,221
Unrestricted (deficit)	14,824,254	85,876	165,306
Total net assets	\$ 15,081,471	\$ 8,482,076	\$ 228,527

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, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,614,998	\$ 18,644	\$ 251,622	\$ -
Judicial administration	753,367	139,835	426,899	-
Public safety	3,287,580	1,989	1,147,625	-
Public works	1,905,872	662,791	-	-
Health and welfare	2,188,578	-	1,277,784	-
Education	11,900,846	-	-	-
Parks, recreation, and cultural	523,915	61,788	23,750	140,524
Community development	1,251,149	11,829	13,931	-
Interest on long-term debt	1,499,320	-	-	-
Total primary government	\$ 24,925,625	\$ 896,876	\$ 3,141,611	\$ 140,524
COMPONENT UNITS:				
School Board	\$ 22,520,867	\$ 650,680	\$ 11,615,769	\$ 120,827
Nelson County Economic Development Authority	22,225	43,500	-	-
Total component units	\$ 22,543,092	\$ 694,180	\$ 11,615,769	\$ 120,827
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Meals taxes				
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				
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.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government	Component Units		
Governmental Activities	School Board	Economic Development Authority	
\$ (1,344,732)			
(186,633)			
(2,137,966)			
(1,243,081)			
(910,794)			
(11,900,846)			
(297,853)			
(1,225,389)			
(1,499,320)			
<u>\$ (20,746,614)</u>			
	\$ (10,133,591)	\$ -	
	-	21,275	
	<u>\$ (10,133,591)</u>	<u>\$ 21,275</u>	
\$ 13,654,498	\$ -	\$ -	
939,891	-	-	
626,395	-	-	
523,898	-	-	
233,134	-	-	
290,710	-	-	
937,420	-	-	
-	11,092,979	-	
739,478	4,578	7,955	
58,374	304,496	1,700	
2,058,042	-	-	
<u>\$ 20,061,840</u>	<u>\$ 11,402,053</u>	<u>\$ 9,655</u>	
\$ (684,774)	\$ 1,268,462	\$ 30,930	
15,766,245	7,213,614	197,597	
<u>\$ 15,081,471</u>	<u>\$ 8,482,076</u>	<u>\$ 228,527</u>	

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 At June 30, 2007

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 11,871,969	\$ 307,309	\$ 4,328,062	\$ 23,723	\$ 16,531,063
Prepaid costs	7,002	-	-	-	7,002
Receivables (net of allowance):					
Property taxes receivable, net	1,488,974	-	-	-	1,488,974
Accounts receivable	292,017	-	-	9,507	301,524
Due from component unit	513,419	-	-	-	513,419
Due from other governmental units	1,623,096	-	-	3,375	1,626,471
Total	\$ 15,796,477	\$ 307,309	\$ 4,328,062	\$ 36,605	\$ 20,468,453
Liabilities					
Accounts payable	\$ 444,123	\$ 1,000	\$ 6,937	\$ 3,493	\$ 455,553
Amounts held for others	98,682	-	-	-	98,682
Deferred revenue	1,308,536	-	-	-	1,308,536
Total liabilities	\$ 1,851,341	\$ 1,000	\$ 6,937	\$ 3,493	\$ 1,862,771
Fund balance					
Reserved for:					
Debt service	\$ -	\$ 306,309	\$ -	\$ -	\$ 306,309
Reassessment	279,089	-	-	-	279,089
Ryan School Reserve	36,000	-	-	-	36,000
School construction	-	-	4,310,423	-	4,310,423
Solid waste project	2,460,000	-	-	-	2,460,000
Water and sewer project	-	-	10,702	-	10,702
Subsequent year's expenditures:					
Special Revenue Funds	-	-	-	33,112	33,112
Unreserved/undesignated	11,170,047	-	-	-	11,170,047
Total fund balances	\$ 13,945,136	\$ 306,309	\$ 4,321,125	\$ 33,112	\$ 18,605,682
Total	\$ 15,796,477	\$ 307,309	\$ 4,328,062	\$ 36,605	\$ 20,468,453

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
 June 30, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	18,605,682	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	377,809	
Construction in progress		1,023,544	
Buildings and improvements, net of depreciation		2,453,679	
Equipment, net of depreciation		316,661	
School Board capital assets, net of depreciation		<u>27,261,037</u>	31,432,730
Deferred loan costs are not financial resources and, therefore, are not reported in funds.			
			26,830
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
			1,164,352
Compensated absences are not payable with current assets and accordingly are not reported as fund liabilities.			
			(425,111)
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	\$	(601,618)	
Bonds, notes and capital leases payable		(33,011,699)	
Bond premiums		(692,269)	
Early retirement incentive obligation		(533,988)	
Accrued landfill remediation costs		<u>(883,438)</u>	<u>(35,723,012)</u>
Net assets of governmental activities	\$		<u>15,081,471</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2007

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 13,360,735	\$ -	\$ -	\$ -	\$ 13,360,735
Other local taxes	3,551,448	-	-	-	3,551,448
Permits, privilege fees, and regulatory licenses	322,328	-	-	-	322,328
Fines and forfeitures	75,834	-	-	-	75,834
Revenue from the use of money and property	404,653	-	334,825	-	739,478
Charges for services	433,423	-	-	65,291	498,714
Miscellaneous	58,374	-	-	-	58,374
Recovered costs	169,271	-	-	-	169,271
Intergovernmental revenues:					
Revenue from the Commonwealth	4,536,126	-	-	-	4,536,126
Revenue from the Federal Government	795,676	-	-	8,375	804,051
Total revenues	\$ 23,707,868	\$ -	\$ 334,825	\$ 73,666	\$ 24,116,359
Expenditures					
Current:					
General government administration	\$ 1,489,087	\$ -	\$ -	\$ -	\$ 1,489,087
Judicial administration	747,594	-	-	-	747,594
Public safety	3,319,272	-	-	-	3,319,272
Public works	1,832,305	-	-	53,740	1,886,045
Health and welfare	2,174,308	-	-	-	2,174,308
Education	9,749,988	-	-	-	9,749,988
Parks, recreation, and cultural	481,057	-	-	-	481,057
Community development	1,259,750	-	-	10,875	1,270,625
Capital projects	546,025	-	410,386	-	956,411
Debt service:					
Principal retirement	-	1,805,026	-	-	1,805,026
Interest and other fiscal charges	-	1,578,554	-	-	1,578,554
Total expenditures	\$ 21,599,386	\$ 3,383,580	\$ 410,386	\$ 64,615	\$ 25,457,967
Excess (deficiency) of revenues over (under) expenditures	\$ 2,108,482	\$ (3,383,580)	\$ (75,561)	\$ 9,051	\$ (1,341,608)
Other financing sources (uses)					
Transfers in	\$ -	\$ 3,542,608	\$ -	\$ -	\$ 3,542,608
Transfers out	(2,934,254)	-	(608,354)	-	(3,542,608)
Issuance of general obligation bonds	2,460,000	-	-	-	2,460,000
Capital leases	357,081	-	-	-	357,081
Bond premium	69,413	-	-	-	69,413
Loan costs	(27,021)	-	-	-	(27,021)
Total other financing sources (uses)	\$ (74,781)	\$ 3,542,608	\$ (608,354)	\$ -	\$ 2,859,473
Net change in fund balances	\$ 2,033,701	\$ 159,028	\$ (683,915)	\$ 9,051	\$ 1,517,865
Fund balance, beginning of year	\$ 11,911,435	\$ 147,281	\$ 5,005,040	\$ 24,061	\$ 17,087,817
Fund balance, end of year	\$ 13,945,136	\$ 306,309	\$ 4,321,125	\$ 33,112	\$ 18,605,682

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, 2007

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ 1,517,865

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	\$	684,556	
Depreciation expense		(1,164,162)	
Adjustment for jointly owned capital assets		(1,094,312)	(1,573,918)

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 by which loan costs exceeded amortization in the current period. 26,830

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 293,763

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

Debt issued:			
Capital lease proceeds	\$	(357,081)	
Infrastructure revenue bonds		(2,460,000)	
Bond premium received		(69,413)	
Decrease in landfill liability		49,212	
Repayments:			
General obligation school bonds		830,000	
Plus: Amortization of issuance premium		66,499	
Lease revenue bonds		140,000	
State Literary Fund loans		250,000	
Capital leases		552,991	
Early retirement incentive obligation		32,035	
Net adjustment			(965,757)

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	\$	3,708	
Accrued interest on bonds and loans		12,735	16,443

Change in net assets of governmental activities \$ (684,774)

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

Statement of Fiduciary Net Assets
At June 30, 2007

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>103,052</u>
Total assets	\$ <u><u>103,052</u></u>
Liabilities:	
Amounts held for others	\$ <u>103,052</u>
Total liabilities	\$ <u><u>103,052</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, 2007

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, human service programs, planning, 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. 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.

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 2007 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

A. Reporting Entity (Continued)

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 \$221,776 for operations to the Jefferson-Madison Regional Library, \$68,607 to the Region Ten Community Services Board, \$16,435 to the Thomas Jefferson Planning District Commission, \$306,529 to the Albemarle-Charlottesville Regional Jail Authority, and \$83,855 to the Jefferson Area Board for Aging.

B. 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. The County has no business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* 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.

C. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

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

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 2007.

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.
- b. Debt Service Fund: The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The Debt Service Fund is considered a major fund for financial reporting purposes.
- c. Special Revenue Funds: Special Revenue Funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. Special Revenue Funds consist of the Housing Improvement Fund, the Piney River Water/Sewer 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. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

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

2. Fiduciary Funds (Trust and Agency Funds): (Continued)

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.

3. 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.

D. Deposits and investments

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

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

E. 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. Effective with the 1997 tax year, 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.

F. 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.
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 budget data presented in the accompanying financial statements is the original budget as of June 30, 2007, as adopted, appropriated and legally amended.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

F. Budgets and Budgetary Accounting (Continued)

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 or \$500,000, whichever is less. There was no budget amendment during the year that exceeded the 1% or \$500,000 limitations. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

G. 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 \$247,633 at June 30, 2007. The allowance is comprised of property taxes and sewer charges.

H. 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.

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

I. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

J. 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.

K. 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.

L. 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.

M. 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.

N. Loan costs

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

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. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Statutes authorize the County 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).

Custodial Credit Risk (Investments)

The County’s investments at June 30, 2007 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, 2007 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	\$ 1,474,363
Local Government Investment Pool	4,278,283
Virginia State Non-arbitrage Pool	2,655,563
Repurchase Agreements - Underlying: U.S. Agency Securities	8,598,390
Total	\$ 17,006,599
Component Units	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 8,220

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1 Year
U.S. Agencies	\$ 8,598,390	\$ 8,598,390
Total	\$ 8,598,390	\$ 8,598,390

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool 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, 2007 consist of the following:

	Primary Government			Component Units	
	General Fund	Special Revenue	Total	School Board	Economic Development Authority
Property taxes	\$ 1,734,131	-	\$ 1,734,131	\$ -	\$ -
Utility taxes	36,832	-	36,832	-	-
Recordation taxes	25,274	-	25,274	-	-
Lodging fees	24,104	-	24,104	-	-
Meals taxes	45,808	-	45,808	-	-
Communications sales and use tax	82,340	-	82,340	-	-
Landfill fees	38,837	-	38,837	-	-
Insurance recovery	-	-	-	116,733	-
Other	38,822	11,983	50,805	13,472	3,371
Total receivables	\$ 2,026,148	\$ 11,983	\$ 2,038,131	\$ 130,205	\$ 3,371
Allowance for uncollectibles	(245,157)	(2,476)	(247,633)	-	-
Net receivables	\$ 1,780,991	\$ 9,507	\$ 1,790,498	\$ 130,205	\$ 3,371

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Component Unit
	General Fund	Special Revenue	Total	School Board
Commonwealth of Virginia:				
Local sales taxes	\$ 164,828	\$ -	\$ 164,828	\$ 348,150
Personal property tax relief act	734,930	-	734,930	-
Comprehensive Services Act	210,996	-	210,996	-
Public assistance	28,672	-	28,672	-
Rolling stock tax	79,883	-	79,883	-
Shared expenses and grants	119,283	-	119,283	-
Other	74,533	-	74,533	-
Federal government:				
Public assistance	41,796	-	41,796	-
Sheriff's grant	27,651	-	27,651	-
CDBG	-	3,375	3,375	-
TEA-21 grant	140,524	-	140,524	-
Federal pass-through school funds	-	-	-	244,497
Total	\$ 1,623,096	\$ 3,375	\$ 1,626,471	\$ 592,647

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	\$ 2,934,254
Net transfers from General Fund	\$ 2,934,254
Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ 608,354
Net transfers from the Capital Projects Fund	\$ 608,354

The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2007.

Governmental Activities:

	Balance July 1, 2006	Increases	Decreases	Adjust- ments	Balance June 30, 2007
Capital assets not being depreciated:					
Land and land improvements	\$ 327,808	\$ 50,001	\$ -	\$ -	\$ 377,809
Construction in progress	619,242	404,302	-	-	1,023,544
Total capital assets not being depreciated	<u>\$ 947,050</u>	<u>\$ 454,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,401,353</u>
Other capital assets:					
Buildings and improvements	\$ 3,703,211	\$ 80,871	\$ (100,000)	\$ 125,584	\$ 3,809,666
School buildings, improvements and equipment *	31,882,539	357,081	-	(1,709,695)	30,529,925
Furniture, equipment and vehicles	1,807,033	149,382	(84,408)	(125,584)	1,746,423
Total other capital assets	<u>\$ 37,392,783</u>	<u>\$ 587,334</u>	<u>\$ (184,408)</u>	<u>\$ (1,709,695)</u>	<u>\$ 36,086,014</u>
Less: Accumulated depreciation for:					
Buildings and improvements	\$ 1,262,660	\$ 193,327	\$ (100,000)	\$ -	\$ 1,355,987
School buildings, improvements and equipment *	2,728,163	799,027	-	(258,302)	3,268,888
Furniture, equipment and vehicles	1,342,362	171,808	(84,408)	-	1,429,762
Total accumulated depreciation	<u>\$ 5,333,185</u>	<u>\$ 1,164,162</u>	<u>\$ (184,408)</u>	<u>\$ (258,302)</u>	<u>\$ 6,054,637</u>
Other capital assets, net	<u>\$ 32,059,598</u>	<u>\$ (576,828)</u>	<u>\$ -</u>	<u>\$ (1,451,393)</u>	<u>\$ 30,031,377</u>
Net capital assets	<u>\$ 33,006,648</u>	<u>\$ (122,525)</u>	<u>\$ -</u>	<u>\$ (1,451,393)</u>	<u>\$ 31,432,730</u>
Depreciation expense was allocated as follows:					
General government administration		\$ 63,430			
Judicial administration		-			
Public safety		90,917			
Public works		96,121			
Health and welfare		22,018			
Education		799,027			
Parks, recreation and cultural		80,389			
Community development		12,260			
Total depreciation expense		<u>\$ 1,164,162</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, 2007 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2006	Increases	Decreases	Adjust- ments	Balance June 30, 2007
Capital assets not being depreciated:					
Land and land improvements	\$ 851,210	\$ -	\$ -	\$ -	\$ 851,210
Total capital assets not being depreciated	<u>\$ 851,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,210</u>
Other capital assets:					
Buildings and improvements	\$ 42,732,841	\$ 257,519	\$ -	\$ -	\$ 42,990,360
School buildings, improvements and equipment allocated to County *	(31,882,539)	(357,081)	-	1,709,695	(30,529,925)
Furniture, equipment and vehicles	3,038,356	452,445	-	-	3,490,801
Total other capital assets	<u>\$ 13,888,658</u>	<u>\$ 352,883</u>	<u>\$ -</u>	<u>\$ 1,709,695</u>	<u>\$ 15,951,236</u>
Less: Accumulated depreciation for:					
Buildings and improvements	\$ 8,429,254	\$ 827,030	\$ -	\$ -	\$ 9,256,284
School buildings, improvements and equipment allocated to County *	(2,728,163)	(799,027)	-	258,302	(3,268,888)
Furniture, equipment and vehicles	1,853,057	565,793	-	-	2,418,850
Total accumulated depreciation	<u>\$ 7,554,148</u>	<u>\$ 593,796</u>	<u>\$ -</u>	<u>\$ 258,302</u>	<u>\$ 8,406,246</u>
Other capital assets, net	<u>\$ 6,334,510</u>	<u>\$ (240,913)</u>	<u>\$ -</u>	<u>\$ 1,451,393</u>	<u>\$ 7,544,990</u>
Net capital assets	<u><u>\$ 7,185,720</u></u>	<u><u>\$ (240,913)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,451,393</u></u>	<u><u>\$ 8,396,200</u></u>
Depreciation expense allocated to education		<u><u>\$ 593,796</u></u>			

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

Reconciliation of primary government net assets invested in capital assets, net of related debt:

Net capital assets	\$ 31,432,730
Less: Long-term debt applicable to capital assets at June 30, 2007	\$ 33,703,968
Less: Bond proceeds and related premium received but not expended on capital assets at June 30, 2007	<u>2,528,455</u> <u>31,175,513</u>
Net assets invested in capital assets, less related debt	<u><u>\$ 257,217</u></u>

The Economic Development Authority's capital assets consist of land. There were no changes in capital assets during the current fiscal year.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (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, 2007.

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retirements & Other Reductions</u>	<u>Balance June 30, 2007</u>
Lease revenue school bonds	\$ 11,975,000	\$ -	\$ 140,000	\$ 11,835,000
General obligation bonds:				
School	15,670,000	-	830,000	14,840,000
Premium on issuance	689,355	-	65,541	623,814
State Literary Fund loans:				
School	3,250,000	-	250,000	3,000,000
Virginia Resource Authority Infrastructure Revenue bonds:				
General	-	2,460,000	-	2,460,000
Premium on issuance	-	69,413	958	68,455
Capital leases	1,072,609	357,081	552,991	876,699
Retirement incentive obligation loan	566,023	-	32,035	533,988
Landfill liability	932,650	24,898	74,110	883,438
Total	<u>\$ 34,155,637</u>	<u>\$ 2,911,392</u>	<u>\$ 1,945,635</u>	<u>\$ 35,121,394</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 2,047,878
Long-term liabilities due in more than one year				<u>33,073,516</u>
Total				<u>\$ 35,121,394</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>
2008	\$ 1,299,210	\$ 1,567,434
2009	1,581,533	1,508,530
2010	1,644,014	1,430,782
2011	1,661,663	1,351,509
2012	1,764,492	1,269,251
2013-2017	8,792,090	5,093,552
2018-2022	7,680,986	3,033,428
2023-2027	6,275,000	1,140,067
2028-2039	1,970,000	99,750
Total	<u>\$ 32,668,988</u>	<u>\$ 16,494,303</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
<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%	\$ 130,000	\$ 45,000
\$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%	365,000	75,000
\$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%	1,120,000	220,000
\$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%	270,000	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%	12,955,000	490,000
Unamortized premium on issuance of 2003 School Bonds	<u>623,814</u>	<u>63,171</u>
Total general obligation school bonds	<u>\$ 15,463,814</u>	<u>\$ 933,171</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>\$ 11,835,000</u>	<u>\$ 145,000</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>\$ 3,000,000</u>	<u>\$ 250,000</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
<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%.	\$ 2,460,000	\$ -
 Unamortized premium	<u>68,455</u>	<u>12,952</u>
 Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 2,528,455</u>	<u>\$ 12,952</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, 2007 was:	 <u>\$ 533,988</u>	 <u>34,210</u>
 Total governmental long-term obligations	 <u><u>\$ 33,361,257</u></u>	 <u><u>\$ 1,375,333</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

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:

Social services office facilities	\$	272,054
General government equipment		61,520
School buses		1,124,503
School energy equipment		2,081,638
Total assets	\$	3,539,715
Less accumulated depreciation		(804,269)
Total	\$	<u>2,735,446</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30,</u>		<u>Governmental Activities</u>
2008	\$	515,806
2009		198,215
2010		151,315
2011		78,628
		<u>943,964</u>
Total minimum lease payments	\$	943,964
Less: amount representing interest		<u>(67,265)</u>
Present value of minimum lease payments	\$	<u>876,699</u>

Federal Arbitrage Regulations:

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

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 8—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

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

The County's policy is to pay accrued vacation and compensatory time upon termination. Vacation time earned is limited to a maximum of 24 to 48 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 an uncapped number of 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 tax 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.

	<u>Balance July 1, 2006</u>	<u>Net Increase/ (Decrease)</u>	<u>Balance June 30, 2007</u>
Primary Government:			
Governmental activities	\$ 428,819	\$ (3,708)	\$ 425,111
Component Unit School Board	\$ 367,209	\$ 43,132	\$ 410,341

NOTE 9—DEFINED BENEFIT PENSION PLAN:

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

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 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters 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 State Legislature. Actuarial valuations are performed on an annual basis.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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 obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employee contribution rates for the fiscal year ended 2007 were 9.37% and 9.69% of annual covered payroll, respectively.

The School Board's contribution rate for the VRS statewide cost sharing pool for its professional employees averaged 9.2%

Annual Pension Cost:

For fiscal 2007, the County's annual pension cost of \$295,157 (does not include the employee share assumed by the County which was \$157,501) was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

In fiscal 2007, the County School Board's annual pension cost for the Board's non-professional employees was \$148,352 (does not include the employee share assumed by the Board which was \$76,549) which was equal to the Board's required and actual contributions. The required contributions were determined as a part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions are as follows:

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	21 years	21 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return (1)	7.50%	7.50%
Projected salary increases: (1)		
Non-LEO	3.50% to 5.73%	3.50% to 5.73%
LEO employees	3.50% to 4.71%	3.50% to 4.71%
Cost-of-living adjustments	2.5%	2.5%

(1) Includes inflation at 2.5%

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Annual Pension Cost: (Continued)

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2005	\$ 243,245	100%	-
June 30, 2006	249,431	100%	-
June 30, 2007	295,157	100%	-
School Board Non-Professional:			
June 30, 2005	\$ 105,155	100%	-
June 30, 2006	108,427	100%	-
June 30, 2007	148,352	100%	-

(1) Employer portion only

NOTE 10—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, 2007.

NOTE 11—DEFERRED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred property tax revenue:		
Deferred revenue represents uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,164,352
Deferred revenue representing prepaid taxes. Prepaid taxes collected are available for the funding of current expenditures.	144,184	144,184
Total primary government	<u>\$ 144,184</u>	<u>\$ 1,308,536</u>

The Component Unit School Board had no deferred revenue.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 12—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 Piney River Project, Phase III, has been approved by the Board of Supervisors, subject to certain funding requirements. This project consists of water and sewer improvements for the Piney River section of the County. The financing of this project is comprised of Rural Development loans and grants totaling \$4,039,000, STAG funds of \$1,038,900, and other funding of \$174,000. In November 2007, the County entered into a \$4,502,469 construction contract for the project and financing was obtained in the amount of \$1,175,000 from Rural Development. Construction on the project is anticipated to be complete in December 2008.

The County has been advised by the Judge of the Circuit Court that the County's courthouse facilities must be updated. The County anticipates issuing debt in the range of \$10,000,000 to \$12,500,000 to finance the construction of a Government Center. The court facility will house the General District Court, Juvenile and Domestic Relations Court, Sheriff's Department, and an Emergency Communications Center. Construction is anticipated to begin by the summer of 2008 and be completed by December 2009. Renovations to the existing Circuit Court facilities will be addressed in future years.

The County has entered into a contract in the amount of \$328,000 for architectural services for the concept and schematic phases of the courthouse construction. At June 30, 2007, there was an open commitment of approximately \$157,000 under the contract.

In August 2007, the County entered into a \$644,000 contract for construction of Phase II of the Blue Ridge Railway Trail. Funding for the project will be provided by the Federal Transportation Enhancement Program. Completion of Phase II is anticipated by December 2008.

In October 2007, the County entered into construction contracts for two residential solid waste convenience centers. Completion of the construction of the two sites is anticipated no later than February 2008.

During fiscal 2007, the County entered into a contract with an appraisal firm to conduct tax reassessment of real estate within the County. The value of the contract is estimated to be \$350,000 of which substantially no costs were incurred during fiscal 2007.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 12—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Primary Government and Component Unit School Board: (Continued)

In fiscal 2007, the School Board entered into a construction contract in the amount of \$558,750 for certain improvements of school facilities. At June 30, 2007, there was an open commitment of \$336,889 under the contract.

Operating Leases:

The County is leasing space in the Nelson Center. The lease agreements which have terms of more than one year have clauses for rental increases based on the Consumer Price Index. The estimated amounts due for noncancellable operating lease agreements are as follows:

2008	\$	62,153
2009		<u>62,153</u>
Total	\$	<u><u>124,306</u></u>

Total rent expenditures were \$80,013.

NOTE 13—LITIGATION:

The Nelson County School Board is a defendant in a lawsuit with an ad damnum of \$12,450,000 in compensatory and punitive damages. The plaintiff's most recent demand in the case is \$180,000. Management believes that any settlement related to the case will be inconsequential to the financial position of the School Board. It is anticipated that any settlement will be paid by the School Board's liability insurance carrier.

At June 30, 2007 there were no other 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, 2007 (Continued)

NOTE 14—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
Gary Brantley, 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	
Harry S. Harris, Supervisor	1,000
Thomas H. Bruguire, 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

NOTE 15—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; error 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 and liability coverages are \$10,000,000 and \$4,000,000, respectively.

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, 2007 (Continued)

NOTE 15—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 16—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 \$883,438 as of June 30, 2007. This cost may be revised in the future depending on changes in regulations and applicable environmental laws.

NOTE 17—RELATED PARTY TRANSACTIONS:

The County had certain transactions with the Nelson County Service Authority during fiscal year 2007. 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.

During the year ended June 30, 2007, the County paid legal expenses in the amount of \$78,617 on behalf of a member of the Board of Supervisors. The costs were incurred in connection with a criminal investigation of a Board member arising from a complaint alleging a conflict of interest in the discharge of his official duties. Following the investigation, no charges were brought.

NOTE 18—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 \$15,500 in 2007. Eligible employees age 50 and over may defer up to \$20,500 in 2007. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

NOTE 19—RESTATEMENT OF OPENING NET ASSETS:

A prior period adjustment was recorded for the year ended June 30, 2007 to properly reflect a previously unrecorded bank account. The effect on opening net assets is as follows:

	<u>Primary Government</u>
Net assets at June 30, 2006	\$ 15,748,245
Adjustment for: Unrecorded bank account established in fiscal year 2006	<u>18,000</u>
Net assets, restated as of July 1, 2006 (Exhibit 2)	<u>\$ 15,766,245</u>
	<u>Primary Government</u>
Fund balance at June 30, 2006	\$ 17,069,817
Adjustment for: Unrecorded bank account established in fiscal year 2006	<u>18,000</u>
Fund balance at July 1, 2006 (Exhibit 5)	<u>\$ 17,087,817</u>

NOTE 20—SUBSEQUENT EVENTS:

In November, 2007 the County obtained a \$1,175,000 loan from Rural Development to partially finance the Piney River III Water and Sewer project. See Note 12 for further discussion.

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 13,108,857	\$ 13,108,857	\$ 13,360,735	\$ 251,878
Other local taxes	3,756,612	3,847,777	3,551,448	(296,329)
Permits, privilege fees, and regulatory licenses	477,568	477,568	322,328	(155,240)
Fines and forfeitures	125,000	125,000	75,834	(49,166)
Revenue from the use of money and property	242,980	242,980	404,653	161,673
Charges for services	456,903	474,943	433,423	(41,520)
Miscellaneous	30,750	35,380	58,374	22,994
Recovered costs	503,084	503,084	169,271	(333,813)
Intergovernmental revenues:				
Local government	-	-	-	-
Commonwealth	4,550,038	4,682,738	4,536,126	(146,612)
Federal	1,095,661	1,164,247	795,676	(368,571)
Total revenues	\$ 24,347,453	\$ 24,662,574	\$ 23,707,868	\$ (954,706)
EXPENDITURES				
Current:				
General government administration	\$ 1,739,532	\$ 1,760,772	\$ 1,489,087	\$ 271,685
Judicial administration	638,561	788,400	747,594	40,806
Public safety	3,630,722	3,922,450	3,319,272	603,178
Public works	2,023,850	2,012,220	1,832,305	179,915
Health and welfare	2,148,229	2,148,229	2,174,308	(26,079)
Education	9,427,133	9,427,133	9,749,988	(322,855)
Parks, recreation, and cultural	1,243,525	1,251,229	481,057	770,172
Community development	1,229,327	1,340,679	1,259,750	80,929
Capital projects	1,231,613	1,576,443	546,025	1,030,418
Total expenditures	\$ 23,312,492	\$ 24,227,555	\$ 21,599,386	\$ 2,628,169
Excess (deficiency) of revenues over (under) expenditures	\$ 1,034,961	\$ 435,019	\$ 2,108,482	\$ 1,673,463
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,944,254)	\$ (2,944,254)	\$ (2,934,254)	\$ 10,000
Long-term debt issued	-	250,000	2,460,000	2,210,000
Capital lease proceeds	-	-	357,081	357,081
Bond premium	-	-	69,413	69,413
Loan costs	-	-	(27,021)	(27,021)
Total other financing sources and uses	\$ (2,944,254)	\$ (2,694,254)	\$ (74,781)	\$ 2,619,473
Net change in fund balances	\$ (1,909,293)	\$ (2,259,235)	\$ 2,033,701	\$ 4,292,936
Fund balances - beginning	1,909,293	2,259,235	11,911,435	9,652,200
Fund balances - ending	\$ -	\$ -	\$ 13,945,136	\$ 13,945,136

Debt Service Fund

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt service:				
Principal retirement	\$ 1,820,707	\$ 1,820,707	\$ 1,805,026	\$ 15,681
Interest and other fiscal charges	1,721,901	1,721,901	1,578,554	143,347
Total expenditures	<u>\$ 3,542,608</u>	<u>\$ 3,542,608</u>	<u>\$ 3,383,580</u>	<u>\$ 159,028</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,542,608)</u>	<u>\$ (3,542,608)</u>	<u>\$ (3,383,580)</u>	<u>\$ 159,028</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 3,542,608</u>	<u>\$ 3,542,608</u>	<u>\$ 3,542,608</u>	<u>\$ -</u>
Total other financing sources and uses	<u>\$ 3,542,608</u>	<u>\$ 3,542,608</u>	<u>\$ 3,542,608</u>	<u>\$ -</u>
Net change in fund balances	-	-	159,028	159,028
Fund balances - beginning	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,281</u>	<u>\$ 147,281</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,309</u></u>	<u><u>\$ 306,309</u></u>

Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 158,917	\$ 158,917	\$ 334,825	\$ 175,908
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Federal	<u>3,742,960</u>	<u>3,742,960</u>	<u>-</u>	<u>(3,742,960)</u>
Total revenues	<u>\$ 3,901,877</u>	<u>\$ 3,901,877</u>	<u>\$ 334,825</u>	<u>\$ (3,567,052)</u>
EXPENDITURES				
Current:				
Capital projects	<u>\$ 5,318,329</u>	<u>\$ 5,332,959</u>	<u>\$ 410,386</u>	<u>\$ 4,922,573</u>
Total expenditures	<u>\$ 5,318,329</u>	<u>\$ 5,332,959</u>	<u>\$ 410,386</u>	<u>\$ 4,922,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,416,452)</u>	<u>\$ (1,431,082)</u>	<u>\$ (75,561)</u>	<u>\$ 1,355,521</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(608,354)	(608,354)	(608,354)	-
Proceeds of Rural Development loan	<u>1,723,162</u>	<u>1,737,792</u>	<u>-</u>	<u>(1,737,792)</u>
Total other financing sources and uses	<u>\$ 1,114,808</u>	<u>\$ 1,129,438</u>	<u>\$ (608,354)</u>	<u>\$ (1,737,792)</u>
Net change in fund balances	\$ (301,644)	\$ (301,644)	\$ (683,915)	\$ (382,271)
Fund balances - beginning	<u>301,644</u>	<u>301,644</u>	<u>5,005,040</u>	<u>4,703,396</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,321,125</u>	<u>\$ 4,321,125</u>

Schedule of Pension Funding Progress
As of June 30, 2007

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
County:						
June 30, 2004	\$ 8,726,207	\$ 9,738,845	\$ 1,012,638	89.60%	\$ 2,675,205	37.85%
June 30, 2005	9,117,143	11,468,382	2,351,239	79.50%	2,907,237	80.88%
June 30, 2006	9,722,624	11,564,604	1,841,980	84.07%	2,984,633	61.72%

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, 2004	\$ 3,129,511	\$ 3,646,632	\$ 517,121	85.82%	\$ 1,316,236	39.29%
June 30, 2005	3,255,477	4,226,392	970,915	77.03%	1,373,507	70.69%
June 30, 2006	3,500,859	4,187,036	686,177	83.61%	1,492,164	45.99%

Other Supplementary Information

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Combining and Individual Fund Statements and Schedules

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2007

	Piney River Water/Sewer Fund	Housing Improvement Fund	Street Light Fund	Total
Assets				
Cash and cash equivalents	\$ 11,228	\$ 50	\$ 12,445	\$ 23,723
Accounts receivable	9,507	-	-	9,507
Due from other governments	-	3,375	-	3,375
Total	\$ 20,735	\$ 3,425	\$ 12,445	\$ 36,605
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 11	\$ 3,375	\$ 107	\$ 3,493
Fund Balance				
Designated:				
Subsequent year's expenditures	\$ 20,724	\$ 50	\$ 12,338	\$ 33,112
Total fund balance	\$ 20,724	\$ 50	\$ 12,338	\$ 33,112
Total	\$ 20,735	\$ 3,425	\$ 12,445	\$ 36,605

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2007

	Piney River Water/Sewer Fund	Housing Improvement Fund	Street Light Fund	Total
Revenues				
Charges for services	\$ 53,240	\$ -	\$ 12,051	\$ 65,291
Intergovernmental revenues:				
Federal	-	8,375	-	8,375
Total revenues	\$ 53,240	\$ 8,375	\$ 12,051	\$ 73,666
Expenditures				
Current:				
Public works	\$ 45,244	\$ -	\$ 8,496	\$ 53,740
Community development	-	10,875	-	10,875
Total expenditures	\$ 45,244	\$ 10,875	\$ 8,496	\$ 64,615
Excess (deficiency) of revenues over (under) expenditures	\$ 7,996	\$ (2,500)	\$ 3,555	\$ 9,051
Net change in fund balances	\$ 7,996	\$ (2,500)	\$ 3,555	\$ 9,051
Fund balances - beginning	12,728	2,550	8,783	24,061
Fund balances - ending	\$ 20,724	\$ 50	\$ 12,338	\$ 33,112

COUNTY OF NELSON, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2007

	Piney River Water/Sewer Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 23,000	\$ 36,788	\$ 53,240	\$ 16,452
Intergovernmental revenues:				
Federal	-	-	-	-
Total revenues	\$ 23,000	\$ 36,788	\$ 53,240	\$ 16,452
EXPENDITURES				
Current:				
Public works	\$ 33,000	\$ 46,788	\$ 45,244	\$ 1,544
Community development	-	-	-	-
Total expenditures	\$ 33,000	\$ 46,788	\$ 45,244	\$ 1,544
Excess (deficiency) of revenues over (under) expenditures	\$ (10,000)	\$ (10,000)	\$ 7,996	\$ 17,996
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Total other financing sources and uses	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Net change in fund balances	\$ -	\$ -	\$ 7,996	\$ 7,996
Fund balances - beginning	-	-	12,728	12,728
Fund balances - ending	\$ -	\$ -	\$ 20,724	\$ 20,724

Housing Improvement Fund				Street Lights Fund			
Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 8,140	\$ 8,140	\$ 12,051	\$ 3,911
5,000	32,500	8,375	(24,125)	-	-	-	-
<u>\$ 5,000</u>	<u>\$ 32,500</u>	<u>\$ 8,375</u>	<u>\$ (24,125)</u>	<u>\$ 8,140</u>	<u>\$ 8,140</u>	<u>\$ 12,051</u>	<u>\$ 3,911</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,140	\$ 8,140	\$ 8,496	\$ (356)
5,000	32,500	10,875	21,625	-	-	-	-
<u>\$ 5,000</u>	<u>\$ 32,500</u>	<u>\$ 10,875</u>	<u>\$ 21,625</u>	<u>\$ 8,140</u>	<u>\$ 8,140</u>	<u>\$ 8,496</u>	<u>\$ (356)</u>
\$ -	\$ -	\$ (2,500)	\$ (2,500)	\$ -	\$ -	\$ 3,555	\$ 3,555
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ (2,500)	\$ (2,500)	\$ -	\$ -	\$ 3,555	\$ 3,555
-	-	2,550	2,550	-	-	8,783	8,783
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,338</u>	<u>\$ 12,338</u>

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 At June 30, 2007

	Agency Funds		Total
	Special Welfare	EMS Loan Fund	
Assets			
Cash and cash equivalents	\$ 81,279	\$ 21,773	\$ 103,052
Total assets	<u>\$ 81,279</u>	<u>\$ 21,773</u>	<u>\$ 103,052</u>
Liabilities			
Amounts held for others	\$ 81,279	\$ 21,773	\$ 103,052
Total liabilities	<u>\$ 81,279</u>	<u>\$ 21,773</u>	<u>\$ 103,052</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2007

	<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	\$ 66,814	\$ 19,919	\$ 5,454	\$ 81,279
Liabilities				
Amounts held for others	\$ 66,814	\$ 19,919	\$ 5,454	\$ 81,279
EMS Loan Fund				
Assets				
Cash and cash equivalents	\$ 86,114	\$ 135,659	\$ 200,000	\$ 21,773
Liabilities				
Amounts held for others	\$ 86,114	\$ 135,659	\$ 200,000	\$ 21,773
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 152,928	\$ 155,578	\$ 205,454	\$ 103,052
Liabilities				
Amounts held for others	\$ 152,928	\$ 155,578	\$ 205,454	\$ 103,052

Component Unit School Board
 Balance Sheet
 At June 30, 2007

	<u>School Fund</u>
Assets	
Cash and cash equivalents	\$ 1,664,260
Accounts receivable	13,472
Due from other governments	<u>592,647</u>
Total	<u>\$ 2,270,379</u>
Liabilities	
Accounts payable	\$ 98,583
Accrued liabilities	1,278,893
Due to primary government	<u>513,419</u>
Total liabilities	<u>\$ 1,890,895</u>
Fund balance	
Unreserved:	
Designated:	
Subsequent year's expenditures	<u>\$ 379,484</u>
Total fund balances	<u>\$ 379,484</u>
Total	<u>\$ 2,270,379</u>

Component Unit School Board

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

At June 30, 2007

Total fund balance for governmental fund (Exhibit 17) \$ 379,484

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	\$	851,210	
Buildings and improvements, net of depreciation		33,734,076	
Equipment, net of depreciation		1,071,951	
School Board capital assets in primary government, net of depreciation		<u>(27,261,037)</u>	8,396,200

A receivable for an insurance recovery that will offset the loss related to the early retirement of a capital asset was not recorded in the fund. 116,733

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.

Balances of long-term liabilities affecting net assets are compensated absences. (410,341)

Total net assets of governmental activities (Exhibit 1) \$ 8,482,076

Component Unit School Board
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Fund
 Year Ended June 30, 2007

	<u>School Fund</u>
Revenues	
Revenue from the use of money and property	\$ 4,578
Charges for services	650,680
Miscellaneous	304,496
Recovered costs	289,363
Intergovernmental revenues:	
Appropriations from primary government	9,741,148
Commonwealth	9,862,433
Federal	<u>1,874,163</u>
Total revenues	<u>\$ 22,726,861</u>
 EXPENDITURES	
Current:	
Education	
Instruction	\$ 15,413,471
Administration, attendance and health	1,468,007
Transportation	2,297,333
Facilities operations	2,496,504
School food services	<u>913,270</u>
Total expenditures	<u>\$ 22,625,747</u>
 Excess (deficiency) of revenues over (under) expenditures	 \$ 101,114
 Fund balance, beginning of year	 <u>278,370</u>
Fund balance, end of year	<u><u>\$ 379,484</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
 Year Ended June 30, 2007

Net change in fund balance - total governmental fund (Exhibit 19) \$ 101,114

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	\$	709,964	
Depreciation expense		(593,796)	
Adjustment for jointly owned capital assets		1,094,312	1,210,480

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		(43,132)	
Change in net assets of governmental activities (Exhibit 2)	\$	1,268,462	

Component Unit School Board
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2007

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 4,578	\$ 4,578
Charges for services	622,839	655,944	650,680	(5,264)
Miscellaneous	282,245	280,682	304,496	23,814
Recovered costs	145,000	289,363	289,363	-
Intergovernmental revenues:				
Local government	9,418,293	9,418,293	9,741,148	322,855
Commonwealth	9,839,056	9,875,453	9,862,433	(13,020)
Federal	1,665,360	1,988,172	1,874,163	(114,009)
Total revenues	<u>\$ 21,972,793</u>	<u>\$ 22,507,907</u>	<u>\$ 22,726,861</u>	<u>\$ 218,954</u>
EXPENDITURES				
Current:				
Education				
Instruction	\$ 15,298,435	\$ 15,619,538	\$ 15,413,471	\$ 206,067
Administration, attendance and health	1,426,274	1,474,142	1,468,007	6,135
Transportation	1,799,935	1,944,962	2,297,333	(352,371)
Facilities operations	2,566,314	2,489,184	2,496,504	(7,320)
School food services	881,835	942,916	913,270	29,646
Total expenditures	<u>\$ 21,972,793</u>	<u>\$ 22,507,907</u>	<u>\$ 22,625,747</u>	<u>\$ (117,840)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,114</u>	<u>\$ 101,114</u>
Fund balances - beginning	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,370</u>	<u>\$ 278,370</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 379,484</u></u>	<u><u>\$ 379,484</u></u>

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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	\$ 10,749,547	\$ 10,749,547	\$ 10,774,116	\$ 24,569
Real and personal public service corporation taxes	464,123	464,123	456,968	(7,155)
Personal property taxes	1,547,195	1,547,195	1,835,791	288,596
Mobile home taxes	27,000	27,000	37,725	10,725
Machinery and tools taxes	13,102	13,102	13,592	490
Penalties	138,681	138,681	128,881	(9,800)
Interest	169,209	169,209	113,662	(55,547)
Total general property taxes	\$ 13,108,857	\$ 13,108,857	\$ 13,360,735	\$ 251,878
Other local taxes:				
Local sales and use taxes	\$ 886,655	\$ 977,820	\$ 939,891	\$ (37,929)
Consumers' utility taxes	654,364	654,364	559,613	(94,751)
E-911 telephone taxes	155,332	155,332	113,142	(42,190)
Cellular phone tax	72,000	72,000	66,782	(5,218)
Business license taxes	30,000	30,000	29,610	(390)
Utility franchise taxes	89,678	89,678	92,446	2,768
Motor vehicle licenses	315,668	315,668	290,710	(24,958)
Bank franchise tax	64,061	64,061	52,752	(11,309)
Taxes on recordation and wills	538,032	538,032	356,799	(181,233)
Transient occupancy tax	258,888	258,888	292,671	33,783
Meals tax	491,856	491,856	523,898	32,042
Communication sales and use taxes	200,078	200,078	233,134	33,056
Total other local taxes	\$ 3,756,612	\$ 3,847,777	\$ 3,551,448	\$ (296,329)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,500	\$ 5,500	\$ 5,768	\$ 268
Dog pound fees	1,400	1,400	590	(810)
Land use application fees	6,400	6,400	5,768	(632)
Transfer fees	1,400	1,400	991	(409)
Special use permits	750	750	715	(35)
Zoning & Subdivision fees	3,500	3,500	2,190	(1,310)
Building permits	414,888	414,888	271,544	(143,344)
Building inspection fees	15,380	15,380	6,608	(8,772)
Well & Septic fees	21,000	21,000	16,325	(4,675)
Tourism collections	7,350	7,350	11,829	4,479
Total permits, privilege fees, and regulatory license	\$ 477,568	\$ 477,568	\$ 322,328	\$ (155,240)
Fines and forfeitures:				
Court fines and forfeitures	\$ 125,000	\$ 125,000	\$ 75,834	\$ (49,166)
Total fines and forfeitures	\$ 125,000	\$ 125,000	\$ 75,834	\$ (49,166)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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	\$ 229,000	\$ 229,000	\$ 348,610	\$ 119,610
Revenue from use of property	13,980	13,980	56,043	42,063
Total revenue from use of money and property	\$ 242,980	\$ 242,980	\$ 404,653	\$ 161,673
Charges for services:				
Excess fees paid to Circuit Court	\$ 48,453	\$ 48,453	\$ 41,664	\$ (6,789)
Charges for courthouse security	18,000	18,000	13,689	(4,311)
Courthouse maintenance fees	8,000	8,000	6,612	(1,388)
Document reproduction fees	4,200	4,200	3,913	(287)
Sales of maps & ordinances	11,500	26,500	14,731	(11,769)
Law library fees	1,500	1,500	1,501	1
Charges for Commonwealth's Attorney	450	450	378	(72)
Charges for sanitation and waste removal	297,000	297,000	287,001	(9,999)
Charges for parks and recreation	61,800	64,840	61,788	(3,052)
Concealed weapons permits	4,000	4,000	-	(4,000)
Miscellaneous jail and inmate fees	2,000	2,000	1,989	(11)
Charges for court appointed attorney	-	-	157	157
Total charges for services	\$ 456,903	\$ 474,943	\$ 433,423	\$ (41,520)
Miscellaneous revenue:				
Primary fees	\$ -	\$ 4,330	\$ 4,330	\$ -
Other miscellaneous	30,750	31,050	54,044	22,994
Total miscellaneous revenue	\$ 30,750	\$ 35,380	\$ 58,374	\$ 22,994
Recovered costs:				
Health department	\$ 21,324	\$ 21,324	\$ -	\$ (21,324)
School Resource officer and other costs	28,874	28,874	29,223	349
Buildings & grounds	70,000	70,000	80,068	10,068
Jaunt Wintergreen	44,000	44,000	44,000	-
Colleen water & sewer connection fees	-	-	7,000	7,000
EMS revenue recovery	335,386	335,386	50	(335,336)
Millennium Group reimbursement	-	-	2,177	2,177
Other recovered costs	3,500	3,500	6,753	3,253
Total recovered costs	\$ 503,084	\$ 503,084	\$ 169,271	\$ (333,813)
Total revenue from local sources	\$ 18,701,754	\$ 18,815,589	\$ 18,376,066	\$ (439,523)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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:				
ABC profits	\$ 8,468	\$ 8,468	\$ 16,936	\$ 8,468
Wine taxes	8,876	8,876	17,753	8,877
Motor vehicle carriers' tax	75,777	75,777	154,786	79,009
Mobile home titling tax	25,000	25,000	41,284	16,284
Tax on deeds	75,422	75,422	70,072	(5,350)
Personal property tax relief funds	1,729,091	1,729,091	1,729,091	-
Total noncategorical aid	<u>\$ 1,922,634</u>	<u>\$ 1,922,634</u>	<u>\$ 2,029,922</u>	<u>\$ 107,288</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 152,090	\$ 209,444	\$ 206,842	\$ (2,602)
Sheriff	764,270	789,229	799,899	10,670
Commissioner of revenue	87,658	93,496	93,575	79
Treasurer	90,449	96,570	96,909	339
Medical examiner	210	210	-	(210)
Registrar/electoral board	43,000	43,000	61,138	18,138
Clerk of the Circuit Court	171,393	186,647	220,057	33,410
Total shared expenses	<u>\$ 1,309,070</u>	<u>\$ 1,418,596</u>	<u>\$ 1,478,420</u>	<u>\$ 59,824</u>
Welfare:				
Public assistance and welfare administration	\$ 516,110	\$ 516,110	\$ 277,696	\$ (238,414)
Other categorical aid:				
E911 wireless grant	\$ 41,853	\$ 41,853	\$ 127,368	\$ 85,515
DMV animal friendly plates	425	425	427	2
Fire programs	32,726	35,037	35,037	-
Four for life	13,067	13,853	13,853	-
Litter control grant	6,843	6,843	5,556	(1,287)
Victim-witness grant	21,559	21,559	20,841	(718)
School resource officer	14,483	14,483	14,483	-
Domestic violence victim fund grant	36,111	37,191	1,080	(36,111)
At-risk grant	386,325	386,325	505,792	119,467
Railway transportation grant	248,832	248,832	400	(248,432)
Library grant	-	18,144	18,144	-
Sheriff's department grant	-	853	2,107	1,254
Performing arts grant	-	-	5,000	5,000
Total other categorical aid	<u>\$ 802,224</u>	<u>\$ 825,398</u>	<u>\$ 750,088</u>	<u>\$ (75,310)</u>
Total categorical aid	<u>\$ 2,627,404</u>	<u>\$ 2,760,104</u>	<u>\$ 2,506,204</u>	<u>\$ (253,900)</u>
Total revenue from the Commonwealth	<u>\$ 4,550,038</u>	<u>\$ 4,682,738</u>	<u>\$ 4,536,126</u>	<u>\$ (146,612)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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:				
Payments in lieu of taxes	\$ 27,000	\$ 27,000	\$ 28,120	\$ 1,120
Categorical aid:				
Public assistance and welfare administration	\$ 494,296	\$ 494,296	\$ 494,296	\$ -
State and community highway safety grant	-	-	4,458	4,458
Sheriff's grants	3,400	3,400	2,426	(974)
COPS grant	25,000	25,000	23,408	(1,592)
SCAAP (federal prisoners)	-	-	2,996	2,996
Law Enforcement Terror Prevention	-	-	3,074	3,074
Domestic preparedness grant	27,582	96,168	96,168	-
Deer Park trail grant	-	-	206	206
Tunnel grant (TEA-21)	518,383	518,383	140,524	(377,859)
Total categorical aid	\$ 1,068,661	\$ 1,137,247	\$ 767,556	\$ (369,691)
Total revenue from the federal government	\$ 1,095,661	\$ 1,164,247	\$ 795,676	\$ (368,571)
Total General Fund	\$ 24,347,453	\$ 24,662,574	\$ 23,707,868	\$ (954,706)
Special Revenue Funds:				
Housing Improvement Fund:				
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ 5,000	\$ 32,500	\$ 8,375	\$ (24,125)
Total revenue from the federal government	\$ 5,000	\$ 32,500	\$ 8,375	\$ (24,125)
Total Housing Improvement Fund	\$ 5,000	\$ 32,500	\$ 8,375	\$ (24,125)
Piney River Water/Sewer Fund:				
Revenue from local sources:				
Charges for services:				
Sewer disposal charges	\$ 17,000	\$ 30,037	\$ 33,145	\$ 3,108
Connection fees	6,000	6,751	20,095	13,344
Total charges for services	\$ 23,000	\$ 36,788	\$ 53,240	\$ 16,452
Total revenue from local sources	\$ 23,000	\$ 36,788	\$ 53,240	\$ 16,452
Total Piney River Water/Sewer Fund	\$ 23,000	\$ 36,788	\$ 53,240	\$ 16,452

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Street Lights Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for services	\$ 8,140	\$ 8,140	\$ 12,051	\$ 3,911
Total revenue from local sources	\$ 8,140	\$ 8,140	\$ 12,051	\$ 3,911
Total Street Lights Fund	\$ 8,140	\$ 8,140	\$ 12,051	\$ 3,911
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 158,917	\$ 158,917	\$ 334,825	\$ 175,908
Total revenue from local sources	\$ 158,917	\$ 158,917	\$ 334,825	\$ 175,908
Revenue from the federal government:				
Categorical aid:				
Rural Development grant	\$ 2,864,000	\$ 2,864,000	\$ -	\$ (2,864,000)
STAG	828,960	828,960	-	(828,960)
SERCAP	50,000	50,000	-	(50,000)
Total revenue from the federal government	\$ 3,742,960	\$ 3,742,960	\$ -	\$ (3,742,960)
Total Capital Improvements Fund	\$ 3,901,877	\$ 3,901,877	\$ 334,825	\$ (3,567,052)
Total Primary Government	\$ 28,285,470	\$ 28,641,879	\$ 24,116,359	\$ (4,525,520)
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	\$ -	\$ -	\$ 4,578	\$ 4,578
Charges for services:				
Charges for education	\$ 622,839	\$ 655,944	\$ 650,680	\$ (5,264)
Total charges for services	\$ 622,839	\$ 655,944	\$ 650,680	\$ (5,264)
Miscellaneous revenue:				
Other miscellaneous	\$ 282,245	\$ 280,682	\$ 304,496	\$ 23,814
Recovered costs:				
Other recovered costs	\$ 145,000	\$ 289,363	\$ 289,363	\$ -
Total recovered costs	\$ 145,000	\$ 289,363	\$ 289,363	\$ -
Total revenue from local sources	\$ 1,050,084	\$ 1,225,989	\$ 1,249,117	\$ 23,128

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 9,418,293	\$ 9,418,293	\$ 9,741,148	\$ 322,855
Total revenues from local governments	\$ 9,418,293	\$ 9,418,293	\$ 9,741,148	\$ 322,855
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,347,084	\$ 2,224,863	\$ 2,211,843	\$ (13,020)
Basic school aid	4,591,315	4,698,829	4,698,829	-
Remedial summer education	29,092	54,276	54,276	-
GED Funding	15,717	15,717	15,717	-
Regular foster care	17,784	17,312	17,312	-
Gifted and talented	42,033	42,144	42,144	-
Remedial education	107,646	107,930	107,930	-
Social security fringe benefits	257,325	258,005	258,005	-
Retirement fringe benefits	328,064	325,847	325,847	-
Group life insurance instructional	16,403	15,419	15,419	-
State lottery payments	238,697	238,279	238,279	-
Early reading intervention	18,298	18,298	18,298	-
VPSA technology	154,000	154,000	154,000	-
Homebound education	24,466	7,917	7,917	-
Regional program tuition	136,561	146,071	146,071	-
Vocational education - standards of quality	111,747	112,042	112,042	-
Vocational education - equipment	-	4,419	4,419	-
Vocational occupational prep	32,941	27,984	27,984	-
Special education - standards of quality	678,682	680,476	680,476	-
Special education - foster children	48,391	48,391	48,391	-
School food	13,990	16,149	16,149	-
Free textbooks	104,376	103,079	103,079	-
At risk payments	96,452	96,206	96,206	-
Primary class size	126,812	133,114	133,114	-
Standards of Learning algebra readiness	11,536	12,943	12,943	-
At risk four-year olds	49,825	49,671	49,671	-
Mentor teacher program	-	2,445	2,445	-
English as a second language	18,496	20,479	20,479	-
Compensation supplement	100,470	122,321	122,321	-
School construction	120,853	120,827	120,827	-
Total categorical aid	\$ 9,839,056	\$ 9,875,453	\$ 9,862,433	\$ (13,020)
Total revenue from the Commonwealth	\$ 9,839,056	\$ 9,875,453	\$ 9,862,433	\$ (13,020)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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 federal government:				
Categorical aid:				
Adult literacy	\$ 36,400	\$ 36,018	\$ 36,018	\$ -
Title I	382,752	506,698	415,404	(91,294)
Migrant education	17,180	47,614	36,090	(11,524)
Reading first	150,000	291,965	301,709	9,744
Title VI-B, special education pre-school	13,917	34,574	15,184	(19,390)
Language Acquisition State Grant	18,000	25,887	28,396	2,509
Title VI-B, flow through	457,287	457,463	448,844	(8,619)
Sliver grant	14,984	-	-	-
Innovative education	13,090	5,299	5,299	-
Advanced placement	-	260	260	-
Vocational education	41,000	36,471	40,089	3,618
Technology literacy challenge fund grant	-	4,347	4,347	-
Drug free schools	15,000	8,264	8,264	-
Forest reserve	10,750	11,140	11,140	-
Title II - Part A	135,000	112,238	113,185	947
School food	360,000	394,141	394,141	-
Recruitment	-	15,793	15,793	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total categorical aid	\$ 1,665,360	\$ 1,988,172	\$ 1,874,163	\$ (114,009)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total School Operating Fund	\$ 21,972,793	\$ 22,507,907	\$ 22,726,861	\$ 218,954

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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	\$ 88,653	\$ 167,270	\$ 160,527	\$ 6,743
General government administration:				
County administrator	\$ 473,361	\$ 353,604	\$ 326,158	\$ 27,446
County attorney	38,905	88,905	71,320	17,585
Reassessment	150,000	150,000	1,909	148,091
Commissioner of revenue	208,316	215,863	210,168	5,695
Treasurer	292,148	292,448	282,150	10,298
Accounting	210,478	210,478	192,990	17,488
Technology	171,084	173,008	147,983	25,025
Land use panel	2,400	2,400	1,937	463
Total general and financial administration	<u>\$ 1,546,692</u>	<u>\$ 1,486,706</u>	<u>\$ 1,234,615</u>	<u>\$ 252,091</u>
Board of elections:				
Registrar	\$ 77,508	80,117	74,472	5,645
Electoral board and officials	26,679	26,679	19,473	7,206
Total board of elections	<u>\$ 104,187</u>	<u>\$ 106,796</u>	<u>\$ 93,945</u>	<u>\$ 12,851</u>
Total general government administration	<u>\$ 1,739,532</u>	<u>\$ 1,760,772</u>	<u>\$ 1,489,087</u>	<u>\$ 271,685</u>
Judicial administration:				
Courts:				
Circuit court	\$ 23,946	\$ 23,946	\$ 19,349	\$ 4,597
General district court	8,465	8,465	6,732	1,733
VJCCA	14,685	14,685	31,053	(16,368)
Juvenile and domestic relations court	36,633	81,883	71,895	9,988
Clerk of the circuit court	306,076	342,978	319,678	23,300
Total courts	<u>\$ 389,805</u>	<u>\$ 471,957</u>	<u>\$ 448,707</u>	<u>\$ 23,250</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 248,756	\$ 316,443	\$ 298,887	\$ 17,556
Total commonwealth's attorney	<u>\$ 248,756</u>	<u>\$ 316,443</u>	<u>\$ 298,887</u>	<u>\$ 17,556</u>
Total judicial administration	<u>\$ 638,561</u>	<u>\$ 788,400</u>	<u>\$ 747,594</u>	<u>\$ 40,806</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,190,954	\$ 1,246,514	\$ 1,225,971	\$ 20,543
E-911	466,729	590,492	485,497	104,995
Emergency services council	489,457	492,554	487,785	4,769
Emergency services	62,058	155,946	155,578	368
Paid EMS	606,969	606,969	310,838	296,131
Forestry service	10,778	10,778	10,778	-

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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	\$ 456,988	\$ 456,988	\$ 306,646	\$ 150,342
Building inspector	266,062	276,840	262,022	14,818
Animal control	80,277	84,919	74,057	10,862
Medical examiner	450	450	100	350
Total law enforcement and traffic control	<u>\$ 3,630,722</u>	<u>\$ 3,922,450</u>	<u>\$ 3,319,272</u>	<u>\$ 603,178</u>
Total public safety	<u>\$ 3,630,722</u>	<u>\$ 3,922,450</u>	<u>\$ 3,319,272</u>	<u>\$ 603,178</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 229,768	\$ 229,768	\$ 189,189	\$ 40,579
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 229,768</u>	<u>\$ 229,768</u>	<u>\$ 189,189</u>	<u>\$ 40,579</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,342,320	\$ 1,330,690	\$ 1,207,911	\$ 122,779
Total sanitation and waste removal	<u>\$ 1,342,320</u>	<u>\$ 1,330,690</u>	<u>\$ 1,207,911</u>	<u>\$ 122,779</u>
Maintenance of general buildings and grounds:				
General properties	\$ 451,762	\$ 451,762	\$ 435,205	\$ 16,557
Total maintenance of general buildings and grounds	<u>\$ 451,762</u>	<u>\$ 451,762</u>	<u>\$ 435,205</u>	<u>\$ 16,557</u>
Total public works	<u>\$ 2,023,850</u>	<u>\$ 2,012,220</u>	<u>\$ 1,832,305</u>	<u>\$ 179,915</u>
Health and welfare:				
Health:				
Health department	\$ 209,424	\$ 209,424	\$ 209,424	\$ -
Total health	<u>\$ 209,424</u>	<u>\$ 209,424</u>	<u>\$ 209,424</u>	<u>\$ -</u>
Mental health and mental retardation:				
Region Ten community services board	\$ 68,607	\$ 68,607	\$ 68,607	\$ -
Total mental health and mental retardation	<u>\$ 68,607</u>	<u>\$ 68,607</u>	<u>\$ 68,607</u>	<u>\$ -</u>
Welfare:				
Public assistance and administration	\$ 1,204,534	\$ 1,204,534	\$ 1,076,440	\$ 128,094
General Relief	101,964	101,964	-	101,964
Tax relief for the elderly	-	-	34,550	(34,550)
At risk youth program	563,700	563,700	785,287	(221,587)
Total welfare	<u>\$ 1,870,198</u>	<u>\$ 1,870,198</u>	<u>\$ 1,896,277</u>	<u>\$ (26,079)</u>
Total health and welfare	<u>\$ 2,148,229</u>	<u>\$ 2,148,229</u>	<u>\$ 2,174,308</u>	<u>\$ (26,079)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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	\$ 8,840	\$ 8,840	\$ 8,840	\$ -
Appropriation to public school system	9,418,293	9,418,293	9,741,148	(322,855)
Total education	<u>\$ 9,427,133</u>	<u>\$ 9,427,133</u>	<u>\$ 9,749,988</u>	<u>\$ (322,855)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 1,021,749	\$ 1,029,453	\$ 259,281	\$ 770,172
Total parks and recreation	<u>\$ 1,021,749</u>	<u>\$ 1,029,453</u>	<u>\$ 259,281</u>	<u>\$ 770,172</u>
Library:				
Regional library	\$ 221,776	\$ 221,776	\$ 221,776	\$ -
Total library	<u>\$ 221,776</u>	<u>\$ 221,776</u>	<u>\$ 221,776</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 1,243,525</u>	<u>\$ 1,251,229</u>	<u>\$ 481,057</u>	<u>\$ 770,172</u>
Community development:				
Planning and community development:				
Planning	\$ 183,062	\$ 190,768	\$ 177,127	\$ 13,641
Community development	234,935	239,516	241,292	(1,776)
Economic development	24,500	39,093	49,691	(10,598)
Housing development	92,636	92,636	74,636	18,000
Hydrant rentals	156,000	156,000	156,000	-
Colleen water/sewer subsidy	171,094	171,094	171,093	1
Other community development	267,891	271,091	271,426	(335)
Soil and water conservation district	18,299	18,299	18,299	-
Anti-litter program	6,843	6,843	1,412	5,431
VPI extension service	48,934	48,934	38,781	10,153
Other	25,133	106,405	59,993	46,412
Total planning and community development	<u>\$ 1,229,327</u>	<u>\$ 1,340,679</u>	<u>\$ 1,259,750</u>	<u>\$ 80,929</u>
Total community development	<u>\$ 1,229,327</u>	<u>\$ 1,340,679</u>	<u>\$ 1,259,750</u>	<u>\$ 80,929</u>
Capital projects:				
Other	\$ 1,231,613	\$ 1,576,443	\$ 546,025	\$ 1,030,418
Total capital projects	<u>\$ 1,231,613</u>	<u>\$ 1,576,443</u>	<u>\$ 546,025</u>	<u>\$ 1,030,418</u>
Total General Fund	<u><u>\$ 23,312,492</u></u>	<u><u>\$ 24,227,555</u></u>	<u><u>\$ 21,599,386</u></u>	<u><u>\$ 2,628,169</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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:				
Ryan school reuse	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Downtown planning	-	2,500	2,500	-
Broadband planning	-	25,000	3,375	21,625
Total community development	<u>\$ 5,000</u>	<u>\$ 32,500</u>	<u>\$ 10,875</u>	<u>\$ 21,625</u>
Total Housing Improvement Fund	<u>\$ 5,000</u>	<u>\$ 32,500</u>	<u>\$ 10,875</u>	<u>\$ 21,625</u>
Piney River Water/Sewer Fund:				
Public works:				
Public Works:				
Sewer charges	\$ 33,000	\$ 46,788	\$ 45,244	\$ 1,544
Total Piney River Water/Sewer Fund	<u>\$ 33,000</u>	<u>\$ 46,788</u>	<u>\$ 45,244</u>	<u>\$ 1,544</u>
Street Lights Fund:				
Public works:				
Other public works:				
Street lights	\$ 8,140	\$ 8,140	\$ 8,496	\$ (356)
Total Street Lights Fund	<u>\$ 8,140</u>	<u>\$ 8,140</u>	<u>\$ 8,496</u>	<u>\$ (356)</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 1,820,707	\$ 1,820,707	\$ 1,805,026	\$ 15,681
Interest and other fiscal charges	1,721,901	1,721,901	1,578,554	143,347
Total School Debt Service Fund	<u>\$ 3,542,608</u>	<u>\$ 3,542,608</u>	<u>\$ 3,383,580</u>	<u>\$ 159,028</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
High school renovation project	\$ 540,519	\$ 540,519	\$ 240,351	\$ 300,168
War memorial	16,560	31,190	31,191	(1)
Piney River project	4,565,468	4,565,468	138,844	4,426,624
Other	195,782	195,782	-	195,782
Total capital projects	<u>\$ 5,318,329</u>	<u>\$ 5,332,959</u>	<u>\$ 410,386</u>	<u>\$ 4,922,573</u>
Total Capital Projects Fund	<u>\$ 5,318,329</u>	<u>\$ 5,332,959</u>	<u>\$ 410,386</u>	<u>\$ 4,922,573</u>
Total Primary Government	<u>\$ 32,219,569</u>	<u>\$ 33,190,550</u>	<u>\$ 25,457,967</u>	<u>\$ 7,732,583</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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	\$ 15,298,435	\$ 15,619,538	\$ 15,413,471	\$ 206,067
Total instruction costs	<u>\$ 15,298,435</u>	<u>\$ 15,619,538</u>	<u>\$ 15,413,471</u>	<u>\$ 206,067</u>
Operating costs:				
Administration, attendance and health services	\$ 1,426,274	\$ 1,474,142	\$ 1,468,007	\$ 6,135
Pupil transportation	1,799,935	1,944,962	2,297,333	(352,371)
Operation and maintenance of school plant	2,566,314	2,489,184	2,496,504	(7,320)
School food	881,835	942,916	913,270	29,646
Facilities	-	37,165	37,162	3
Total operating costs	<u>\$ 6,674,358</u>	<u>\$ 6,888,369</u>	<u>\$ 7,212,276</u>	<u>\$ (323,907)</u>
Total education	<u>\$ 21,972,793</u>	<u>\$ 22,507,907</u>	<u>\$ 22,625,747</u>	<u>\$ (117,840)</u>
Total Discretely Presented Component Unit-School Board	<u><u>\$ 21,972,793</u></u>	<u><u>\$ 22,507,907</u></u>	<u><u>\$ 22,625,747</u></u>	<u><u>\$ (117,840)</u></u>

STATISTICAL SECTION

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COUNTY OF NELSON, VIRGINIA

Table 1

Government-Wide Expenses by Function
Last Five 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
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

(1) Information has only been available for 5 years.

(2) Primary government only

Government-Wide Revenues by Source
Last Five 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

(1) Information has only been available for 5 years.

(2) Primary government only

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
1998	\$ 9,520,086	\$ 2,134,207	\$ 243,135	\$ 22,862	\$ 730,906	\$ 572,145	\$ 368,908	\$ 322,214	\$ 8,727,598	\$ 22,642,061
1999	9,759,627	2,191,274	184,162	25,994	386,455	676,761	676,483	106,245	10,371,124	24,378,125
2000	13,428,694	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	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	228,825	43,512	577,821	654,778	698,162	290,463	13,015,062	28,230,525
2003	11,127,697	2,761,744	300,363	125,071	284,150	295,431	382,717	642,263	13,505,740	29,425,176
2004	12,767,131	2,839,896	304,167	163,163	132,066	875,466	627,591	333,165	13,693,437	31,736,082
2005	12,440,512	3,170,478	423,339	121,926	249,197	1,006,955	375,196	327,882	15,909,302	34,024,787
2006	13,080,374	3,464,371	444,230	102,747	544,808	957,699	591,632	411,339	16,031,950	35,629,150
2007	13,360,735	3,551,448	322,328	75,834	744,056	1,149,394	362,870	458,634	17,076,773	37,102,072

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

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

Fiscal Year	General Administration (5)	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2) (7)	Recreation and Cultural	Community Development (3)	Capital Projects (4) (6)	Debt Service	Total
1998	\$ 763,597	\$ 281,228	\$ 2,078,542	\$ 1,527,746	\$ 1,214,293	\$ 14,355,926	\$ 201,424	\$ 787,608	\$ 5,024,301	\$ -	26,234,665
1999	896,648	302,912	2,115,186	1,310,498	1,256,275	20,485,482	215,725	1,214,768	10,739,702	-	38,537,196
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

- (1) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board.
- (2) Includes School Debt Service and Capital Leases - Fiscal 1994 through Fiscal 2002
- (3) Includes General Fund Debt Service - Fiscal 1997
- (4) Includes General Fund Debt Service - Fiscal 1998, 1999, 2000 and 2001
- (5) Includes General Fund Capital Leases - Fiscal 1997, 1998, 1999, 2000 and 2001
- (6) Includes Capital Projects Fund Debt Service - Fiscal 2001. Does not include repayment of debt.
- (7) 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) Tax Levy	Current Tax (1) (3) Collections	Percent of Levy Collected	Delinquent (1) Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
1998	\$ 9,479,193	\$ 9,039,258	95.36%	\$ 275,203	\$ 9,314,461	98.26%	\$ 1,389,332	14.66%
1999	9,753,706	9,254,963	94.89%	290,512	9,545,475	97.87%	1,548,290	15.87%
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%

(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
1998	\$ 1,050,277,012	\$ 94,734,024	\$ 7,101,370	\$ 4,848,946	\$ 58,209,277	\$ 1,215,170,629
1999	1,078,857,701	96,789,772	8,761,072	4,883,764	62,659,157	1,251,951,466
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

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
1998	0.67	2.95	0.67	1.25
1999	0.67	2.95	0.67	1.25
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

(1) Per \$100 of assessed value

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

Fiscal Year	Popu- lation (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
				Service Monies Available			
1998	12,900	\$ 1,215,170,629	\$ 15,483,550	-	\$ 15,483,550	1.27%	\$ 1,200
1999	12,900	1,251,951,466	15,865,840	-	15,865,840	1.27%	1,230
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	-	35,885,709	2.67%	2,484
2003	14,445	1,549,328,067	35,255,717	-	35,255,717	2.28%	2,441
2004	14,445	1,544,591,822	33,816,762	145,390	33,671,372	2.18%	2,331
2005	14,445	1,579,965,250	32,641,021	145,390	32,495,631	2.06%	2,250
2006	14,445	1,633,944,786	31,461,023	147,281	31,313,742	1.92%	2,168
2007	15,161	1,671,913,726	32,668,988	306,309	32,362,679	1.94%	2,135

(1) U.S. Bureau of the Census

(2) From Schedule 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 and accrued landfill costs.

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

Fiscal Year	(2) Principal	(2) Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
1998	\$ 582,650	\$ 470,867	\$ 1,053,517	\$ 26,234,665	4.02%
1999	387,650	691,511	1,079,161	38,537,196	2.80%
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	1,805,026	1,578,554	3,383,580	38,342,566	8.82%

(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 or repayment of bond anticipation loans.

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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 aggregate 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, 2007, which collectively comprise the County of Nelson, Virginia's basic financial statements and have issued our report thereon dated January 28, 2008. 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 Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Nelson, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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.

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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity'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*.

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

January 28, 2008

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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, 2007. 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, 2007.

Internal Control Over Compliance

The management of the County of Nelson, Virginia is responsible for establishing and maintaining effective internal control over compliance with 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 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 Entity'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
January 28, 2008

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

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:		
Safe and Stable Families	93.556	\$ 5,020
Temporary Assist to Needy Families (TANF)	93.558	69,457
Refugee and Entrant Assistance - Discretionary Grants	93.566	131
Low Income Home Energy Assistance	93.568	11,418
Payments to States for Child Care Assistance	93.575	25,563
Child Care and Development Fund	93.596	40,240
Chafee Education and Training Vouchers	93.599	104
Child Welfare Services - State Grants	93.645	24
Foster Care - Title IV-E	93.658	28,544
Adoption Assistance	93.659	1,017
Social Services Block Grant	93.667	95,836
State Children's Insurance Program	93.767	212
Medical Assistance Program (Title XIX)	93.778	102,481
Total Department Health and Human Services		\$ <u>380,047</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.555	\$ 48,216
Department of Education:		
National School Breakfast Program	10.553	85,821
National School Lunch Program	10.555	308,320
Forest reserve payments	10.665	11,140
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	114,249
Total Department of Agriculture		\$ <u>567,746</u>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Services:		
Domestic Preparedness Grant	97.004	\$ 96,168
Law Enforcement Terrorism Prevention Program	97.074	3,074
Total Department of Homeland Security		\$ <u>99,242</u>
Department of Housing and Urban Development		
Pass Through Payments:		
Virginia Department of Housing and Community Development:		
Community Development Block Grant/Economic Development Initiative	14.228	\$ 8,375
Total Department of Housing and Urban Development		\$ <u>8,375</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

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	\$ <u>28,120</u>
Department of Justice:		
Direct payments:		
COPS Technology Grant	16.710	\$ 23,408
SCAAP Grant	16.606	2,996
Byrne Grant	16.580	1,248
Bulletproof Vest Grant	16.607	<u>1,178</u>
Total Department of Justice		\$ <u>28,830</u>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety Program	20.600	\$ 4,458
Department of Conservation and Recreation:		
Federal Highway Administration Recreation Trail Program	20.219	<u>140,730</u>
Total Department of Transportation		\$ <u>145,188</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	\$ 36,018
Title I: Educationally Deprived Children	84.010	415,404
Title I: Migrant Education	84.011	36,090
Title VI-B: Handicapped State Grants	84.027	443,752
Special Education Technology Grant	84.027	5,092
Vocational Education: Basic Grants to States	84.048	40,089
Title VI-B: Handicapped Preschool Incentive Grant	84.173	15,184
Drug Free Schools and Communities	84.186	8,264
Innovative Education	84.298	5,299
Title II - Part D, Enhancing Education through Technology	84.318	4,347
Advanced Placement	84.330	260
Title II Incentive	84.336	15,793
Reading First grant	84.357	301,708
Title III: Language Acquisition State Grant (Migrant)	84.365	28,396
Title II - Part A	84.367	<u>113,186</u>
Total Department of Education		\$ <u>1,468,882</u>
Total Federal Assistance		\$ <u><u>2,726,430</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of , 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	\$	795,676
Special Revenue Funds:		
Housing Improvement Fund		<u>8,375</u>
Total primary government	\$	<u>804,051</u>

Component Unit Public Schools:

School Operating Fund	\$	<u>1,874,163</u>
Total component unit public schools	\$	<u>1,874,163</u>

Total federal expenditures per basic financial statements	\$	<u>2,678,214</u>
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Non-cash expenditures - value of donated commodities	\$	<u>48,216</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>2,726,430</u></u>
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COUNTY OF NELSON, VIRGINIA

Findings and Questioned Costs
For the Year Ended June 30, 2007

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>
10.553	National School Breakfast Program
10.555	Food Distribution
10.555	National School Lunch Program
84.010	Title I - Educationally Deprived Children
84.027	Title VI-B - Handicapped State Grant
84.027	Special Education Technology Grant
84.173	Preschool Incentive Grant
84.357	Reading First Grant

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
Year Ended June 30, 2007

There were no findings reported for the year ended June 30, 2006.

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COUNTY OF NELSON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

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COUNTY OF NELSON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2008

BOARD OF SUPERVISORS

Thomas D. Harvey, Chairperson
Allen M. Hale, Vice-Chairperson

Thomas H. Bruguiera, Jr.
Constance Brennan

Joe Dan Johnson

COUNTY SCHOOL BOARD

John Kirchner, Chairperson
Stuart Armstrong, Vice-Chairperson

David Parr
Cindy LaChance

Jane Mays

COUNTY SOCIAL SERVICES BOARD

Frank Wood, Chairperson
Mary Allen, Vice-Chairperson

Allen Hale
Diane Harvey

Curtis Trusdale

OTHER OFFICIALS

Michael Gamble
Judy Smythers
Phillip D. Payne, IV
Jean W. Payne
Erma D. Harris
David Brooks
Roger D. Collins
Thomas Conner
Stephen A. Carter

Judge of the Circuit Court
Clerk of the Circuit Court
Commonwealth's Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Superintendent of Schools
Director of Social Services
County Administrator

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2008, 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 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 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
January 21, 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, 2008.

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 \$17,951,457. Of this amount, \$14,962,937 is unrestricted (an increase of \$138,683 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 \$2,988,520 invested in capital assets net of related debt (an increase of \$2,731,303 from the previous fiscal year). The School Board's net assets were \$9,831,520 of which there are unrestricted net assets in the amount of \$148,423 (an increase of \$62,547 over the previous year). (See Exhibit 1.)

The Government's net assets increased by \$2,799,681. The School Board's net assets increased by \$1,349,444. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$11,745,268. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2007-08 budget. At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$16,925,041 of which \$11,745,268 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.

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

Overview of the Financial Statements

Government-wide Financial Statements: (Continued)

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

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.

Overview of the Financial Statements: (Continued)

Fiduciary funds

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

Notes to the financial statements

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

Other Information

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

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

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the County of Nelson, assets exceeded liabilities by \$17,951,457 at the end of the fiscal year.

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

County of Nelson's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 18,869,271	\$ 20,534,151	\$ 1,080,133	\$ 31,437	\$ 19,949,404	\$ 20,565,588
Capital assets	30,310,168	30,113,819	4,624,355	1,318,911	34,934,523	31,432,730
Total assets	<u>\$ 49,179,439</u>	<u>\$ 50,647,970</u>	<u>\$ 5,704,488</u>	<u>\$ 1,350,348</u>	<u>\$ 54,883,927</u>	<u>\$ 51,998,318</u>
Long-term liabilities	\$ 33,413,688	\$ 35,121,394	\$ 1,175,000	\$ -	\$ 34,588,688	\$ 35,121,394
Other liabilities	1,627,817	1,725,137	715,965	11	2,343,782	1,725,148
Total liabilities	<u>\$ 35,041,505</u>	<u>\$ 36,846,531</u>	<u>\$ 1,890,965</u>	<u>\$ 11</u>	<u>\$ 36,932,470</u>	<u>\$ 36,846,542</u>
Net assets:						
Invested in capital assets, net of related debt	\$ (460,835)	\$ (1,061,694)	\$ 3,449,355	\$ 1,318,911	\$ 2,988,520	\$ 257,217
Unrestricted	14,598,769	14,863,133	364,168	31,426	14,962,937	14,894,559
Total net assets	<u>\$ 14,137,934</u>	<u>\$ 13,801,439</u>	<u>\$ 3,813,523</u>	<u>\$ 1,350,337</u>	<u>\$ 17,951,457</u>	<u>\$ 15,151,776</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 16.6 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 other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County has no restricted assets at June 30, 2008.

Government-wide Financial Analysis: (Continued)

The remaining balance of unrestricted net assets, which is \$14,962,937 or 83.4 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. However, the governmental activities reported a deficit in net assets invested in capital assets, net of related debt in the amount of (\$460,835) and a positive unrestricted net asset balance of \$14,598,769. The business-type activities reported positive balances of \$3,449,355 in net assets invested in capital assets, net of related debt and \$364,168 in unrestricted net assets.

The government's total net assets increased by \$2,799,681 during the current fiscal year, compared to a decrease of \$614,469 in FY 2007.

Governmental and Business-type Activities

Governmental activities increased the County's net assets by \$336,495. Business-type activities increased the County's net assets by \$2,463,186. Key elements of this increase are as follows:

County of Nelson's Changes in Net Assets For the Year Ended June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 781,173	\$ 843,636	\$ 56,946	\$ 53,240	\$ 838,119	\$ 896,876
Operating grants & contributions	3,301,632	3,141,611	-	-	3,301,632	3,141,611
Capital grants & contributions	596,878	140,524	2,498,162	-	3,095,040	140,524
General revenues:						
General property taxes	16,116,702	13,654,498	-	-	16,116,702	13,654,498
Other local taxes	3,776,293	3,551,448	-	-	3,776,293	3,551,448
Use of money and property	535,958	739,478	-	-	535,958	739,478
Miscellaneous	216,226	58,374	-	-	216,226	58,374
Grants and contributions not restricted to specific programs	1,923,332	2,058,042	-	-	1,923,332	2,058,042
Total revenues	\$ 27,248,194	\$ 24,187,611	\$ 2,555,108	\$ 53,240	\$ 29,803,302	\$ 24,240,851
Expenses:						
General government	\$ 1,879,166	\$ 1,614,998	\$ -	\$ -	\$ 1,879,166	\$ 1,614,998
Judicial administration	750,073	753,367	-	-	750,073	753,367
Public safety	3,633,406	3,287,580	-	-	3,633,406	3,287,580
Public works	1,888,291	1,860,628	91,922	45,244	1,980,213	1,905,872
Health and welfare	2,274,350	2,188,578	-	-	2,274,350	2,188,578
Education	12,706,379	11,830,541	-	-	12,706,379	11,830,541
Parks, recreation and cultural	983,322	523,915	-	-	983,322	523,915
Community development	1,260,873	1,251,149	-	-	1,260,873	1,251,149
Interest on long-term debt	1,535,839	1,499,320	-	-	1,535,839	1,499,320
Total expenses	\$ 26,911,699	\$ 24,810,076	\$ 91,922	\$ 45,244	\$ 27,003,621	\$ 24,855,320
Increase (decrease) in net assets	\$ 336,495	\$ (622,465)	\$ 2,463,186	\$ 7,996	\$ 2,799,681	\$ (614,469)
Beginning net assets	13,801,439	14,423,904	1,350,337	1,342,341	15,151,776	15,766,245
Ending net assets	\$ 14,137,934	\$ 13,801,439	\$ 3,813,523	\$ 1,350,337	\$ 17,951,457	\$ 15,151,776

- General property tax revenue increased \$2,462,204 primarily due to a real estate reassessment effective January 1, 2008.
- For the most part, increases in expenses closely paralleled inflation and growth in demand for services.
- Capital grants to provide water and sewer infrastructure relative to business-type activities totaled \$2,498,162.

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 \$16,925,041, a decrease of \$1,719,520 from the prior year. Approximately, 69.4 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-\$106,502
- Ryan School Reserve-\$36,931
- School Construction-\$3,636,260
- Solid Waste Project-\$1,378,533
- Broadband Planning Project-\$7,486
- Street Light Operations-\$14,061

The General Fund is the chief operating fund of the County. As of June 30, 2008, total fund balance of the general fund was \$13,160,732, of which \$11,745,268 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 45.8 percent of total General Fund expenditures, which includes transfers to the School Board component unit of \$10,332,094. Total fund balance represents 51.3 percent of total general fund expenditures.

The fund balance of the County's general fund decreased by \$854,709 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 increased by approximately \$450,000 over the prior year.
- The County incurred costs of approximately \$318,000 for real estate reassessment services.
- The County funded an additional \$380,000 to the EMS Loan Fund for the purpose of interest free financing to local volunteer fire and rescue departments.
- The County funded school operations with approximately \$664,000 more than the previous year.
- The County incurred costs for several capital projects including the Blue Ridge Railway Trail (approximately \$634,000), the Courthouse project (approximately \$581,000), and the construction and equipping of solid waste convenience centers (approximately \$1,520,000).

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 \$364,168. This is an increase over the prior year of \$332,742 primarily attributable to federal grants received for capital projects.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were \$1,463,886 more than the original budgeted expenditure appropriations, which is 5.6 percent of the total original budget, and can be briefly summarized as follows:

- Supplemental appropriation necessary to increase funding for volunteer agency EMS loans by approximately \$380,000.
- Supplemental appropriation to fund mandated program for Comprehensive Services Act in the amount of \$450,000.
- Supplemental appropriation to fund increased fuel costs of approximately \$73,000.
- Supplemental appropriation to increase the local transfer to public schools in the amount of \$92,822 to offset anticipated shortfall in local sales tax revenue within the School Fund.
- Supplemental appropriation of \$240,516 representing additional grant funding for the Blue Ridge Railway Trail project.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2008 is \$30,310,168 (net of accumulated depreciation and is an increase of \$196,349 from the previous fiscal year). This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, and construction in progress.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 351,559	\$ 337,809	\$ 40,000	\$ 40,000	\$ 391,559	\$ 377,809
Infrastructure	-	-	768,914	800,677	768,914	800,677
Buildings and improvements	28,030,843	28,914,039	-	-	28,030,843	28,914,039
Machinery and equipment	706,150	316,661	-	-	706,150	316,661
Construction in progress	1,221,616	545,310	3,815,441	478,234	5,037,057	1,023,544
Total	<u>\$ 30,310,168</u>	<u>\$ 30,113,819</u>	<u>\$ 4,624,355</u>	<u>\$ 1,318,911</u>	<u>\$ 34,934,523</u>	<u>\$ 31,432,730</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)

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, 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Lease Revenue School Bonds	\$ 11,690,000	\$ 11,835,000	\$ -	\$ -	\$ 11,690,000	\$ 11,835,000
General Obligation Bonds	13,970,000	14,840,000	-	-	13,970,000	14,840,000
State Literary Fund Loans	2,750,000	3,000,000	-	-	2,750,000	3,000,000
Revenue Bonds	2,460,000	2,460,000	1,175,000	-	3,635,000	2,460,000
Capital Leases	663,390	876,699	-	-	663,390	876,699
Retirement Incentive Loan	499,778	533,988	-	-	499,778	533,988
Total	<u>\$ 32,033,168</u>	<u>\$ 33,545,687</u>	<u>\$ 1,175,000</u>	<u>\$ -</u>	<u>\$ 33,208,168</u>	<u>\$ 33,545,687</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 4.0 percent (September 2008), which is a significant increase from the rate of 2.4 percent a year ago (September 2007). This compares favorably to the state's average unemployment rate of 4.19 percent (September 2008) and the national average rate of 6.1 percent (September 2008).
- Due to declining housing market conditions, the county anticipates continued reductions in building permit fees and recordation taxes.
- 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 2008-2009 the reductions are expected to be at least \$100,000.
- Within the Fiscal Year 2008-2009 budget, the Board of Supervisors has designated \$2,866,258 of unreserved General Fund balance for the purpose of Courthouse construction.

All of these factors were considered in preparing the County's budget for the 2008-2009 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, Lovingson, Virginia 22949.

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2008

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents	\$ 13,996,632	\$ 491,068	14,487,700	\$ 1,746,825	\$ 171,058
Taxes receivable	1,759,877	-	1,759,877	-	-
Accounts receivable	450,215	18,681	468,896	35,894	5,952
Notes receivable	-	-	-	-	128,000
Due from component unit	528,136	-	528,136	-	-
Due from other governmental units	2,081,283	570,384	2,651,667	601,391	-
Inventories	-	-	-	120,917	-
Prepaid expenses	29,198	-	29,198	17,450	-
Deferred charges	23,930	-	23,930	-	-
Restricted assets:					
Capital assets (net of accumulated depreciation):					
Land and improvements	351,559	40,000	391,559	851,210	-
Buildings and improvements	28,030,843	-	28,030,843	7,259,067	-
Improvements other than buildings	-	768,914	768,914	-	-
Machinery and equipment	706,150	-	706,150	1,572,820	-
Construction in progress	1,221,616	3,815,441	5,037,057	-	-
Total assets	\$ 49,179,439	\$ 5,704,488	\$ 54,883,927	\$ 12,205,574	\$ 305,010
LIABILITIES					
Accounts payable	\$ 340,735	\$ 692,948	\$ 1,033,683	\$ 81,570	\$ -
Accrued liabilities	596,234	23,017	619,251	1,342,049	-
Compensated absences	409,256	-	409,256	422,299	-
Amounts held for others	74,942	-	74,942	-	-
Due to primary government	-	-	-	528,136	-
Deferred revenue	206,650	-	206,650	-	-
Due within one year	1,999,219	6,750	2,005,969	-	-
Due in more than one year	31,414,469	1,168,250	32,582,719	-	-
Total liabilities	\$ 35,041,505	\$ 1,890,965	\$ 36,932,470	\$ 2,374,054	\$ -
NET ASSETS					
Invested in capital assets, net of related debt	\$ (460,835)	\$ 3,449,355	\$ 2,988,520	\$ 9,683,097	\$ -
Unrestricted (deficit)	14,598,769	364,168	14,962,937	148,423	305,010
Total net assets	\$ 14,137,934	\$ 3,813,523	\$ 17,951,457	\$ 9,831,520	\$ 305,010

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,879,166	\$ 20,914	\$ 265,579	\$ -
Judicial administration	750,073	96,818	462,744	-
Public safety	3,633,406	297,529	1,054,717	-
Public works	1,888,291	267,417	-	-
Health and welfare	2,274,350	-	1,416,956	-
Education	12,706,379	-	-	-
Parks, recreation, and cultural	983,322	80,590	23,188	596,878
Community development	1,260,873	17,905	78,448	-
Interest on long-term debt	1,535,839	-	-	-
Total governmental activities	\$ 26,911,699	\$ 781,173	\$ 3,301,632	\$ 596,878
Business-type activities:				
Piney River Water & Sewer	91,922	56,946	-	2,498,162
Total primary government	\$ 27,003,621	\$ 838,119	\$ 3,301,632	\$ 3,095,040
COMPONENT UNITS:				
School Board	\$ 23,505,505	\$ 526,558	\$ 11,940,634	\$ 121,166
Nelson County Economic Development Authority	28,120	-	-	-
Total component units	\$ 23,533,625	\$ 526,558	\$ 11,940,634	\$ 121,166
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				
Gain on sale of property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets - beginning, as adjusted				
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
\$ (1,592,673)	\$ -	\$ (1,592,673)		
(190,511)	-	(190,511)		
(2,281,160)	-	(2,281,160)		
(1,620,874)	-	(1,620,874)		
(857,394)	-	(857,394)		
(12,706,379)	-	(12,706,379)		
(282,666)	-	(282,666)		
(1,164,520)	-	(1,164,520)		
(1,535,839)	-	(1,535,839)		
<u>\$ (22,232,016)</u>	<u>\$ -</u>	<u>\$ (22,232,016)</u>		
-	2,463,186	2,463,186		
<u>\$ (22,232,016)</u>	<u>\$ 2,463,186</u>	<u>\$ (19,768,830)</u>		
			\$ (10,917,147)	\$ -
			-	(28,120)
			<u>\$ (10,917,147)</u>	<u>\$ (28,120)</u>
\$ 16,116,702	\$ -	\$ 16,116,702	\$ -	\$ -
952,948	-	952,948	-	-
444,155	-	444,155	-	-
540,421	-	540,421	-	-
449,111	-	449,111	-	-
543,674	-	543,674	-	-
325,533	-	325,533	-	-
520,451	-	520,451	-	-
-	-	-	11,929,496	-
535,958	-	535,958	6,238	8,074
104,237	-	104,237	-	96,529
111,989	-	111,989	330,857	-
1,923,332	-	1,923,332	-	-
<u>\$ 22,568,511</u>	<u>\$ -</u>	<u>\$ 22,568,511</u>	<u>\$ 12,266,591</u>	<u>\$ 104,603</u>
\$ 336,495	\$ 2,463,186	\$ 2,799,681	\$ 1,349,444	\$ 76,483
13,801,439	1,350,337	15,151,776	8,482,076	228,527
<u>\$ 14,137,934</u>	<u>\$ 3,813,523</u>	<u>\$ 17,951,457</u>	<u>\$ 9,831,520</u>	<u>\$ 305,010</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 At June 30, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 10,237,463	\$ 107,502	\$ 3,634,565	\$ 17,102	\$ 13,996,632
Prepaid costs	29,198	-	-	-	29,198
Receivables (net of allowance):					
Property taxes receivable, net	1,759,877	-	-	-	1,759,877
Accounts receivable	448,520	-	1,695	-	450,215
Due from component unit	644,869	-	-	-	644,869
Due from other governmental units	2,069,533	-	-	11,750	2,081,283
Total assets	\$ 15,189,460	\$ 107,502	\$ 3,636,260	\$ 28,852	\$ 18,962,074
Liabilities					
Accounts payable	\$ 332,430	\$ 1,000	\$ -	\$ 7,305	\$ 340,735
Amounts held for others	74,942	-	-	-	74,942
Deferred revenue	1,621,356	-	-	-	1,621,356
Total liabilities	\$ 2,028,728	\$ 1,000	\$ -	\$ 7,305	\$ 2,037,033
Fund balance					
Reserved for:					
Debt service	\$ -	\$ 106,502	\$ -	\$ -	\$ 106,502
Ryan School Reserve	36,931	-	-	-	36,931
School construction	-	-	3,636,260	-	3,636,260
Solid waste project	1,378,533	-	-	-	1,378,533
Subsequent year's expenditures:					
Special Revenue Funds	-	-	-	21,547	21,547
Unreserved/undesignated	11,745,268	-	-	-	11,745,268
Total fund balances	\$ 13,160,732	\$ 106,502	\$ 3,636,260	\$ 21,547	\$ 16,925,041
Total liabilities and fund balances	\$ 15,189,460	\$ 107,502	\$ 3,636,260	\$ 28,852	\$ 18,962,074

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, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 16,925,041

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

Land and improvements	\$ 351,559	
Construction in progress	1,221,616	
Buildings and improvements, net of depreciation	2,664,127	
Equipment, net of depreciation	706,150	
School Board capital assets, net of depreciation	<u>25,366,716</u>	30,310,168

Deferred loan costs are not financial resources and, therefore, are not reported in funds. 23,930

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,414,706

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. (409,256)

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	\$ (596,234)	
Bonds, notes and capital leases payable	(31,533,390)	
Bond premiums	(616,146)	
Early retirement incentive obligation	(499,778)	
Accrued landfill remediation costs	<u>(764,374)</u>	<u>(34,009,922)</u>

Net assets of governmental activities \$ 14,137,934

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, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 15,866,348	\$ -	\$ -	\$ -	\$ 15,866,348
Other local taxes	3,776,293	-	-	-	3,776,293
Permits, privilege fees, and regulatory licenses	313,533	-	-	-	313,533
Fines and forfeitures	59,473	-	-	-	59,473
Revenue from the use of money and property	304,690	-	231,268	-	535,958
Charges for services	396,720	-	-	11,447	408,167
Miscellaneous	111,315	-	-	-	111,315
Recovered costs	403,462	-	-	-	403,462
Intergovernmental revenues:					
Revenue from the Commonwealth	4,584,599	-	-	71,625	4,656,224
Revenue from the Federal Government	1,165,618	-	-	-	1,165,618
Total revenues	\$ 26,982,051	\$ -	\$ 231,268	\$ 83,072	\$ 27,296,391
Expenditures					
Current:					
General government administration	\$ 1,814,008	\$ -	\$ -	\$ -	\$ 1,814,008
Judicial administration	753,803	-	-	-	753,803
Public safety	3,787,098	-	-	-	3,787,098
Public works	2,020,282	-	-	9,724	2,030,006
Health and welfare	2,333,862	-	-	-	2,333,862
Education	10,343,445	-	-	-	10,343,445
Parks, recreation, and cultural	1,094,156	-	-	-	1,094,156
Community development	1,208,457	-	-	64,189	1,272,646
Capital projects	2,294,458	-	471,161	-	2,765,619
Debt service:					
Principal retirement	-	1,852,204	-	-	1,852,204
Interest and other fiscal charges	-	1,617,346	-	-	1,617,346
Total expenditures	\$ 25,649,569	\$ 3,469,550	\$ 471,161	\$ 73,913	\$ 29,664,193
Excess (deficiency) of revenues over (under) expenditures	\$ 1,332,482	\$ (3,469,550)	\$ (239,893)	\$ 9,159	\$ (2,367,802)
Other financing sources (uses)					
Transfers in	\$ -	\$ 3,269,743	\$ -	\$ -	\$ 3,269,743
Transfers out	(2,718,066)	-	(551,677)	-	(3,269,743)
Capital leases	339,685	-	-	-	339,685
Proceeds from sale of capital assets	191,190	-	-	-	191,190
Insurance proceeds	-	-	117,407	-	117,407
Total other financing sources (uses)	\$ (2,187,191)	\$ 3,269,743	\$ (434,270)	\$ -	\$ 648,282
Net change in fund balances	\$ (854,709)	\$ (199,807)	\$ (674,163)	\$ 9,159	\$ (1,719,520)
Fund balance, beginning of year, as adjusted	14,015,441	306,309	4,310,423	12,388	18,644,561
Fund balance, end of year	\$ 13,160,732	\$ 106,502	\$ 3,636,260	\$ 21,547	\$ 16,925,041

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, 2008

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

Net change in fund balances - total governmental funds - Exhibit 5 \$ (1,719,520)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	\$	2,617,926	
Depreciation expense		(1,205,835)	
Adjustment for jointly owned capital assets		(1,128,789)	283,302

Governmental funds report the proceeds from the sale of capital assets as an other financing source. However, in the statement of activities, the net cost of the assets sold are netted against the proceeds to present a gain or loss on the sale. (86,953)

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 loans costs in the current period. (2,900)

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 250,354

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

Debt issued:			
Capital lease proceeds	\$	(339,685)	
Decrease in landfill liability		119,064	
Repayments:			
General obligation school bonds		870,000	
Plus: Amortization of issuance premium		63,171	
Lease revenue bonds		145,000	
State Literary Fund loans		250,000	
Amortization of issuance premium -- infrastructure revenue bonds		12,952	
Capital leases		552,994	
Early retirement incentive obligation		34,210	
Net adjustment			1,707,706

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	\$	15,855	
Accrued interest on bonds and loans		5,384	21,239

Change in net assets of governmental activities \$ 336,495

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

Statement of Net Assets
 Proprietary Fund
 At June 30, 2008

	Business-Type Activities - Enterprise Fund Piney River Water & Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 491,068
Accounts receivable, net	18,681
Grants receivable	570,384
Total current assets	<u>\$ 1,080,133</u>
Noncurrent assets:	
Land	\$ 40,000
Construction in progress	3,815,441
Other capital assets, net of accumulated depreciation	768,914
Total noncurrent assets	<u>\$ 4,624,355</u>
Total assets	<u>\$ 5,704,488</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 692,948
Accrued interest expense	23,017
Current portion of bonds payable	6,750
Total current liabilities	<u>\$ 722,715</u>
Long-term liabilities	
Bonds payable	\$ 1,168,250
Total long-term liabilities	<u>1,168,250</u>
Total liabilities	<u>\$ 1,890,965</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 3,449,355
Unrestricted	<u>364,168</u>
Total net assets	<u>\$ 3,813,523</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, 2008

	Business-Type Activities - Enterprise Fund Piney River Water & Sewer Fund
Operating revenues:	
Charges for services, net	\$ 56,946
Total operating revenues	<u>\$ 56,946</u>
Operating expenses:	
Contractual services	\$ 36,461
Other charges	681
Depreciation expense	31,763
Total operating expenses	<u>\$ 68,905</u>
Operating loss	<u>\$ (11,959)</u>
Nonoperating expense:	
Interest expense	\$ 23,017
Net nonoperating expense	<u>\$ 23,017</u>
Loss before capital contributions	<u>\$ (34,976)</u>
Capital contributions:	
Capital grant - Rural Development	\$ 1,488,201
Capital grant - STAG	1,009,961
Total capital contributions	<u>\$ 2,498,162</u>
Change in net assets	<u>\$ 2,463,186</u>
Net assets, beginning of year	<u>1,350,337</u>
Net assets, end of year	<u><u>\$ 3,813,523</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, 2008

	Business-Type Activities - Enterprise Fund <u>Piney River</u> <u>Water & Sewer Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 47,772
Payments to suppliers	(37,142)
Net cash provided by (used in) operating activities	<u>\$ 10,630</u>
Cash flows from capital and related financing activities	
Purchases of capital assets, net of related payable	\$ (2,651,207)
Proceeds from notes payable	1,175,000
Capital contributions received	1,927,778
Net cash provided by (used in) capital and related financing activities	<u>\$ 451,571</u>
Net increase (decrease) in cash and cash equivalents	\$ 462,201
Cash and cash equivalents, beginning of year	<u>\$ 28,867</u>
Cash and cash equivalents, end of year	<u><u>\$ 491,068</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (11,959)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	31,763
Changes in assets and liabilities:	
Accounts receivable	(9,174)
Net cash provided by (used in) operating activities	<u><u>\$ 10,630</u></u>

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

Statement of Fiduciary Net Assets
 At June 30, 2008

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>55,027</u>
Total assets	\$ <u><u>55,027</u></u>
Liabilities:	
Amounts held for others	\$ <u>55,027</u>
Total liabilities	\$ <u><u>55,027</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, 2008

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 governor'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, 2008 (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 2008 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 \$231,776 for operations to the Jefferson-Madison Regional Library, \$70,665 to the Region Ten Community Services Board, \$17,632 to the Thomas Jefferson Planning District Commission, \$399,668 to the Albemarle-Charlottesville Regional Jail Authority, and \$86,371 to the Jefferson Area Board for Aging.

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* 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 2008.

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, 2008 (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, 2008 (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. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

G. 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.
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, 2008, 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 \$500,000. 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.

H. 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 \$208,871 at June 30, 2008. The allowance is comprised of property taxes and sewer charges.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

I. 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.

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

J. 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.

K. 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.

L. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

L. Long-Term Obligations: (Continued)

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.

M. 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.

N. 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.

O. Loan costs

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

P. Inventory

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

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. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

Statutes authorize the County 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, 2008 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments)

The County's investments at June 30, 2008 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, 2008 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.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Local Government</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Money Market Mutual Fund	\$ 1,231,161
Local Government Investment Pool	4,462,282
Virginia State Non-arbitrage Pool	1,384,143
Repurchase Agreements - Underlying: U.S. Agency Securities	<u>2,606,263</u>
Total	<u>\$ 9,683,849</u>
<u>Component Units</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 8,574</u>

Interest Rate Risk

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>
U.S. Agencies	\$ 2,606,263	\$ 2,606,263
Total	<u>\$ 2,606,263</u>	<u>\$ 2,606,263</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (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, 2008 consist of the following:

	Primary Government			Business- Type Activities	Component Units	
	Governmental Activities				School Board	Economic Development Authority
	General Fund	Capital Projects	Total			
Property taxes	\$ 1,964,748	\$ -	\$ 1,964,748	\$ -	\$ -	\$ -
Utility taxes	50,664	-	50,664	-	-	-
Recordation taxes	24,732	-	24,732	-	-	-
Lodging fees	39,291	-	39,291	-	-	-
Meals taxes	56,589	-	56,589	-	-	-
Communications sales and use tax	87,352	-	87,352	-	-	-
Landfill fees	27,626	-	27,626	-	-	-
EMS revenue recovery	87,352	-	87,352	-	-	-
Note receivable	-	-	-	-	-	128,000
E-rate reimbursement	-	-	-	-	29,569	-
Sewer charges	-	-	-	22,681	-	-
Other	74,914	1,695	76,609	-	6,325	5,952
Total receivables	\$ 2,413,268	\$ 1,695	\$ 2,414,963	\$ 22,681	\$ 35,894	\$ 133,952
Allowance for uncollectibles	(204,871)	-	(204,871)	(4,000)	-	-
Net receivables	\$ 2,208,397	\$ 1,695	\$ 2,210,092	\$ 18,681	\$ 35,894	\$ 133,952

A note receivable in the amount of \$128,000 was obtained in connection with the sale of land held by the Economic Development Authority in December, 2007. The note and accrued interest is payable in full in June 2009. The note accrues interest at 7% per annum and is secured by a deed of trust.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government			Business- Type Activities	Component Unit
	Governmental Activities				School Board
	General Fund	Special Revenue	Total		
Commonwealth of Virginia:					
Local sales taxes	\$ 146,588	\$ -	\$ 146,588	\$ -	\$ 368,573
Personal property tax relief act	734,930	-	734,930	-	-
Comprehensive Services Act	174,817	-	174,817	-	-
Public assistance	28,530	-	28,530	-	-
Rolling stock tax	87,851	-	87,851	-	-
Shared expenses and grants	175,188	-	175,188	-	-
Other	85,073	11,750	96,823	-	-
Federal government:					
Public assistance	38,684	-	38,684	-	-
TEA-21 grant	596,878	-	596,878	-	-
Other	994	-	994	-	-
Water & sewer grants:					
- Rural Development	-	-	-	484,730	-
- STAG	-	-	-	85,654	-
Federal pass-through school funds	-	-	-	-	232,818
Total	\$ 2,069,533	\$ 11,750	\$ 2,081,283	\$ 570,384	\$ 601,391

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	\$ 2,718,066
Net transfers from General Fund	\$ 2,718,066
Transfer to the Debt Service Fund to pay principal and interest on long-term debt	\$ 551,677
Net transfers from the Capital Projects Fund	\$ 551,677

The component unit School Board consists of only one fund.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2008.

Governmental Activities:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjust- ments</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:					
Land and land improvements	\$ 337,809	\$ 33,750	\$ (20,000)	\$ -	\$ 351,559
Construction in progress	545,310	1,900,771	(1,224,465)	-	1,221,616
Total capital assets not being depreciated	<u>\$ 883,119</u>	<u>\$ 1,934,521</u>	<u>\$ (1,244,465)</u>	<u>\$ -</u>	<u>\$ 1,573,175</u>
Other capital assets:					
Buildings and improvements	\$ 2,697,965	\$ 1,407,933	\$ (69,000)	\$ (20,284)	\$ 4,016,614
School buildings, improvements and equipment *	30,529,925	339,685	-	(1,796,221)	29,073,389
Furniture, equipment and vehicles	1,746,423	499,937	(84,924)	45,901	2,207,337
Total other capital assets	<u>\$ 34,974,313</u>	<u>\$ 2,247,555</u>	<u>\$ (153,924)</u>	<u>\$ (1,770,604)</u>	<u>\$ 35,297,340</u>
Less: Accumulated depreciation for:					
Buildings and improvements	\$ 1,044,963	\$ 312,874	\$ (5,350)	\$ -	\$ 1,352,487
School buildings, improvements and equipment *	3,268,888	765,532	-	(327,747)	3,706,673
Furniture, equipment and vehicles	1,429,762	127,429	(81,621)	25,617	1,501,187
Total accumulated depreciation	<u>\$ 5,743,613</u>	<u>\$ 1,205,835</u>	<u>\$ (86,971)</u>	<u>\$ (302,130)</u>	<u>\$ 6,560,347</u>
Other capital assets, net	<u>\$ 29,230,700</u>	<u>\$ 1,041,720</u>	<u>\$ (66,953)</u>	<u>\$ (1,468,474)</u>	<u>\$ 28,736,993</u>
Net capital assets	<u>\$ 30,113,819</u>	<u>\$ 2,976,241</u>	<u>\$ (1,311,418)</u>	<u>\$ (1,468,474)</u>	<u>\$ 30,310,168</u>
Depreciation expense was allocated as follows:					
General government administration		\$ 45,519			
Public safety		95,950			
Public works		183,831			
Health and welfare		17,797			
Education		765,532			
Parks, recreation and cultural		78,874			
Community development		18,332			
Total depreciation expense		<u>\$ 1,205,835</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, 2008 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2007	Increases	Decreases	Adjust- ments	Balance June 30, 2008
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	\$ 42,990,360	\$ 468,613	\$ -	\$ 23,217	\$ 43,482,190
School buildings, improvements and equipment allocated to County *	(30,529,925)	(339,685)	-	1,796,221	(29,073,389)
Furniture, equipment and vehicles	3,490,801	352,825	(125,152)	(23,217)	3,695,257
Total other capital assets	\$ 15,951,236	\$ 481,753	\$ (125,152)	\$ 1,796,221	\$ 18,104,058
Less: Accumulated depreciation for:					
Buildings and improvements	\$ 9,256,284	\$ 1,144,371	\$ -	\$ 455,752	\$ 10,856,407
School buildings, improvements and equipment allocated to County *	(3,268,888)	(765,532)	-	327,747	(3,706,673)
Furniture, equipment and vehicles	2,418,850	284,491	(125,152)	(455,752)	2,122,437
Total accumulated depreciation	\$ 8,406,246	\$ 663,330	\$ (125,152)	\$ 327,747	\$ 9,272,171
Other capital assets, net	\$ 7,544,990	\$ (181,577)	\$ -	\$ 1,468,474	\$ 8,831,887
Net capital assets	\$ 8,396,200	\$ (181,577)	\$ -	\$ 1,468,474	\$ 9,683,097
Depreciation expense allocated to education		\$ 663,330			

* 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	\$ 30,310,168
Less: Long-term debt applicable to capital assets at June 30, 2008	\$ 32,149,536
Less: Bond proceeds and related premium received but not expended on capital assets at June 30, 2008	1,378,533
	<u>30,771,003</u>
Net assets invested in capital assets, less related debt	<u>\$ (460,835)</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business Type Activities:
Piney River Water & Sewer Operations

	Balance July 1, 2007	Increases	Decreases	Adjust- ments	Balance June 30, 2008
Capital assets not being depreciated:					
Land and land improvements	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Construction in progress	478,234	3,337,207	-	-	3,815,441
Total capital assets not being depreciated	<u>\$ 518,234</u>	<u>\$ 3,337,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,855,441</u>
Other capital assets:					
Infrastructure	\$ 1,111,701	\$ -	\$ -	\$ -	\$ 1,111,701
Total other capital assets	<u>\$ 1,111,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,701</u>
Less: Accumulated depreciation for:					
Infrastructure	\$ 311,024	\$ 31,763	\$ -	\$ -	\$ 342,787
Total accumulated depreciation	<u>\$ 311,024</u>	<u>\$ 31,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,787</u>
Other capital assets, net	<u>\$ 800,677</u>	<u>\$ (31,763)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,914</u>
Net capital assets	<u>\$ 1,318,911</u>	<u>\$ 3,305,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,624,355</u>

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

Net capital assets	\$ 4,624,355
Less: Long-term debt applicable to capital assets at June 30, 2008	<u>1,175,000</u>
Net assets invested in capital assets, less related debt	<u>\$ 3,449,355</u>

The primary government sold certain capital assets in fiscal 2008 and received sales proceeds in the amount of \$191,190, resulting in a gain on sale in the amount of \$104,237. The gain was primarily related to the sale of land and a building in Lovingston, Virginia.

The Economic Development Authority sold land in December 2007 for a note receivable in the amount of \$128,000 and net sales proceeds in the amount of \$31,750, resulting in a gain on sale in the amount of \$96,529. See Note 3 for further discussion of the note receivable.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (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, 2008.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements & Other Reductions</u>	<u>Balance June 30, 2008</u>
Primary Government:				
Governmental activities:				
Lease revenue school bonds	\$ 11,835,000	\$ -	\$ 145,000	\$ 11,690,000
General obligation bonds:				
School	14,840,000	-	870,000	13,970,000
Premium on issuance	623,814	-	63,171	560,643
State Literary Fund loans:				
School	3,000,000	-	250,000	2,750,000
Virginia Resource Authority:				
Infrastructure Revenue bonds:				
General	2,460,000	-	-	2,460,000
Premium on issuance	68,455	-	12,952	55,503
Capital leases	876,699	339,685	552,994	663,390
Retirement incentive obligation loan	533,988	-	34,210	499,778
Landfill liability	883,438	-	119,064	764,374
	<u>35,121,394</u>	<u>339,685</u>	<u>2,047,391</u>	<u>33,413,688</u>
Total	\$ 35,121,394	\$ 339,685	\$ 2,047,391	\$ 33,413,688
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year			\$ 1,999,219	
Long-term liabilities due in more than one year				<u>31,414,469</u>
Total			\$ 33,413,688	

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

	Balance July 1, 2007	Additions	Retirements & Other Reductions	Balance June 30, 2008
Business-type activities:				
USDA Water Revenue Bond	\$ -	\$ 499,000	\$ -	\$ 499,000
USDA Sewer Revenue Bond	-	676,000	-	676,000
	<u>\$ -</u>	<u>\$ 1,175,000</u>	<u>\$ -</u>	<u>\$ 1,175,000</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year				\$ 6,750
Long-term liabilities due in more than one year				<u>1,168,250</u>
Total				<u>\$ 1,175,000</u>

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

Year Ending June 30,	Principal	Interest
2009	\$ 1,588,283	\$ 1,538,572
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
2014-2018	8,668,632	4,910,796
2019-2023	7,977,198	2,857,337
2024-2028	5,561,022	1,039,893
2029-2033	1,160,692	189,918
2034-2038	187,642	127,718
2039-2043	233,661	81,699
2044-2048	248,730	24,918
Total	<u>\$ 32,544,778</u>	<u>\$ 16,206,758</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (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%	\$ 85,000	\$ 45,000
\$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%	290,000	65,000
\$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%	900,000	210,000
\$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%	230,000	35,000
\$14,280,000 School Bonds, 2003, issued November 2003, due in various installments of \$420,000 to \$1,110,000 through January 2024, interest rates from 3.1% to 5.35%	12,465,000	515,000
Unamortized premium on issuance of 2003 School Bonds	<u>560,643</u>	<u>60,677</u>
Total general obligation school bonds	<u>\$ 14,530,643</u>	<u>\$ 930,677</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>\$ 11,690,000</u>	<u>\$ 195,000</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>\$ 2,750,000</u>	<u>\$ 250,000</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (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%.	\$ 2,460,000	\$ 230,000
 Unamortized premium	<u>55,503</u>	<u>11,314</u>
 Total Virginia Resource Authority Infrastructure Revenue Bonds	<u>\$ 2,515,503</u>	<u>\$ 241,314</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, 2008 was:	<u>\$ 499,778</u>	<u>\$ 36,533</u>
 Total governmental loans and bonds	<u>\$ 31,985,924</u>	<u>\$ 1,653,524</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (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%	\$ 499,000	\$ 2,962
\$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>676,000</u>	<u>3,788</u>
Total business-type long-term obligations	<u>\$ 1,175,000</u>	<u>\$ 6,750</u>

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	\$ 1,248,742
Less accumulated depreciation	<u>(246,072)</u>
Total	<u>\$ 1,002,670</u>

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2009	\$ 272,870
2010	225,969
2011	153,283
2012	<u>74,657</u>
Total minimum lease payments	\$ 726,779
Less: amount representing interest	<u>(63,389)</u>
Present value of minimum lease payments	<u><u>\$ 663,390</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.

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 tax unused balance or \$2,500.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

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.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Net Increase/ (Decrease)</u>	<u>Balance</u> <u>June 30, 2008</u>
Primary Government:			
Governmental activities	\$ 425,111	\$ (15,855)	\$ 409,256
Component Unit School Board	\$ 410,341	\$ 11,958	\$ 422,299

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 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 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to 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 increases limited to 5% per year beginning in their second year of retirement. 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.

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/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been 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 2008 were 9.8% and 9.69% of annual covered payroll, respectively.

The School Board's contributions rate for VRS statewide sharing pool for its employee was 10.3%.

C. Annual Pension Cost:

For fiscal year 2008, the County's annual pension cost of \$319,129 (does not include the employee share assumed by the County which was \$165,263) was equal to the County's required and actual contributions.

For fiscal year 2008, the County School Board's annual pension cost for the Board's non-professional employees was \$154,862 (does not include the employee share assumed by the Board which was \$79,815) 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, 2008	\$ 319,129	100%	-
June 30, 2007	295,157	100%	-
June 30, 2006	249,431	100%	-
School Board Non-Professional:			
June 30, 2008	\$ 154,682	100%	-
June 30, 2007	148,352	100%	-
June 30, 2006	108,427	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included 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 payroll on an open basis within a period of 20 years.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the County's plan was 86.52% funded. The actuarial accrued liability for benefits was \$12,756,423, and the actuarial value of assets was \$11,037,140, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,719,283. The covered payroll (annual payroll of active employees covered by the plan) was \$3,194,999, and ratio of the UAAL to the covered payroll was 53.81%.

As of June 30, 2007, the most recent actuarial valuation date, the County School Board's plan was 86.52% funded. The actuarial accrued liability for benefits was \$4,616,563, and the actuarial value of assets was \$3,994,285, resulting in an unfunded actuarial accrued liability (UAAL) of \$662,278. The covered payroll (annual payroll of active employees covered by the plan) was \$1,520,439, and ratio of the UAAL to the covered payroll was 40.93%.

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 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 State legislature. 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/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required to contribute 5.0% of their annual covered salary and Nelson County School Board is required to contribute at an actuarial determined rate. The current rate is 10.3% of annual covered payroll. The contribution requirements of plan members and Nelson County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ended June 30, 2008, 2007, and 2006 were \$1,106,941, \$942,286, and \$658,822, respectively, which equaled the required contributions for each year.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 10—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, 2008.

NOTE 11—DEFERRED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred property tax revenue:		
Deferred revenue represents uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,414,706
Deferred revenue representing prepaid taxes. Prepaid taxes collected are available for the funding of current expenditures.	<u>206,650</u>	<u>206,650</u>
Total primary government	<u>\$ 206,650</u>	<u>\$ 1,621,356</u>

The Component Unit School Board had no deferred revenue.

NOTE 12—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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 12—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Primary Government and Component Unit School Board: (Continued)

The County has entered into construction and engineering contracts for the Piney River Project, Phase III totaling \$5,431,863 as of June 30, 2008. Outstanding commitments under the contracts (exclusive of construction and retainage payable in the amount of \$686,678) as of that date were \$1,775,341. The project is being funded primarily with Rural Development loans and grants and a STAG grant.

The County has been advised by the Judge of the Circuit Court that the County's courthouse facilities must be updated. The County anticipates the total cost of the construction to be approximately \$11.5 million, of which \$7.5 million will be financed through debt. The balance of the project is to be funded with amounts on hand as of June 30, 2008 and anticipated collections in fiscal 2009.

The County has entered into a contract in the amount of \$786,420 for architectural services for the concept, design and administration of the courthouse construction. At June 30, 2008, there was an open commitment of approximately \$30,000 under the contract.

Operating Leases:

The County is leasing space in the Nelson Center. The lease agreements which have terms of more than one year have clauses for rental increases based on the Consumer Price Index. The estimated amounts due for noncancellable operating lease agreements are as follows:

2009	\$	<u>49,089</u>
Total	\$	<u><u>49,089</u></u>

Total rent expenditures were \$82,847.

NOTE 13—LITIGATION:

At June 30, 2008 there were no matters of litigation involving the County or its component units that would have an adverse material effect on the financial position of the reporting entity should there be unfavorable rulings affecting the entities.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 14—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	-

NOTE 15—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 and liability coverages are \$10,000,000 and \$4,000,000, respectively.

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, 2008 (Continued)

NOTE 15—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 16—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 \$764,374 as of June 30, 2008. 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.

NOTE 17—RELATED PARTY TRANSACTIONS:

The County had certain transactions with the Nelson County Service Authority during fiscal year 2008. 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.

NOTE 18—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 2008. Eligible employees age 50 and over may defer up to \$22,000 in 2008. 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.

COUNTY OF NELSON, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 19—RESTATEMENT OF OPENING NET ASSETS:

Prior period adjustments have been recorded to opening fund balance and net assets as of July 1, 2007 as follows:

	<u>Governmental Funds</u>			
Fund balance at June 30, 2007	\$ 18,605,682			
Adjustments for:				
Opening balance of School Board fuel inventory which increases the amount due to the General Fund by the School Board	70,305			
Opening fund balance of Piney River Water & Sewer Special Revenue Fund Balance presented as part of Enterprise Fund in fiscal 2008	(20,724)			
Portion of opening fund balance of Capital Projects Fund related to the construction of the Piney River Project Phase III presented as part of Enterprise Fund in fiscal 2008	<u>(10,702)</u>			
Fund balance at July 1, 2007 (Exhibit 5)	<u>\$ 18,644,561</u>			
	<u>Governmental Activities-- Primary Government</u>	<u>Business Activities-- Primary Government</u>		<u>Total</u>
Net assets at June 30, 2007	\$ 15,081,471	\$ -		\$ 15,081,471
Adjustments for:				
Opening balance of School Board fuel inventory which increases the amount due to the General Fund by the School Board	70,305	-		70,305
Opening fund balance of Piney River Water & Sewer Special Revenue Fund Balance presented as part of Enterprise Fund in fiscal 2008	(20,724)	20,724		-
Portion of opening fund balance of Capital Projects Fund related to the construction of the Piney River Project Phase III presented as part of Enterprise Fund in fiscal 2008	(10,702)	10,702		-
Opening balance of Piney River Water & Sewer capital assets included in the Enterprise Fund	<u>(1,318,911)</u>	<u>1,318,911</u>		<u>-</u>
Net assets, restated as of July 1, 2007 (Exhibit 2)	<u>\$ 13,801,439</u>	<u>\$ 1,350,337</u>		<u>\$ 15,151,776</u>

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 13,740,942	\$ 13,740,942	\$ 15,866,348	\$ 2,125,406
Other local taxes	3,708,870	3,708,870	3,776,293	67,423
Permits, privilege fees, and regulatory licenses	302,600	311,920	313,533	1,613
Fines and forfeitures	75,000	75,000	59,473	(15,527)
Revenue from the use of money and property	315,980	315,980	304,690	(11,290)
Charges for services	485,770	497,770	396,720	(101,050)
Miscellaneous	105,750	108,870	111,315	2,445
Recovered costs	561,128	561,128	403,462	(157,666)
Intergovernmental revenues:				
Commonwealth	4,619,709	5,029,305	4,584,599	(444,706)
Federal	908,205	1,149,994	1,165,618	15,624
Total revenues	\$ 24,823,954	\$ 25,499,779	\$ 26,982,051	\$ 1,482,272
EXPENDITURES				
Current:				
General government administration	\$ 2,043,865	\$ 1,961,187	\$ 1,814,008	\$ 147,179
Judicial administration	700,606	826,563	753,803	72,760
Public safety	3,492,681	4,030,186	3,787,098	243,088
Public works	2,075,221	2,157,670	2,020,282	137,388
Health and welfare	2,049,595	2,499,595	2,333,862	165,733
Education	9,970,018	10,078,185	10,343,445	(265,260)
Parks, recreation, and cultural	1,142,117	1,386,820	1,094,156	292,664
Community development	1,308,458	1,306,241	1,208,457	97,784
Capital projects	3,511,894	3,511,894	2,294,458	1,217,436
Total expenditures	\$ 26,294,455	\$ 27,758,341	\$ 25,649,569	\$ 2,108,772
Excess (deficiency) of revenues over (under) expenditures	\$ (1,470,501)	\$ (2,258,562)	\$ 1,332,482	\$ 3,591,044
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,733,411)	\$ (2,718,066)	\$ (2,718,066)	\$ -
Long-term debt issued	2,650,000	2,650,000	-	(2,650,000)
Capital lease proceeds	-	-	339,685	339,685
Proceeds from sale of capital assets	-	122,170	191,190	69,020
Total other financing sources and uses	\$ (83,411)	\$ 54,104	\$ (2,187,191)	\$ (2,241,295)
Net change in fund balances	\$ (1,553,912)	\$ (2,204,458)	\$ (854,709)	\$ 1,349,749
Fund balances - beginning	1,553,912	2,204,458	14,015,441	11,810,983
Fund balances - ending	\$ -	\$ -	\$ 13,160,732	\$ 13,160,732

Schedule of Pension Funding Progress
At June 30, 2008

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
County:						
June 30, 2007	\$ 11,037,140	12,756,423	\$ 1,719,283	\$ 86.52%	\$ 3,194,999	53.81%
June 30, 2006	9,722,624	11,564,604	1,841,980	84.07%	2,984,633	61.72%
June 30, 2005	9,117,143	11,468,382	2,351,239	79.50%	2,907,237	80.88%

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, 2007	\$ 3,994,285	\$ 4,616,563	\$ 622,278	\$ 86.52%	\$ 1,520,439	40.93%
June 30, 2006	3,500,859	4,187,036	686,177	83.61%	1,492,164	45.99%
June 30, 2005	3,255,477	4,226,392	970,915	77.03%	1,373,507	70.69%

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt service:				
Principal retirement	\$ 1,950,226	\$ 1,934,881	\$ 1,852,204	\$ 82,677
Interest and other fiscal charges	1,604,433	1,604,433	1,617,346	(12,913)
Total expenditures	<u>\$ 3,554,659</u>	<u>\$ 3,539,314</u>	<u>\$ 3,469,550</u>	<u>\$ 69,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,554,659)</u>	<u>\$ (3,539,314)</u>	<u>\$ (3,469,550)</u>	<u>\$ 69,764</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,285,088	\$ 3,269,743	\$ 3,269,743	\$ -
Total other financing sources and uses	<u>\$ 3,285,088</u>	<u>\$ 3,269,743</u>	<u>\$ 3,269,743</u>	<u>\$ -</u>
Net change in fund balances	\$ (269,571)	\$ (269,571)	\$ (199,807)	\$ 69,764
Fund balances - beginning	269,571	269,571	306,309	36,738
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,502</u>	<u>\$ 106,502</u>

Capital Projects Fund

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

For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 170,000	\$ 170,000	\$ 231,268	\$ 61,268
Total revenues	\$ 170,000	\$ 170,000	\$ 231,268	\$ 61,268
EXPENDITURES				
Current:				
Capital projects	\$ 297,169	\$ 555,350	\$ 471,161	\$ 84,189
Total expenditures	\$ 297,169	\$ 555,350	\$ 471,161	\$ 84,189
Excess (deficiency) of revenues over (under) expenditures	\$ (127,169)	\$ (385,350)	\$ (239,893)	\$ 145,457
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 394,062	\$ 394,062	\$ -	\$ (394,062)
Transfers out	(551,677)	(551,677)	(551,677)	-
Insurance proceeds	-	-	117,407	117,407
Total other financing sources and uses	\$ (157,615)	\$ (157,615)	\$ (434,270)	\$ (276,655)
Net change in fund balances	\$ (284,784)	\$ (542,965)	\$ (674,163)	\$ (131,198)
Fund balances - beginning	284,784	542,965	4,310,423	3,767,458
Fund balances - ending	\$ -	\$ -	\$ 3,636,260	\$ 3,636,260

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2008

	Housing Improvement Fund	Street Light Fund	Total
Assets			
Cash and cash equivalents	\$ 2,486	\$ 14,616	\$ 17,102
Due from other governments	11,750	-	11,750
Total assets	<u>\$ 14,236</u>	<u>\$ 14,616</u>	<u>\$ 28,852</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,750	\$ 555	\$ 7,305
Fund Balance			
Designated:			
Subsequent year's expenditures	\$ 7,486	\$ 14,061	\$ 21,547
Total fund balance	<u>\$ 7,486</u>	<u>\$ 14,061</u>	<u>\$ 21,547</u>
Total liabilities and fund balances	<u>\$ 14,236</u>	<u>\$ 14,616</u>	<u>\$ 28,852</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008

	Housing Improvement Fund	Street Light Fund	Total
Revenues			
Charges for services	\$ -	\$ 11,447	\$ 11,447
Intergovernmental revenues:			
Commonwealth	71,625	-	71,625
Total revenues	\$ 71,625	\$ 11,447	\$ 83,072
Expenditures			
Current:			
Public works	\$ -	\$ 9,724	\$ 9,724
Community development	64,189	-	64,189
Total expenditures	\$ 64,189	\$ 9,724	\$ 73,913
Excess (deficiency) of revenues over (under) expenditures	\$ 7,436	\$ 1,723	\$ 9,159
Net change in fund balances	\$ 7,436	\$ 1,723	\$ 9,159
Fund balances - beginning	50	12,338	12,388
Fund balances - ending	\$ 7,486	\$ 14,061	\$ 21,547

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, 2008

	Housing Improvement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:				
Commonwealth	75,000	75,000	71,625	(3,375)
Total revenues	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 71,625</u>	<u>\$ (3,375)</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Community development	75,000	75,000	64,189	10,811
Total expenditures	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 64,189</u>	<u>\$ 10,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,436</u>	<u>\$ 7,436</u>
Net change in fund balances	\$ -	\$ -	\$ 7,436	\$ 7,436
Fund balances - beginning	-	-	50	50
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,486</u>	<u>\$ 7,486</u>

Street Lights Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ 9,400	\$ 9,400	\$ 11,447	\$ 2,047	
-	-	-	-	
\$ 9,400	\$ 9,400	\$ 11,447	\$ 2,047	
9,400	\$ 9,400	\$ 9,724	\$ (324)	
-	-	-	-	
\$ 9,400	\$ 9,400	\$ 9,724	\$ (324)	
\$ -	\$ -	\$ 1,723	\$ 1,723	
\$ -	\$ -	\$ 1,723	\$ 1,723	
-	-	12,338	12,338	
\$ -	\$ -	\$ 14,061	\$ 14,061	

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 At June 30, 2008

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>EMS Loan Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 54,201	\$ 826	\$ 55,027
Total assets	<u>\$ 54,201</u>	<u>\$ 826</u>	<u>\$ 55,027</u>
Liabilities			
Amounts held for others	\$ 54,201	\$ 826	\$ 55,027
Total liabilities	<u>\$ 54,201</u>	<u>\$ 826</u>	<u>\$ 55,027</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2008

	<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	\$ 81,279	\$ 21,727	\$ 48,805	\$ 54,201
Liabilities				
Amounts held for others	\$ 81,279	\$ 21,727	\$ 48,805	\$ 54,201
EMS Loan Fund				
Assets				
Cash and cash equivalents	\$ 21,773	\$ 679,053	\$ 700,000	\$ 826
Liabilities				
Amounts held for others	\$ 21,773	\$ 679,053	\$ 700,000	\$ 826
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 103,052	\$ 700,780	\$ 748,805	\$ 55,027
Liabilities				
Amounts held for others	\$ 103,052	\$ 700,780	\$ 748,805	\$ 55,027

Component Unit School Board
 Balance Sheet
 At June 30, 2008

	<u>School Fund</u>
Assets	
Cash and cash equivalents	\$ 1,746,825
Accounts receivable	35,894
Due from other governments	601,391
Inventories	120,917
Prepaid items	<u>17,450</u>
Total assets	<u>\$ 2,522,477</u>
Liabilities	
Accounts payable	\$ 81,570
Accrued liabilities	1,342,049
Due to primary government	<u>644,869</u>
Total liabilities	<u>\$ 2,068,488</u>
Fund balance	
Unreserved:	
Designated:	
Subsequent year's expenditures	\$ <u>453,989</u>
Total fund balances	<u>\$ 453,989</u>
Total liabilities and fund balance	<u>\$ 2,522,477</u>

Component Unit School Board
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
 At June 30, 2008

Total fund balance for governmental fund (Exhibit 20)	\$	453,989
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		32,625,783
Equipment, net of depreciation		1,572,820
School Board capital assets in primary government, net of depreciation		<u>(25,366,716)</u>
		9,683,097
Collection by County government of insurance recovery previously accrued by School Board		116,733
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.		
Balances of long-term liabilities affecting net assets are compensated absences.		<u>(422,299)</u>
Total net assets of governmental activities (Exhibit 1)	\$	<u><u>9,831,520</u></u>

Component Unit School Board
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Fund
 For the Year Ended June 30, 2008

	<u>School Fund</u>
Revenues	
Revenue from the use of money and property	\$ 6,238
Charges for services	526,558
Miscellaneous	330,857
Recovered costs	116,912
Intergovernmental revenues:	
Appropriations from primary government	10,332,094
Commonwealth	10,141,469
Federal	<u>1,920,331</u>
Total revenues	\$ <u>23,374,459</u>
Expenditures	
Current:	
Education	
Instruction	\$ 15,860,253
Administration, attendance and health	1,478,565
Transportation	2,393,317
Facilities operations	2,571,382
School food services	990,014
Facilities	<u>6,423</u>
Total expenditures	\$ <u>23,299,954</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 74,505
Fund balance, beginning of year	<u>379,484</u>
Fund balance, end of year	<u><u>\$ 453,989</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, 2008

Net change in fund balance - total governmental fund (Exhibit 22) \$ 74,505

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	\$	821,438	
Depreciation expense		(663,330)	
Adjustment for jointly owned capital assets		<u>1,128,789</u>	1,286,897

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		<u>(11,958)</u>	
Change in net assets of governmental activities (Exhibit 2)	\$	<u>1,349,444</u>	

Component Unit School Board
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2008

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 6,238	\$ 6,238
Charges for services	670,500	545,245	526,558	(18,687)
Miscellaneous	302,725	779,236	330,857	(448,379)
Recovered costs	245,592	116,912	116,912	-
Intergovernmental revenues:				
Local government	9,958,667	10,066,834	10,332,094	265,260
Commonwealth	10,098,265	10,121,046	10,141,469	20,423
Federal	1,788,740	1,856,137	1,920,331	64,194
Total revenues	\$ 23,064,489	\$ 23,485,410	\$ 23,374,459	\$ (110,951)
EXPENDITURES				
Current:				
Education				
Instruction	\$ 16,052,852	\$ 15,919,264	\$ 15,860,253	\$ 59,011
Administration, attendance and health	1,498,122	1,478,232	1,478,565	(333)
Transportation	1,880,005	2,068,456	2,393,317	(324,861)
Facilities operations	2,644,537	3,056,860	2,571,382	485,478
School food services	988,973	962,598	990,014	(27,416)
Facilities	-	-	6,423	(6,423)
Total expenditures	\$ 23,064,489	\$ 23,485,410	\$ 23,299,954	\$ 185,456
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 74,505	\$ 74,505
Fund balances - beginning	-	-	379,484	379,484
Fund balances - ending	\$ -	\$ -	\$ 453,989	\$ 453,989

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 11,084,498	\$ 11,084,498	\$ 13,273,510	\$ 2,189,012
Real and personal public service corporation taxes	411,271	411,271	315,745	(95,526)
Personal property taxes	1,991,954	1,991,954	1,979,130	(12,824)
Mobile home taxes	29,500	29,500	30,352	852
Machinery and tools taxes	13,719	13,719	7,677	(6,042)
Penalties	110,000	110,000	118,611	8,611
Interest	100,000	100,000	141,323	41,323
Total general property taxes	<u>\$ 13,740,942</u>	<u>\$ 13,740,942</u>	<u>\$ 15,866,348</u>	<u>\$ 2,125,406</u>
Other local taxes:				
Local sales and use taxes	\$ 977,820	\$ 977,820	\$ 952,948	\$ (24,872)
Consumers' utility taxes	432,000	432,000	444,155	12,155
Business license taxes	31,000	31,000	30,370	(630)
Utility franchise taxes	92,000	92,000	114,487	22,487
Motor vehicle licenses	310,864	310,864	325,533	14,669
Bank franchise tax	80,161	80,161	45,571	(34,590)
Taxes on recordation and wills	315,274	315,274	293,920	(21,354)
Transient occupancy tax	480,990	480,990	449,111	(31,879)
Interest on transient occupancy tax	-	-	36,103	36,103
Meals tax	551,014	551,014	540,421	(10,593)
Communication sales and use taxes	437,747	437,747	543,674	105,927
Total other local taxes	<u>\$ 3,708,870</u>	<u>\$ 3,708,870</u>	<u>\$ 3,776,293</u>	<u>\$ 67,423</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,500	\$ 5,500	\$ 10,041	\$ 4,541
Dog pound fees	1,400	1,400	580	(820)
Land use application fees	6,400	6,400	24,448	18,048
Transfer fees	1,400	1,400	930	(470)
Special use permits	400	400	970	570
Zoning & Subdivision fees	3,500	3,500	3,470	(30)
Building permits	253,000	253,000	223,576	(29,424)
Building inspection fees	6,000	6,000	9,721	3,721
Well & Septic fees	15,000	15,000	14,375	(625)
Tourism collections	7,000	16,320	17,905	1,585
Sheriff's fees	3,000	3,000	7,517	4,517
Total permits, privilege fees, and regulatory licenses	<u>\$ 302,600</u>	<u>\$ 311,920</u>	<u>\$ 313,533</u>	<u>\$ 1,613</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 75,000	\$ 75,000	\$ 59,473	\$ (15,527)
Total fines and forfeitures	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 59,473</u>	<u>\$ (15,527)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 302,000	\$ 302,000	\$ 291,084	\$ (10,916)
Revenue from use of property	13,980	13,980	13,606	(374)
Total revenue from use of money and property	<u>\$ 315,980</u>	<u>\$ 315,980</u>	<u>\$ 304,690</u>	<u>\$ (11,290)</u>
Charges for services:				
Excess fees paid to Circuit Court	\$ 25,000	\$ 25,000	\$ 6	\$ (24,994)
Charges for courthouse security	17,000	29,000	28,223	(777)
Courthouse maintenance fees	6,000	6,000	6,934	934
Document reproduction fees	4,000	4,000	2,777	(1,223)
Sales of maps & ordinances	19,490	19,490	18,137	(1,353)
Law library fees	1,500	1,500	1,310	(190)
Charges for Commonwealth's Attorney	450	450	534	84
Charges for sanitation and waste removal	342,000	342,000	255,970	(86,030)
Charges for parks and recreation	68,330	68,330	80,590	12,260
Miscellaneous jail and inmate fees	2,000	2,000	1,901	(99)
Charges for court appointed attorney	-	-	338	338
Total charges for services	<u>\$ 485,770</u>	<u>\$ 497,770</u>	<u>\$ 396,720</u>	<u>\$ (101,050)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 105,750	\$ 108,870	\$ 111,315	\$ 2,445
Total miscellaneous revenue	<u>\$ 105,750</u>	<u>\$ 108,870</u>	<u>\$ 111,315</u>	<u>\$ 2,445</u>
Recovered costs:				
School Resource officer and other costs	\$ 32,228	\$ 32,228	\$ 30,245	\$ (1,983)
Buildings & grounds	72,000	72,000	68,150	(3,850)
Jaunt Wintergreen	50,000	50,000	40,000	(10,000)
Colleen water & sewer connection fees	-	-	29,500	29,500
EMS revenue recovery	400,000	400,000	228,333	(171,667)
Other recovered costs	6,900	6,900	7,234	334
Total recovered costs	<u>\$ 561,128</u>	<u>\$ 561,128</u>	<u>\$ 403,462</u>	<u>\$ (157,666)</u>
Total revenue from local sources	<u>\$ 19,296,040</u>	<u>\$ 19,320,480</u>	<u>\$ 21,231,834</u>	<u>\$ 1,911,354</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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:				
ABC profits	\$ 8,468	\$ 8,468	\$ -	\$ (8,468)
Wine taxes	8,876	8,876	-	(8,876)
Motor vehicle carriers' tax	75,777	75,777	87,851	12,074
Mobile home titling tax	30,000	30,000	24,965	(5,035)
Tax on deeds	77,015	77,015	74,556	(2,459)
Personal property tax relief funds	1,708,030	1,708,030	1,708,030	-
Total noncategorical aid	<u>\$ 1,908,166</u>	<u>\$ 1,908,166</u>	<u>\$ 1,895,402</u>	<u>\$ (12,764)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 215,859	\$ 215,859	\$ 215,415	\$ (444)
Sheriff	837,635	837,635	805,121	(32,514)
Commissioner of revenue	97,824	97,824	97,829	5
Treasurer	101,134	101,134	108,421	7,287
Registrar/electoral board	43,000	43,000	56,209	13,209
Clerk of the Circuit Court	187,301	201,379	224,663	23,284
Total shared expenses	<u>\$ 1,482,753</u>	<u>\$ 1,496,831</u>	<u>\$ 1,507,658</u>	<u>\$ 10,827</u>
Welfare:				
Public assistance and welfare administration	\$ 369,122	\$ 369,122	\$ 288,903	\$ (80,219)
Other categorical aid:				
E911 wireless grant	\$ 99,000	\$ 99,000	\$ 97,756	\$ (1,244)
DMV animal friendly plates	420	420	389	(31)
Fire programs	35,037	38,078	38,078	-
Four for life	13,853	26,307	26,307	-
Litter control grant	5,556	6,823	6,823	-
Victim-witness grant	19,408	21,559	20,405	(1,154)
School resource officer	14,483	14,483	14,121	(362)
Domestic violence victim fund grant	3,341	5,602	2,261	(3,341)
At-risk grant	386,325	695,385	589,211	(106,174)
Railway transportation grant	282,245	282,245	-	(282,245)
Library grant	-	18,188	18,188	-
Sheriff's department grant	-	-	1,248	1,248
Asset forfeiture proceeds	-	47,096	69,729	22,633
Other categorical	-	-	3,120	3,120
Performing arts grant	-	-	5,000	5,000
Total other categorical aid	<u>\$ 859,668</u>	<u>\$ 1,255,186</u>	<u>\$ 892,636</u>	<u>\$ (362,550)</u>
Total categorical aid	<u>\$ 2,711,543</u>	<u>\$ 3,121,139</u>	<u>\$ 2,689,197</u>	<u>\$ (431,942)</u>
Total revenue from the Commonwealth	<u>\$ 4,619,709</u>	<u>\$ 5,029,305</u>	<u>\$ 4,584,599</u>	<u>\$ (444,706)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 29,218	\$ 29,218	\$ 27,930	\$ (1,288)
Categorical aid:				
Public assistance and welfare administration	\$ 538,842	\$ 538,842	\$ 538,842	\$ -
COPS grant	-	1,273	-	(1,273)
SCAAP (federal prisoners)	-	-	1,968	1,968
Trail grant (TEA-21)	-	240,516	571,236	330,720
Tunnel grant (TEA-21)	340,145	340,145	25,642	(314,503)
Total categorical aid	\$ 878,987	\$ 1,120,776	\$ 1,137,688	\$ 16,912
Total revenue from the federal government	\$ 908,205	\$ 1,149,994	\$ 1,165,618	\$ 15,624
Total General Fund	\$ 24,823,954	\$ 25,499,779	\$ 26,982,051	\$ 1,482,272
Special Revenue Funds:				
Housing Improvement Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Rural Broadband Planning Initiative	\$ 75,000	\$ 75,000	\$ 71,625	\$ (3,375)
Total categorical aid	\$ 75,000	\$ 75,000	\$ 71,625	\$ (3,375)
Total revenue from the Commonwealth	\$ 75,000	\$ 75,000	\$ 71,625	\$ (3,375)
Total Housing Improvement Fund	\$ 75,000	\$ 75,000	\$ 71,625	\$ (3,375)
Street Lights Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for services	\$ 9,400	\$ 9,400	\$ 11,447	\$ 2,047
Total charges for services	\$ 9,400	\$ 9,400	\$ 11,447	\$ 2,047
Total Street Lights Fund	\$ 9,400	\$ 9,400	\$ 11,447	\$ 2,047
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 170,000	\$ 170,000	\$ 231,268	\$ 61,268
Total revenue from local sources	\$ 170,000	\$ 170,000	\$ 231,268	\$ 61,268
Total Capital Improvements Fund	\$ 170,000	\$ 170,000	\$ 231,268	\$ 61,268
Total Primary Government	\$ 25,078,354	\$ 25,754,179	\$ 27,296,391	\$ 1,542,212

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
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	\$ -	\$ -	\$ 6,238	\$ 6,238
Charges for services:				
Charges for education	\$ 670,500	\$ 545,245	\$ 526,558	\$ (18,687)
Total charges for services	\$ 670,500	\$ 545,245	\$ 526,558	\$ (18,687)
Miscellaneous revenue:				
Other miscellaneous	\$ 302,725	\$ 779,236	\$ 330,857	\$ (448,379)
Recovered costs:				
Other recovered costs	\$ 245,592	\$ 116,912	\$ 116,912	\$ -
Total recovered costs	\$ 245,592	\$ 116,912	\$ 116,912	\$ -
Total revenue from local sources	\$ 1,218,817	\$ 1,441,393	\$ 980,565	\$ (460,828)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Nelson, Virginia	\$ 9,958,667	\$ 10,066,834	\$ 10,332,094	\$ 265,260
Total revenues from local governments	\$ 9,958,667	\$ 10,066,834	\$ 10,332,094	\$ 265,260
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,221,507	\$ 2,110,665	\$ 2,131,088	\$ 20,423
Basic school aid	4,638,258	4,797,415	4,797,415	-
Remedial summer education	65,942	45,085	45,085	-
GED Funding	15,717	15,717	15,717	-
Regular foster care	71,802	9,874	9,874	-
Gifted and talented	41,008	41,790	41,790	-
Remedial education	107,646	109,700	109,700	-
Social security fringe benefits	262,235	262,235	262,235	-
Retirement fringe benefits	378,515	392,831	392,831	-
Group life insurance instructional	-	13,582	13,582	-
State lottery payments	226,559	232,773	232,773	-
Early reading intervention	23,928	26,743	26,743	-
VPSA technology	154,000	154,000	154,000	-
Homebound education	11,457	7,402	7,402	-
Regional program tuition	175,045	158,938	158,938	-
Vocational education - standards of quality	111,747	113,879	113,879	-
Vocational education - equipment	-	4,964	4,964	-
Vocational occupational prep	32,196	26,673	26,673	-
Special education - standards of quality	678,682	691,633	691,633	-
Special education - foster children	-	9,429	9,429	-
School food	15,500	15,837	15,837	-

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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)				
Free textbooks	\$ 102,807	\$ 104,769	\$ 104,769	\$ -
At risk payments	96,162	91,555	91,555	-
Primary class size	135,993	135,920	135,920	-
Standards of Learning algebra readiness	19,981	12,943	12,943	-
At risk four-year olds	52,593	52,593	52,593	-
Mentor teacher program	-	2,449	2,449	-
English as a second language	24,174	29,683	29,683	-
Compensation supplement	313,700	322,832	322,832	-
Project graduation	-	5,971	5,971	-
School construction	121,111	121,166	121,166	-
	<u>\$ 10,098,265</u>	<u>\$ 10,121,046</u>	<u>\$ 10,141,469</u>	<u>\$ 20,423</u>
Total categorical aid	<u>\$ 10,098,265</u>	<u>\$ 10,121,046</u>	<u>\$ 10,141,469</u>	<u>\$ 20,423</u>
Total revenue from the Commonwealth	<u>\$ 10,098,265</u>	<u>\$ 10,121,046</u>	<u>\$ 10,141,469</u>	<u>\$ 20,423</u>
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 37,995	\$ -	\$ -	\$ -
Title I	386,553	362,351	360,201	(2,150)
Migrant education	21,918	26,303	19,080	(7,223)
Reading first	244,582	353,869	356,396	2,527
Title VI-B, special education pre-school	13,765	35,785	33,038	(2,747)
Language Acquisition State Grant	29,681	38,191	19,082	(19,109)
Title VI-B, flow through	456,528	461,398	466,233	4,835
Innovative education	5,299	5,306	5,306	-
Advanced placement	-	742	742	-
Vocational education	41,000	29,435	38,857	9,422
Technology literacy challenge fund grant	-	1,500	3,928	2,428
Drug free schools	8,733	8,545	9,148	603
Forest reserve	11,000	11,117	11,117	-
Title II - Part A	116,186	111,352	111,156	(196)
School food	415,500	409,195	409,195	-
School food commodities	-	-	75,804	75,804
Longitudinal system expansion	-	1,048	1,048	-
	<u>\$ 1,788,740</u>	<u>\$ 1,856,137</u>	<u>\$ 1,920,331</u>	<u>\$ 64,194</u>
Total categorical aid	<u>\$ 1,788,740</u>	<u>\$ 1,856,137</u>	<u>\$ 1,920,331</u>	<u>\$ 64,194</u>
Total School Operating Fund	<u>\$ 23,064,489</u>	<u>\$ 23,485,410</u>	<u>\$ 23,374,459</u>	<u>\$ (110,951)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 85,965	\$ 97,771	\$ 97,333	\$ 438
General government administration:				
County administrator	\$ 506,030	\$ 367,672	\$ 350,584	\$ 17,088
County attorney	45,000	45,000	40,631	4,369
Reassessment	369,000	369,000	318,035	50,965
Board of Equalization	8,915	16,415	13,460	2,955
Commissioner of revenue	212,090	220,857	220,124	733
Treasurer	288,952	297,371	271,278	26,093
Accounting	213,244	219,400	214,410	4,990
Technology	196,914	198,768	169,020	29,748
Land use panel	9,800	9,800	7,287	2,513
Total general and financial administration	\$ 1,849,945	\$ 1,744,283	\$ 1,604,829	\$ 139,454
Board of elections:				
Registrar	\$ 80,230	82,708	78,138	4,570
Electoral board and officials	27,725	36,425	33,708	2,717
Total board of elections	\$ 107,955	\$ 119,133	\$ 111,846	\$ 7,287
Total general government administration	\$ 2,043,865	\$ 1,961,187	\$ 1,814,008	\$ 147,179
Judicial administration:				
Courts:				
Circuit court	\$ 24,881	\$ 28,001	\$ 27,092	\$ 909
General district court	3,565	6,565	3,403	3,162
VJCCA	44,685	104,685	72,730	31,955
Juvenile and domestic relations court	8,605	8,605	7,803	802
Clerk of the circuit court	313,572	357,430	334,349	23,081
Total courts	\$ 395,308	\$ 505,286	\$ 445,377	\$ 59,909
Commonwealth's attorney:				
Commonwealth's attorney	\$ 305,298	\$ 321,277	\$ 308,426	\$ 12,851
Total commonwealth's attorney	\$ 305,298	\$ 321,277	\$ 308,426	\$ 12,851
Total judicial administration	\$ 700,606	\$ 826,563	\$ 753,803	\$ 72,760
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,222,680	\$ 1,316,760	\$ 1,214,809	\$ 101,951
E-911	509,136	522,967	506,813	16,154
Emergency services council	521,652	537,147	537,573	(426)
Emergency services	33,659	414,795	414,104	691
Paid EMS	457,526	457,526	345,558	111,968
Forestry service	10,778	10,778	10,778	-

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 376,228	\$ 401,314	\$ 401,260	\$ 54
Building inspector	271,271	279,148	273,986	5,162
Animal control	89,551	89,551	82,097	7,454
Medical examiner	200	200	120	80
Total law enforcement and traffic control	<u>\$ 3,492,681</u>	<u>\$ 4,030,186</u>	<u>\$ 3,787,098</u>	<u>\$ 243,088</u>
Total public safety	<u>\$ 3,492,681</u>	<u>\$ 4,030,186</u>	<u>\$ 3,787,098</u>	<u>\$ 243,088</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Automotive/motor pool	\$ 233,550	\$ 306,218	\$ 295,756	\$ 10,462
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 233,550</u>	<u>\$ 306,218</u>	<u>\$ 295,756</u>	<u>\$ 10,462</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,371,947	\$ 1,371,947	\$ 1,272,974	\$ 98,973
Total sanitation and waste removal	<u>\$ 1,371,947</u>	<u>\$ 1,371,947</u>	<u>\$ 1,272,974</u>	<u>\$ 98,973</u>
Maintenance of general buildings and grounds:				
General properties	\$ 469,724	\$ 479,505	\$ 451,552	\$ 27,953
Total maintenance of general buildings and grounds	<u>\$ 469,724</u>	<u>\$ 479,505</u>	<u>\$ 451,552</u>	<u>\$ 27,953</u>
Total public works	<u>\$ 2,075,221</u>	<u>\$ 2,157,670</u>	<u>\$ 2,020,282</u>	<u>\$ 137,388</u>
Health and welfare:				
Health:				
Health department	\$ 215,707	\$ 215,707	\$ 215,707	\$ -
Total health	<u>\$ 215,707</u>	<u>\$ 215,707</u>	<u>\$ 215,707</u>	<u>\$ -</u>
Mental health and mental retardation:				
Region Ten community services board	\$ 70,665	\$ 70,665	\$ 70,665	\$ -
Total mental health and mental retardation	<u>\$ 70,665</u>	<u>\$ 70,665</u>	<u>\$ 70,665</u>	<u>\$ -</u>
Welfare:				
Public assistance and administration	\$ 1,199,523	\$ 1,199,523	\$ 1,080,593	\$ 118,930
Tax relief for the elderly	-	-	55,549	(55,549)
At risk youth program	563,700	1,013,700	911,348	102,352
Total welfare	<u>\$ 1,763,223</u>	<u>\$ 2,213,223</u>	<u>\$ 2,047,490</u>	<u>\$ 165,733</u>
Total health and welfare	<u>\$ 2,049,595</u>	<u>\$ 2,499,595</u>	<u>\$ 2,333,862</u>	<u>\$ 165,733</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 11,351	\$ 11,351	\$ 11,351	\$ -
Appropriation to public school system	9,958,667	10,066,834	10,332,094	(265,260)
Total education	<u>\$ 9,970,018</u>	<u>\$ 10,078,185</u>	<u>\$ 10,343,445</u>	<u>\$ (265,260)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 910,341	\$ 1,155,044	\$ 862,380	\$ 292,664
Total parks and recreation	<u>\$ 910,341</u>	<u>\$ 1,155,044</u>	<u>\$ 862,380</u>	<u>\$ 292,664</u>
Library:				
Regional library	\$ 231,776	\$ 231,776	\$ 231,776	\$ -
Total library	<u>\$ 231,776</u>	<u>\$ 231,776</u>	<u>\$ 231,776</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 1,142,117</u>	<u>\$ 1,386,820</u>	<u>\$ 1,094,156</u>	<u>\$ 292,664</u>
Community development:				
Planning and community development:				
Planning	\$ 185,123	\$ 190,232	\$ 168,242	\$ 21,990
Community development	240,007	253,535	242,218	11,317
Economic development	12,000	18,250	7,408	10,842
Housing development	92,636	92,636	74,636	18,000
Hydrant rentals	156,000	156,000	156,000	-
Colleen water/sewer subsidy	171,094	171,094	171,093	1
Other community development	284,306	284,306	273,856	10,450
Soil and water conservation district	25,000	25,000	25,000	-
Anti-litter program	5,556	6,823	1,136	5,687
VPI extension service	48,775	48,775	40,908	7,867
Other	87,961	59,590	47,960	11,630
Total planning and community development	<u>\$ 1,308,458</u>	<u>\$ 1,306,241</u>	<u>\$ 1,208,457</u>	<u>\$ 97,784</u>
Total community development	<u>\$ 1,308,458</u>	<u>\$ 1,306,241</u>	<u>\$ 1,208,457</u>	<u>\$ 97,784</u>
Capital projects:				
Other	\$ 3,511,894	\$ 3,511,894	\$ 2,294,458	\$ 1,217,436
Total capital projects	<u>\$ 3,511,894</u>	<u>\$ 3,511,894</u>	<u>\$ 2,294,458</u>	<u>\$ 1,217,436</u>
Total General Fund	<u><u>\$ 26,294,455</u></u>	<u><u>\$ 27,758,341</u></u>	<u><u>\$ 25,649,569</u></u>	<u><u>\$ 2,108,772</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 75,000	\$ 75,000	\$ 64,189	\$ 10,811
Total community development	\$ 75,000	\$ 75,000	\$ 64,189	\$ 10,811
Total Housing Improvement Fund	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 64,189</u>	<u>\$ 10,811</u>
Street Lights Fund:				
Public works:				
Other public works:				
Street lights	\$ 9,400	\$ 9,400	\$ 9,724	\$ (324)
Total Street Lights Fund	<u>\$ 9,400</u>	<u>\$ 9,400</u>	<u>\$ 9,724</u>	<u>\$ (324)</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 1,950,226	\$ 1,934,881	\$ 1,852,204	\$ 82,677
Interest and other fiscal charges	1,604,433	1,604,433	1,617,346	(12,913)
Total Debt Service Fund	<u>\$ 3,554,659</u>	<u>\$ 3,539,314</u>	<u>\$ 3,469,550</u>	<u>\$ 69,764</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
High school renovation project	\$ 297,169	\$ 555,350	\$ 471,161	\$ 84,189
Total capital projects	<u>\$ 297,169</u>	<u>\$ 555,350</u>	<u>\$ 471,161</u>	<u>\$ 84,189</u>
Total Capital Projects Fund	<u>\$ 297,169</u>	<u>\$ 555,350</u>	<u>\$ 471,161</u>	<u>\$ 84,189</u>
Total Primary Government	<u>\$ 30,230,683</u>	<u>\$ 31,937,405</u>	<u>\$ 29,664,193</u>	<u>\$ 2,273,212</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 16,052,852	\$ 15,919,264	\$ 15,860,253	\$ 59,011
Total instruction costs	<u>\$ 16,052,852</u>	<u>\$ 15,919,264</u>	<u>\$ 15,860,253</u>	<u>\$ 59,011</u>
Operating costs:				
Administration, attendance and health services	\$ 1,498,122	\$ 1,478,232	\$ 1,478,565	\$ (333)
Pupil transportation	1,880,005	2,068,456	2,393,317	(324,861)
Operation and maintenance of school plant	2,644,537	3,056,860	2,571,382	485,478
School food	988,973	962,598	990,014	(27,416)
Facilities	-	-	6,423	(6,423)
Total operating costs	<u>\$ 7,011,637</u>	<u>\$ 7,566,146</u>	<u>\$ 7,439,701</u>	<u>\$ 126,445</u>
Total education	<u>\$ 23,064,489</u>	<u>\$ 23,485,410</u>	<u>\$ 23,299,954</u>	<u>\$ 185,456</u>
Total Discretely Presented Component Unit-School Board	<u><u>\$ 23,064,489</u></u>	<u><u>\$ 23,485,410</u></u>	<u><u>\$ 23,299,954</u></u>	<u><u>\$ 185,456</u></u>

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STATISTICAL INFORMATION

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Government-Wide Expenses by Function
Last Six 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
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

(1) Information has only been available for 6 years.

(2) Primary government only

Government-Wide Revenues by Source
Last Six 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

(1) Information has only been available for 6 years.

(2) Primary government only

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
1999	\$ 9,759,627	\$ 2,191,274	\$ 184,162	\$ 25,994	\$ 386,455	\$ 676,761	\$ 676,483	\$ 106,245	\$ 10,371,124	\$ 24,378,125
2000	13,428,694	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	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	228,825	43,512	577,821	654,778	698,162	290,463	13,015,062	28,230,525
2003	11,127,697	2,761,744	300,363	125,071	284,150	295,431	382,717	642,263	13,505,740	29,425,176
2004	12,767,131	2,839,896	304,167	163,163	132,066	875,466	627,591	333,165	13,693,437	31,736,082
2005	12,440,512	3,170,478	423,339	121,926	249,197	1,006,955	375,196	327,882	15,909,302	34,024,787
2006	13,080,374	3,464,371	444,230	102,747	544,808	957,699	591,632	411,339	16,031,950	35,629,150
2007	13,360,735	3,551,448	322,328	75,834	744,056	1,149,394	362,870	458,634	17,076,773	37,102,072
2008	15,866,348	3,776,293	313,533	59,473	542,196	934,725	442,172	520,374	17,883,642	40,338,756

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

General Government 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
1999	\$ 896,648	\$ 302,912	\$ 2,115,186	\$ 1,310,498	\$ 1,256,275	\$ 20,485,482	\$ 215,725	\$ 1,214,768	\$ 10,739,702	\$ -	\$ 38,537,196
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

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

(2) Includes School Debt Service and Capital Leases - Fiscal 1999 through Fiscal 2002

(3) Includes General Fund Debt Service - Fiscal 1999, 2000 and 2001

(4) Includes General Fund Capital Leases - Fiscal 1999, 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.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) (2) Tax Levy	Current Tax (1) (3) Collections	Percent of Levy Collected	Delinquent (1) Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
1999	\$ 9,753,706	\$ 9,254,963	94.89%	\$ 290,512	\$ 9,545,475	97.87%	1,548,290	15.87%
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%

- (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
1999	\$ 1,078,857,701	\$ 96,789,772	\$ 8,761,072	\$ 4,883,764	\$ 62,659,157	\$ 1,251,951,466
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	1,812,450,454	119,359,854	3,032,937	1,104,807	42,226,210	1,978,174,262

Note:

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

Property Tax Rates (1)
Last Ten Fiscal Years

Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
1999	0.67	2.95	0.67	1.25
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

(1) Per \$100 of assessed value

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

Fiscal Year	Popu- lation (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available			
1999	12,900	\$ 1,251,951,466	\$ 15,865,840	\$ -	\$ 15,865,840	1.27%	\$ 1,230
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	-	35,885,709	2.67%	2,484
2003	14,445	1,549,328,067	35,255,717	-	35,255,717	2.28%	2,441
2004	14,445	1,544,591,822	33,816,762	145,390	33,671,372	2.18%	2,331
2005	14,445	1,579,965,250	32,641,021	145,390	32,495,631	2.06%	2,250
2006	14,445	1,633,944,786	31,461,023	147,281	31,313,742	1.92%	2,168
2007	15,161	1,671,913,726	32,668,988	306,309	32,362,679	1.94%	2,135
2008	15,161	1,978,174,262	31,369,778	107,502	31,262,276	1.58%	2,062

(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.

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
1999	\$ 387,650	\$ 691,511	\$ 1,079,161	\$ 38,537,196	2.80%
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%

(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, 2008, which collectively comprise the County of Nelson, Virginia's basic financial statements and have issued our report thereon dated January 21, 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 Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Nelson, Virginia's internal control over financial reporting as a basis for designing 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 January 21, 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, Janney, Cox Associates

Charlottesville, Virginia
January 21, 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, 2008. 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, 2008.

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, Jarrett, Cox Associates

Charlottesville, Virginia
January 21, 2009

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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:		
Safe and Stable Families	93.556	\$ 11,396
Temporary Assist to Needy Families (TANF)	93.558	68,358
Refugee and Entrant Assistance - Discretionary Grants	93.566	490
Low Income Home Energy Assistance	93.568	2,562
Payments to States for Child Care Assistance	93.575	44,125
Child Care and Development Fund	93.596	24,440
Chafee Education and Training Vouchers	93.599	502
Child Welfare Services - State Grants	93.645	617
Foster Care - Title IV-E	93.658	53,151
Adoption Assistance	93.659	1,995
Social Services Block Grant	93.667	93,068
Independent Living	93.674	655
State Children's Insurance Program	93.767	6,703
Medical Assistance Program (Title XIX)	93.778	98,144
		<u>406,206</u>
Total Department of Health and Human Services		
		\$ <u>406,206</u>
Department of Agriculture:		
Direct Payments:		
Water Systems for Rural Communities	10.760	\$ <u>2,663,201</u>
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.555	\$ 75,804
Department of Education:		
National School Breakfast Program	10.553	94,427
National School Lunch Program	10.555	314,768
Forest reserve payments	10.665	11,117
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>132,636</u>
Total Department of Agriculture - pass-through payments		
		\$ <u>628,752</u>
Total Department of Agriculture		
		\$ <u>3,291,953</u>

COUNTY OF NELSON, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2008

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	\$ <u>27,930</u>
Total Department of Interior		\$ <u>27,930</u>
Department of Justice:		
Direct payments:		
SCAAP Grant	16.606	\$ <u>1,968</u>
Total Department of Justice		\$ <u>1,968</u>
Department of Transportation:		
Pass Through Payments:		
Department of Conservation and Recreation:		
Federal Highway Administration Recreation Trail Program	20.219	\$ <u>596,878</u>
Total Department of Transportation		\$ <u>596,878</u>
Environmental Protection Agency:		
Direct payments:		
Congressionally Mandated Projects	66.202	\$ <u>1,009,961</u>
Total Environmental Protection Agency		\$ <u>1,009,961</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title I: Educationally Deprived Children	84.010	\$ 360,201
Title I: Migrant Education	84.011	19,080
Title VI-B: Handicapped State Grants	84.027	466,233
Vocational Education: Basic Grants to States	84.048	38,857
Title VI-B: Handicapped Preschool Incentive Grant	84.173	33,038
Drug Free Schools and Communities	84.186	9,148
Innovative Education	84.298	5,306
Title II - Part D, Enhancing Education through Technology	84.318	3,928
Advanced Placement	84.330	742
Statewide Data Systems	84.372	1,048
Reading First grant	84.357	356,396
Title III: Language Acquisition State Grant (Migrant)	84.365	19,082
Title II - Part A	84.367	<u>111,156</u>
Total Department of Education		\$ <u>1,424,215</u>
Total Federal Assistance		\$ <u><u>6,759,111</u></u>

COUNTY OF NELSON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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	\$ 1,165,618
Proprietary Fund:	
Piney River Water & Sewer Fund	
Loan proceeds	1,175,000
Capital grants	<u>2,498,162</u>
Total primary government	\$ <u>4,838,780</u>

Component Unit Public Schools:

School Operating Fund	\$ <u>1,920,331</u>
Total component unit public schools	\$ <u>1,920,331</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 6,759,111

COUNTY OF NELSON, VIRGINIA

Findings and Questioned Costs
For the Year Ended June 30, 2008

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 Systems for Rural Communities
20.219	Federal Highway Administration Recreation Trail Program
66.202	Congressionally Mandated Projects

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, 2008

There were no findings reported for the year ended June 30, 2007.

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