

**COUNTY OF RUSSELL, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2013**

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**ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2013**

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## INTRODUCTORY SECTION

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## COUNTY OF RUSSELL, VIRGINIA

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### BOARD OF SUPERVISORS

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Jon Bowerbank, Chairman	Larry Rasnake
Joseph Puckett, Vice Chairman	Earnest (Shy) Kennedy
Bob Gibson	Danny L. Brown
Rebecca Dye	

### COUNTY SCHOOL BOARD

---

Charlie Collins, Chairman	
Carl Jackson, Vice Chairman	Bob Hillman
Wayne Bostic	Linda Cross
Tom Griffith	Linda Garrett

### SOCIAL SERVICES BOARD

---

Harry Ferguson, Jr., Chairman	
Roger Brown, Vice Chairman	Rebecca Dye
Bill Hale	Laurel Rasnick

### OTHER OFFICIALS

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Clerk of the Circuit Court .....	Ann S. McReynolds
Commonwealth's Attorney .....	Brian Patton
Commissioner of the Revenue .....	Randy N. Williams
Treasurer .....	Patrick Thompson
Sheriff .....	Steve Dye
Superintendent of Schools .....	Dr. Brenda Hess
Director of Social Services .....	Carol Brunty
County Administrator .....	Rufus Hood
County Attorney .....	Matthew Crum

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Supervisors  
County of Russell, Virginia  
Lebanon, Virginia

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Russell County Public Service Authority. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion insofar as it relates to the amounts included for the Russell County Public Service Authority is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## Opinions

In our opinion, based on our audit and the report of other auditors, 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 Russell, Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension and OPEB funding progress, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Russell, Virginia's basic financial statements. The other supplementary information, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

### *Other Information (continued)*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report February 18, 2014, on our consideration of the County of Russell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Russell, Virginia's internal control over financial reporting and compliance.

*Robinson, Faure, Co. Associates*

Blacksburg, Virginia

February 18, 2014, except for the Castlewood Water and Sewage Authority, Exhibit 1, Exhibit 2, Exhibit 14, Note 1, Note 6, and Note 16 (related to the inclusion of Castlewood Water and Sewage Authority and County's net OPEB obligation and related disclosures), as to which the date is March 27, 2014

## Management's Discussion and Analysis

As management of the County of Russell, Virginia, we offer readers of the County of Russell's financial statements this narrative overview and analysis of the financial activities of the County of Russell, Virginia for the fiscal year ended June 30, 2013.

### Financial Highlights

- The assets of the County of Russell, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,663,765 (net position). Of this amount, \$4,623,616 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$607,762. This loss is spread between governmental activities (\$496,394 loss) and business-type activity (Dante Sewer loss \$111,368).
- As of the close of the current fiscal year, the County of Russell's governmental funds reported combined ending fund balances of \$6,025,301 a decrease of \$2,152,708 in comparison with the prior year. Most of this total amount, \$5,092,135 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,092,135, or 16.0% of total general fund expenditures.
- The County of Russell's total long-term debt decreased by \$2,601,654 (12.7%) during the current fiscal year. The key factors in this decrease were the principal payments on outstanding issues. There were no new long-term debt issues for the county.

### Overview of the Financial Statements

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County of Russell's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County of Russell's a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County of Russell is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County of Russell that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County of Russell include general government administration, judicial administration, public safety, public works, health and welfare, education (including the Russell County School Board), parks, recreation and cultural activities, community development and the Industrial Development Authority. The business-type activities of the County of Russell include the Russell County Public Service Authority and the Castlewood Water and Sewer Authority.

The government-wide financial statements include not only the County of Russell itself (known as the *primary government*), but also the legally separate Russell County School Board, Russell County Industrial Development Authority, Russell County Public Service Authority and the Castlewood Water and Sewer Authority for which the County of Russell is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Russell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Russell 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 reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County of Russell maintains three different 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, coal road fund, and workforce investment board fund, each of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

***Proprietary funds.*** The County of Russell maintains two different types of proprietary funds. *Enterprise funds* are those used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County of Russell uses an enterprise fund to account for its water treatment system (in Dante). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County of Russell's various functions. The County of Russell uses an internal service fund to account for its health insurance. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County of Russell's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on page 24 of this report.

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-63 of this report.

***Other information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The County of Russell adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and each of the special revenue funds to demonstrate compliance with this budget. Information concerning the County of Russell's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 64-68 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County of Russell, assets exceeded liabilities and deferred inflows of resources by \$15,663,765 at the close of the most recent fiscal year.

A significant portion of the County of Russell's net position (64.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County of Russell uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County of Russell's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County of Russell's net position (6.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of

unrestricted net position (\$4,623,616) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County of Russell is able to report positive balances in all three categories of net position for the government as a whole. Within the governmental and business-type activities, positive balances are reported for each category except the unrestricted balance for the business-type activity which reported negative net position of \$14,838. In the prior fiscal year the unrestricted balance for the business-type activity also reported a negative amount (\$15,118).

### County of Russell's Net Position

	Governmental activities		Business-type activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 18,031,233	\$ 20,699,938	\$ 52,831	\$ 56,744	\$ 18,084,064	\$ 20,756,682
Capital assets	18,518,571	20,152,631	3,254,610	3,385,627	21,773,181	23,538,258
Total assets	<u>\$ 36,549,804</u>	<u>\$ 40,852,569</u>	<u>\$ 3,307,441</u>	<u>\$ 3,442,371</u>	<u>\$ 39,857,245</u>	<u>\$ 44,294,940</u>
Long-term liabilities outstanding	\$ 17,229,401	\$ 19,811,686	\$ 713,586	\$ 732,955	\$ 17,942,987	\$ 20,544,641
Other liabilities	1,662,039	2,554,530	18,094	22,287	1,680,133	2,576,817
Total liabilities	<u>\$ 18,891,440</u>	<u>\$ 22,366,216</u>	<u>\$ 731,680</u>	<u>\$ 755,242</u>	<u>\$ 19,623,120</u>	<u>\$ 23,121,458</u>
Deferred inflows of resources	\$ 4,570,360	\$ 4,901,955	\$ -	\$ -	\$ 4,570,360	\$ 4,901,955
Net position:						
Net investment in capital assets	\$ 7,559,783	\$ 7,183,413	\$ 2,541,024	\$ 2,652,672	\$ 10,100,807	\$ 9,836,085
Restricted	889,767	1,245,468	49,575	49,575	939,342	1,295,043
Unrestricted	4,638,454	5,155,517	(14,838)	(15,118)	4,623,616	5,140,399
Total net position	<u><u>\$ 13,088,004</u></u>	<u><u>\$ 13,584,398</u></u>	<u><u>\$ 2,575,761</u></u>	<u><u>\$ 2,687,129</u></u>	<u><u>\$ 15,663,765</u></u>	<u><u>\$ 16,271,527</u></u>

There was a decrease of \$517,063 in unrestricted net position reported in connection with the County of Russell's governmental activities. Most of the change in net position is attributable to the substantial increase in education expenditures.

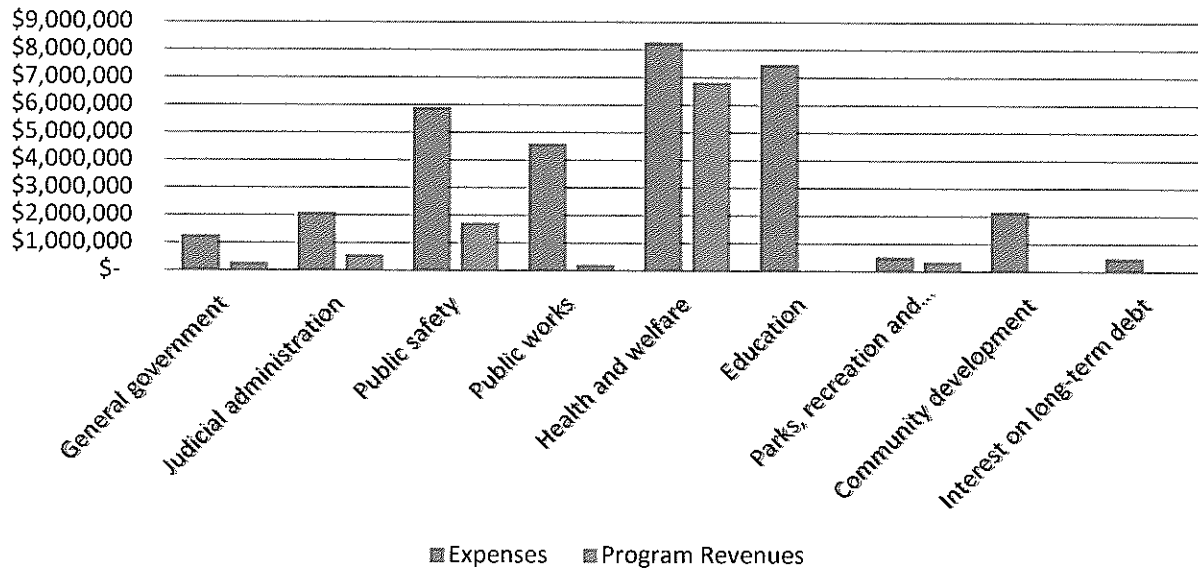
**Governmental activities.** Governmental activities decreased the County of Russell's net position by \$496,394, which is a 3.8% change indicating the revenue was not sufficient to cover the expenditures.

A notable change in expenditures was an increase in Education cost in the amount of \$2,895,431, which is offset somewhat by decreases in General Government Administration (\$997,672 and Public Works (\$1,468,166) costs.

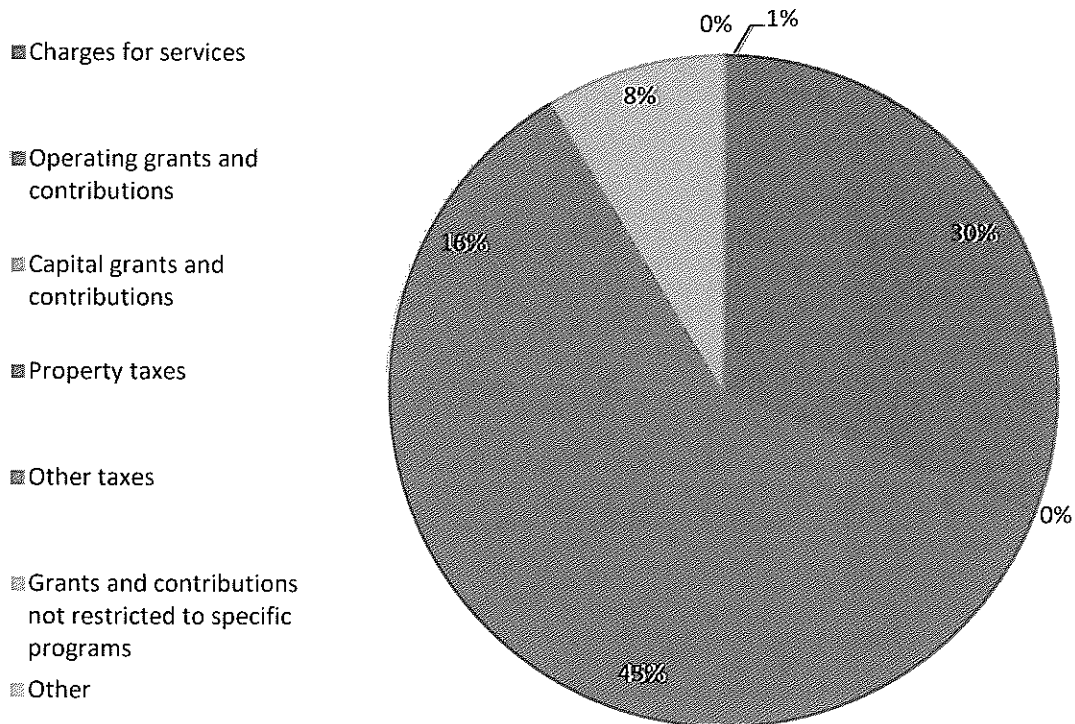
## County of Russell Changes in Net Position

	Governmental activities		Business-type activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 352,519	\$ 428,699	\$ 46,192	\$ 59,709	\$ 398,711	\$ 488,408
Operating grants and contributions	9,689,526	9,677,480	-	-	9,689,526	9,677,480
Capital grants and contributions	-	761,738	-	-	-	761,738
General revenues:						
Property taxes	14,686,993	13,142,777	-	-	14,686,993	13,142,777
Other taxes	5,079,612	6,881,302	-	-	5,079,612	6,881,302
Grants and contributions not restricted to specific programs	2,713,386	2,445,435	-	-	2,713,386	2,445,435
Other	106,344	215,361	-	-	106,344	215,361
Total revenues	<u>32,628,380</u>	<u>33,552,792</u>	<u>46,192</u>	<u>59,709</u>	<u>32,674,572</u>	<u>33,612,501</u>
Expenses:						
General government	1,269,473	2,267,145	-	-	1,269,473	2,267,145
Judicial administration	2,097,469	2,119,900	-	-	2,097,469	2,119,900
Public safety	5,908,601	5,296,188	-	-	5,908,601	5,296,188
Public works	4,592,807	6,060,973	-	-	4,592,807	6,060,973
Health and welfare	8,285,584	8,397,896	-	-	8,285,584	8,397,896
Education	7,484,972	4,589,631	-	-	7,484,972	4,589,631
Parks, recreation and cultural	529,959	539,126	-	-	529,959	539,126
Community development	2,173,719	3,493,655	-	-	2,173,719	3,493,655
Interest on long-term debt	498,401	522,300	-	-	498,401	522,300
Service Authority	-	-	441,349	410,664	441,349	410,664
Total expenses	<u>32,840,985</u>	<u>33,286,814</u>	<u>441,349</u>	<u>410,664</u>	<u>33,282,334</u>	<u>33,697,478</u>
Change in net position before transfers	<u>(212,605)</u>	<u>265,978</u>	<u>(395,157)</u>	<u>(350,955)</u>	<u>(607,762)</u>	<u>(84,977)</u>
Transfers	<u>(283,789)</u>	<u>(238,597)</u>	<u>283,789</u>	<u>238,597</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(496,394)</u>	<u>27,381</u>	<u>(111,368)</u>	<u>(112,358)</u>	<u>(607,762)</u>	<u>(84,977)</u>
Net position - beginning	<u>13,584,398</u>	<u>13,557,017</u>	<u>2,687,129</u>	<u>2,799,487</u>	<u>16,271,527</u>	<u>16,356,504</u>
Net position - ending	<u>\$ 13,088,004</u>	<u>\$ 13,584,398</u>	<u>\$ 2,575,761</u>	<u>\$ 2,687,129</u>	<u>\$ 15,663,765</u>	<u>\$ 16,271,527</u>

## Expenses and Program Revenues - Governmental Activities

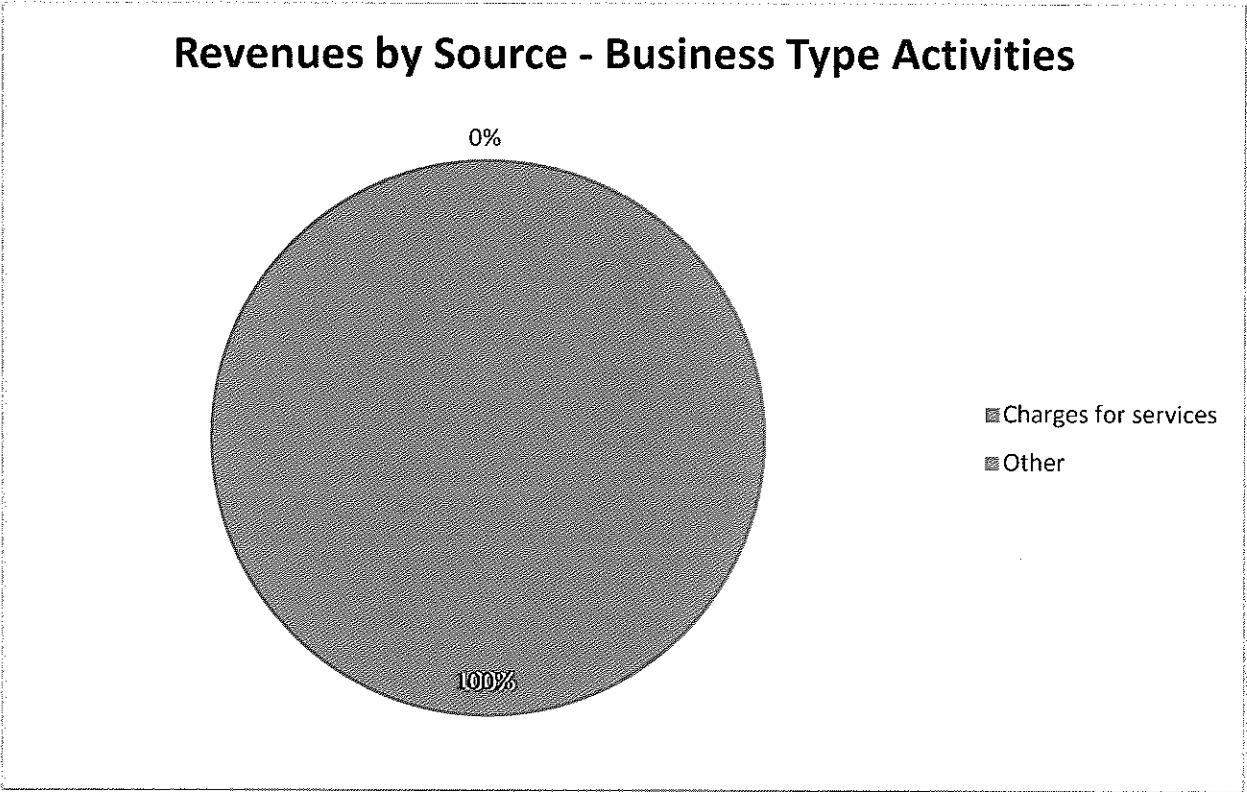
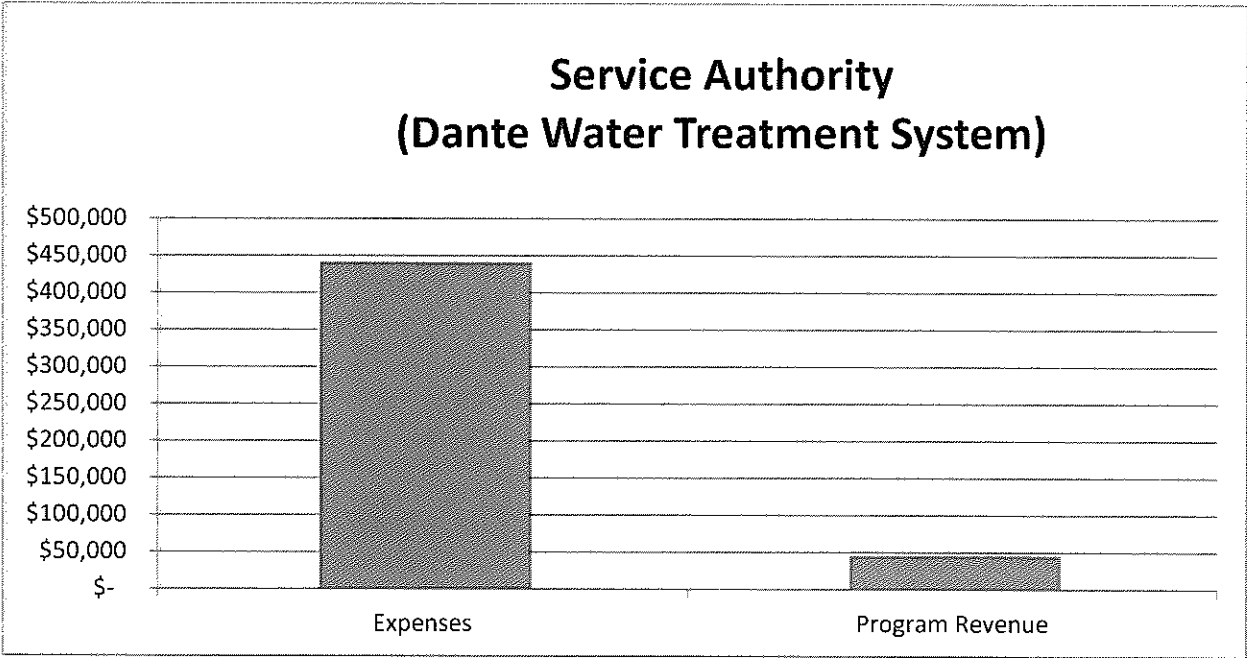


## Revenues by Source - Governmental Activities





**Business-type activities.** Business-type activities decreased the County of Russell's net position by \$111,368. The Dante Water Treatment System referred to as "the Service Authority," incurred expenses of \$441,349 and collected program revenue of \$46,192. The Service Authority also received a General Fund subsidy of \$283,789. By policy, the Dante Service Authority is not an enterprise activity and therefore is not expected to be self-supporting.



## Financial Analysis of the Governmental Funds

As noted earlier, the County of Russell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the County of Russell's governmental funds reported combined ending fund balances of \$6,025,301, a decrease of \$2,152,708 in comparison with the prior year. The majority of this fund balance represents unassigned fund balance (\$5,092,135), which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because it has already been restricted or committed for the Coal Road/Revenue Sharing projects or debt service and bond covenants.

The general fund is the chief operating fund of the County of Russell. At the end of the current fiscal year, unassigned fund balance was \$5,092,135. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 16.0% of general fund expenditures.

The fund balance of the County of Russell's General Fund decreased by \$1,792,470 during the current fiscal year. The key factor in the increase is:

- An increase in General Fund Education expenditures in the amount of \$3,559,498, which is offset by decreases in other expenditures.

The Coal Road Fund provides the 50% match required for the Virginia Department of Transportation's (VDOT) Revenue Sharing Program. Part of the coal and gas severance taxes collected are deposited into this fund and used to fund the approved projects. Several projects are approved and were in the planning stages at July 1, 2012. Construction on these projects, along with the related expenditures, occurred during fiscal year 2013. As a result, the fund balance in the Coal Road Fund decreased by \$355,701 during the fiscal year. The balance of \$889,767 at the end of the year is committed for various projects.

The Workforce Investment Board Fund is a state and federal funded program. No County funds are used to support this program. The fund balance decreased by \$4,537 during the year ended June 30, 2013. The entire fund balance of \$43,399 is restricted for future program support.

**Proprietary funds.** The County of Russell's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Dante Service Authority at the end of the year amounted to (\$14,838), and those for the Health Insurance Fund amounted to \$3,081,760. The total growth or (decline) in the net position for both funds was (\$111,368) and \$677,104, respectively. Other factors concerning the finances of these two funds have been addressed in the discussion of the County of Russell's business-type activities and proprietary funds.

## General Fund Budgetary Highlights

For many years, management in Russell County simply adjusted the final budget at June 30 to equal the actual expenditures. In fiscal year 2011, this practice was stopped. During fiscal year 2013 proper procedures were followed in which the original budget was adjusted to reflect supplemental appropriations adopted by the Board of Supervisors throughout the year or during a public hearing to formally amend the budget. This provides a properly appropriated Final Budget for CAFR presentation.

## Capital Asset and Debt Administration

### Capital assets

The County of Russell's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$21,773,181 (net of accumulated depreciation). This investment in capital assets includes land, buildings, a utility plant, and machinery and equipment. The total investment in the County of Russell's capital assets for the current fiscal year decreased by 7.5% (8.1% decrease for governmental activities and 3.9% decrease for business-type activities). The decrease in investment is due to additional accumulated depreciation. Due to the continued depressed economy, the County did not expend significant funds on capital assets in fiscal year 2013.

	Governmental activities		Business-type activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,561,333	\$ 1,541,333	\$ -	\$ -	\$ 1,561,333	\$ 1,541,333
Construction in Progress	-	-	-	-	-	-
Buildings	15,565,287	17,007,601	-	-	\$15,565,287	\$17,007,601
Utility plant	-	-	3,254,610	3,385,627	\$ 3,254,610	\$ 3,385,627
Machinery and equipment	<u>1,391,951</u>	<u>1,603,697</u>	<u>-</u>	<u>-</u>	<u>\$ 1,391,951</u>	<u>\$ 1,603,697</u>
Total	<u>\$ 18,518,571</u>	<u>\$20,152,631</u>	<u>\$3,254,610</u>	<u>\$3,385,627</u>	<u>\$21,773,181</u>	<u>\$23,528,258</u>

Additional information on the County of Russell's capital assets can be found in note 10 on pages 51-52 of this report.

### Long-term debt.

At the end of the current fiscal year, the County of Russell's governmental funds had total debt outstanding of \$17,229,401. Of this total, \$13,898,183 comprises general obligation and revenue bonds all backed by the full faith and credit of the County and \$2,112,110 comprise Literary Fund Loans and Literary Anticipation Note.

The remainder of Russell County's debt represents lease purchase agreements, landfill post-closure liabilities, OPEB obligations and compensated absences.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 8,753,677	\$ 9,471,649	\$	\$	\$8,753,677	\$ 9,471,649
Literary loans	2,095,423	2,564,585			2,095,423	2,564,585
Revenue bonds	4,877,995	5,114,923	713,586	732,955	5,591,581	5,847,878
Literary anticipation note	16,687	630,395			16,687	630,395
Deferred amounts:						
Bond premium	266,511	283,315			266,511	283,315
Lease purchase agreements	341,188	617,454			341,188	617,454
closure/post-closure liability	267,913	526,868			267,913	526,868
OPEB obligations	41,521	6,609			41,521	6,609
Compensated absences	568,486	595,888			568,486	595,888
Total	<u>\$17,229,401</u>	<u>\$19,811,686</u>	<u>\$ 713,586</u>	<u>\$ 732,955</u>	<u>\$17,942,987</u>	<u>\$20,544,641</u>

### Requests for Information

This financial report is designed to provide a general overview of the County of Russell's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rufus W. Hood, County Administrator, County of Russell, P.O. Box 1208, 137 Highland Drive, Lebanon, VA 24266.

## **Basic Financial Statements**

County of Russell, Virginia  
Statement of Net Position  
June 30, 2013

	Primary Government			Component Units			
	Governmental	Business-type	Total	School Board	Industrial	Russell County	Castlewood
	Activities	Activities			Development	Public Service	Water and Sewage
					Authority	Authority	Authority
<b>ASSETS</b>							
Cash and cash equivalents	\$ 5,719,700	\$ -	\$ 5,719,700	\$ 351,024	\$ 853,752	\$ 103,886	\$ 30,057
Receivables (net of allowance for uncollectibles):							
Taxes receivable	8,396,689	-	8,396,689	-	-	-	-
Accounts receivable	672,033	3,256	675,289	44,540	20,339	260,332	336,687
Due from component unit	883,334	-	883,334	-	-	-	16,360
Due from other governmental units	1,572,681	-	1,572,681	1,508,496	-	-	-
Inventories	-	-	-	-	-	11,223	-
Prepaid items	-	-	-	385,063	-	25,582	-
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents	786,796	49,575	836,371	-	-	158,722	119,574
Capital assets (net of accumulated depreciation):							
Land	1,561,333	-	1,561,333	4,643,707	2,264,397	106,332	130,080
Land rights	-	-	-	-	-	-	14,072
Land improvements	-	-	-	-	331,618	-	-
Buildings and improvements	15,565,287	-	15,565,287	10,918,096	6,581,104	107,097	221,009
Machinery and equipment	1,391,951	-	1,391,951	1,460,965	358,573	2,244,427	174,976
Utility plant in service	-	3,254,610	3,254,610	-	-	14,744,150	9,657,147
Construction in progress	-	-	-	-	1,302,926	3,821,553	207,155
Less: Accumulated Depreciation	-	-	-	-	-	(4,506,368)	-
Total assets	<u>\$ 36,549,804</u>	<u>\$ 3,307,441</u>	<u>\$ 39,857,245</u>	<u>\$ 19,311,891</u>	<u>\$ 11,712,709</u>	<u>\$ 17,076,936</u>	<u>\$ 10,907,117</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 1,446,854	\$ 16,360	\$ 1,463,214	\$ 377,926	\$ 307,908	\$ 313,102	\$ 71,299
Accrued liabilities	774	-	774	990,356	-	109,968	18,102
Customer deposits	-	-	-	-	-	18,200	42,378
Accrued interest payable	214,411	1,734	216,145	-	48,935	22,055	6,736
Due to primary government	-	-	-	683,334	200,000	-	-
Long-term liabilities:							
Due within one year	1,759,796	20,175	1,779,971	671,190	1,053,103	200,889	219,798
Due in more than one year	15,469,605	693,411	16,163,016	686,106	5,774,560	6,379,322	3,826,124
Total liabilities	<u>\$ 18,891,440</u>	<u>\$ 731,680</u>	<u>\$ 19,623,120</u>	<u>\$ 3,408,912</u>	<u>\$ 7,384,506</u>	<u>\$ 7,043,536</u>	<u>\$ 4,184,437</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	\$ 4,570,360	\$ -	\$ 4,570,360	\$ -	\$ -	\$ -	\$ -
<b>NET POSITION</b>							
Net investment in capital assets	\$ 7,559,783	\$ 2,541,024	\$ 10,100,807	\$ 17,022,768	\$ 4,691,433	\$ 9,936,980	\$ 6,395,085
Restricted for:							
Coal Road	889,767	-	889,767	-	-	-	-
Debt service and bond covenants	-	49,575	49,575	-	-	158,722	119,574
Unrestricted (deficit)	4,638,454	(14,838)	4,623,616	(1,119,789)	(363,230)	(62,302)	208,021
Total net position	<u>\$ 13,088,004</u>	<u>\$ 2,575,761</u>	<u>\$ 15,663,765</u>	<u>\$ 15,902,979</u>	<u>\$ 4,328,203</u>	<u>\$ 10,033,400</u>	<u>\$ 6,722,680</u>

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

County of Russell, Virginia  
Statement of Activities  
For the Year Ended June 30, 2013

		Program Revenues				Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units			
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Russell County Public Service Authority
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 1,269,473	\$ 4,679	\$ 307,375	\$ -	\$ (957,419)	\$ -	\$ (957,419)			
Judicial administration	2,097,469	8,085	588,220	-	(1,501,164)	-	(1,501,164)			
Public safety	5,908,601	105,009	1,692,927	-	(4,110,665)	-	(4,110,665)			
Public works	4,592,807	205,056	15,169	-	(4,372,582)	-	(4,372,582)			
Health and welfare	8,285,584	-	6,879,852	-	(1,405,732)	-	(1,405,732)			
Education	7,484,972	-	-	-	(7,484,972)	-	(7,484,972)			
Parks, recreation, and cultural	529,959	29,690	338,530	-	(161,739)	-	(161,739)			
Community development	2,173,719	-	-	-	(2,173,719)	-	(2,173,719)			
Interest on long-term debt	498,401	-	-	-	(498,401)	-	(498,401)			
Total governmental activities	\$ 32,840,985	\$ 352,519	\$ 9,822,073	\$ -	\$ (22,666,393)	\$ -	\$ (22,666,393)			
Business-type activities:										
Service Authority	\$ 441,349	\$ 46,192	\$ -	\$ -	\$ -	\$ (395,157)	\$ (395,157)			
Total primary government	\$ 33,282,334	\$ 398,711	\$ 9,822,073	\$ -	\$ (22,666,393)	\$ (395,157)	\$ (23,061,550)			
COMPONENT UNITS:										
School Board	\$ 41,136,895	\$ 647,817	\$ 32,016,007	\$ -		\$ (8,473,071)	\$ -	\$ -	\$ -	
Industrial Development Authority	1,098,857	-	17,466	1,387,708		-	306,317	-	-	
Russell County Public Service Authority	1,850,003	1,133,980	-	1,411,104		-	-	-	695,081	
Castlewood Water and Sewer	1,651,477	1,018,885	-	516,705		-	-	-	-	(115,887)
Total component units	\$ 45,737,232	\$ 2,800,682	\$ 32,033,473	\$ 3,315,517		\$ (8,473,071)	\$ 306,317	\$ 695,081	\$ (115,887)	
General revenues:										
General property taxes										
Other local taxes:										
Local sales and use taxes					\$ 14,686,993	\$ -	\$ -	\$ -	\$ -	
Coal sales and use taxes					-	-	-	-	-	
Coal road and severance taxes					1,689,275	-	-	-	-	
Consumers' utility taxes					2,285,086	-	-	-	-	
Motor vehicle licenses					567,707	-	-	-	-	
Other local taxes					355,686	-	-	-	-	
Unrestricted revenues from use of money and property					181,858	-	-	-	-	
Miscellaneous					45,865	-	3,215	638,040	4,898	532
Payments from the County of Russell, Virginia					60,479	-	292,514	196,335	61,721	247,376
Grants and contributions not restricted to specific programs					-	-	7,962,364	1,537,278	1,213,068	-
Gain on disposal of capital assets					2,580,839	-	-	-	-	-
Transfers					-	-	-	-	79,117	-
Total general revenues and transfers					(283,789)	283,789	-	-	-	-
Change in net position					\$ 22,169,999	\$ 283,789	\$ 22,453,788	\$ 8,258,093	\$ 2,371,653	\$ 1,358,804
Net position - beginning, as restated					\$ (496,394)	\$ (111,368)	\$ (607,762)	\$ (214,978)	\$ 2,677,970	\$ 2,053,885
Net position - ending					\$ 13,584,398	\$ 2,687,129	\$ 16,271,527	\$ 16,117,957	\$ 1,650,233	\$ 7,979,515
Net position - beginning, as restated					\$ 13,088,004	\$ 2,575,761	\$ 15,663,765	\$ 15,902,979	\$ 4,328,203	\$ 10,033,400
Net position - ending										\$ 6,722,680

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

County of Russell, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2013

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,405,137	\$ -	\$ 120,642	\$ 2,525,779
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,396,689	-	-	8,396,689
Accounts receivable	258,314	71,507	-	329,821
Due from other funds	46,115	65,105	-	111,220
Due from component unit	883,334	-	-	883,334
Due from other governmental units	1,246,030	-	326,651	1,572,681
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	786,796	-	786,796
Total assets	<u>\$ 13,235,619</u>	<u>\$ 923,408</u>	<u>\$ 447,293</u>	<u>\$ 14,606,320</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 666,166	\$ 33,641	\$ 292,674	\$ 992,481
Accrued liabilities	774	-	-	774
Due to other funds	-	-	111,220	111,220
Total liabilities	<u>\$ 666,940</u>	<u>\$ 33,641</u>	<u>\$ 403,894</u>	<u>\$ 1,104,475</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>\$ 7,476,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,476,544</u>
<b>FUND BALANCES</b>				
Restricted:				
Coal Road	\$ -	\$ 889,767	\$ -	\$ 889,767
Committed:				
Special revenue funds	-	-	43,399	43,399
Unassigned:	5,092,135	-	-	5,092,135
Total fund balances	<u>\$ 5,092,135</u>	<u>\$ 889,767</u>	<u>\$ 43,399</u>	<u>\$ 6,025,301</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,235,619</u>	<u>\$ 923,408</u>	<u>\$ 447,293</u>	<u>\$ 14,606,320</u>

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



County of Russell, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 6,025,301
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	1,561,333	
Buildings and improvements	15,565,287	
Machinery and equipment	1,391,951	18,518,571

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,906,184
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	3,081,760
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds, literary loans, and note	(15,743,782)	
Capital lease	(341,188)	
Unamortized premium	(266,511)	
Accrued interest payable	(214,411)	
Landfill accrued closure and postclosure liability	(267,913)	
Net OPEB obligation	(41,521)	
Compensated absences	(568,486)	(17,443,812)

Net position of governmental activities	\$ 13,088,004
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The accompanying notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 14,696,587	\$ -	\$ -	\$ 14,696,587
Other local taxes	3,937,219	1,142,393	-	5,079,612
Permits, privilege fees, and regulatory licenses	34,152	-	-	34,152
Fines and forfeitures	14,955	-	-	14,955
Revenue from the use of money and property	31,431	5,232	-	36,663
Charges for services	303,412	-	-	303,412
Miscellaneous	60,479	-	-	60,479
Recovered costs	1,009,359	-	-	1,009,359
Intergovernmental revenues:				
Commonwealth	7,734,506	-	2,550	7,737,056
Federal	2,458,978	-	2,206,878	4,665,856
Total revenues	<u>\$ 30,281,078</u>	<u>\$ 1,147,625</u>	<u>\$ 2,209,428</u>	<u>\$ 33,638,131</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,797,929	\$ -	\$ -	\$ 1,797,929
Judicial administration	2,096,382	-	-	2,096,382
Public safety	5,742,101	-	-	5,742,101
Public works	3,241,005	1,503,326	-	4,744,331
Health and welfare	6,120,771	-	2,213,965	8,334,736
Education	6,390,469	-	-	6,390,469
Parks, recreation, and cultural	488,706	-	-	488,706
Community development	2,283,910	-	-	2,283,910
Nondepartmental	423,737	-	-	423,737
Capital projects	334,929	-	-	334,929
Debt service:				
Principal retirement	2,314,036	-	-	2,314,036
Interest and other fiscal charges	555,784	-	-	555,784
Total expenditures	<u>\$ 31,789,759</u>	<u>\$ 1,503,326</u>	<u>\$ 2,213,965</u>	<u>\$ 35,507,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,508,681)</u>	<u>\$ (355,701)</u>	<u>\$ (4,537)</u>	<u>\$ (1,868,919)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>\$ (283,789)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (283,789)</u>
Net change in fund balances	<u>\$ (1,792,470)</u>	<u>\$ (355,701)</u>	<u>\$ (4,537)</u>	<u>\$ (2,152,708)</u>
Fund balances - beginning	6,884,605	1,245,468	47,936	8,178,009
Fund balances - ending	<u>\$ 5,092,135</u>	<u>\$ 889,767</u>	<u>\$ 43,399</u>	<u>\$ 6,025,301</u>

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

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

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

Net change in fund balances - total governmental funds \$ (2,152,708)

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 outlay	378,940	
Reversion of assets back to the School Board (net)	(876,894)	
Depreciation expense	(1,136,106)	(1,634,060)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (9,594)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when obligations 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 obligations and related items.

Principal Payments:		
Bonds, literary loans, and notes	2,037,770	
Landfill accrued closure and postclosure liability	258,955	
Capital lease	276,266	2,572,991

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.

(Increase) decrease in compensated absences	27,402	
(Increase) decrease in accrued interest payable	40,579	
(Increase) decrease in net OPEB obligation	(34,912)	
Amortization of bond premiums	16,804	49,873

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

677,104

Change in net position of governmental activities \$ (496,394)

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

County of Russell, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Enterprise Fund	Internal Service Fund
	<u>Dante Fund</u>	<u>Self Health Insurance</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,193,921
Interest receivable	58	1,504
Accounts receivable, net of allowance for uncollectibles	3,198	340,708
Total current assets	<u>\$ 3,256</u>	<u>\$ 3,536,133</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (in custody of others)	\$ 49,575	\$ -
Capital assets:		
Utility plant in service	\$ 5,240,699	\$ -
Less accumulated depreciation	(1,986,089)	-
Total capital assets	<u>\$ 3,254,610</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 3,304,185</u>	<u>\$ -</u>
Total assets	<u>\$ 3,307,441</u>	<u>\$ 3,536,133</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 16,360	\$ 454,373
Accrued interest payable	1,734	-
Revenue bonds - current portion	20,175	-
Total current liabilities	<u>\$ 38,269</u>	<u>\$ 454,373</u>
Noncurrent liabilities:		
Revenue bonds - net of current portion	\$ 693,411	\$ -
Total liabilities	<u>\$ 731,680</u>	<u>\$ 454,373</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,541,024	\$ -
Restricted for debt service and bond covenants	49,575	-
Unrestricted	(14,838)	3,081,760
Total net position	<u>\$ 2,575,761</u>	<u>\$ 3,081,760</u>

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

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

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
<b>OPERATING REVENUES</b>		
Charges for services:		
Sewer revenues	\$ 46,192	\$ -
Insurance premiums	-	5,494,453
Total operating revenues	\$ 46,192	\$ 5,494,453
<b>OPERATING EXPENSES</b>		
Salaries and benefits	\$ 157,187	\$ -
Professional services	8,389	-
Utilities	1,045	-
Materials and supplies	39,456	-
Office expenses	62,531	-
Repairs and maintenance	9,689	-
Insurance claims and expenses	-	4,826,551
Depreciation	131,017	-
Total operating expenses	\$ 409,314	\$ 4,826,551
Operating income (loss)	\$ (363,122)	\$ 667,902
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	\$ -	\$ 9,202
Interest expense	(32,035)	-
Total nonoperating revenues (expenses)	\$ (32,035)	\$ 9,202
Income before transfers	\$ (395,157)	\$ 677,104
Transfers in	\$ 283,789	\$ -
Change in net position	\$ (111,368)	\$ 677,104
Total net position - beginning	2,687,129	2,404,656
Total net position - ending	\$ 2,575,761	\$ 3,081,760

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

County of Russell, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2013

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 49,408	\$ -
Receipts for insurance premiums	-	5,153,745
Payments to suppliers	(125,260)	-
Payments to employees	(157,187)	-
Payments for premiums	-	(4,938,609)
Net cash provided by (used for) operating activities	<u>\$ (233,039)</u>	<u>\$ 215,136</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	<u>\$ 283,789</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on bonds	\$ (19,369)	\$ -
Interest payments	(32,078)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (51,447)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>\$ 39</u>	<u>\$ 10,206</u>
Net increase (decrease) in cash and cash equivalents	\$ (658)	\$ 225,342
Cash and cash equivalents - beginning	50,233	2,968,579
Cash and cash equivalents - ending	<u><u>\$ 49,575</u></u>	<u><u>\$ 3,193,921</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	<u>\$ (363,122)</u>	<u>\$ 667,902</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	\$ 131,017	\$ -
(Increase) decrease in accounts receivable	3,216	(340,708)
Increase (decrease) in accounts payable	(4,150)	(112,058)
Total adjustments	<u>\$ 130,083</u>	<u>\$ (452,766)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (233,039)</u></u>	<u><u>\$ 215,136</u></u>

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

County of Russell, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2013

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 50,670
Total assets	<u>\$ 50,670</u>
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 60,387
Amounts held for VASAP	(9,717)
Total liabilities	<u>\$ 50,670</u>

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

COUNTY OF RUSSELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The County of Russell, Virginia is a municipal corporation governed by an elected six-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

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 Russell County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

The Industrial Development Authority of Russell County, Virginia (IDA) encourages and provides financing for industrial development in Russell County. The financial statements of the IDA have been included because the County appoints the governing body and has made moral obligation resolutions to finance deficits of any kind or nature that may occur each year subject to annual appropriation. Complete financial statements of the IDA can be obtained in writing at 137 Highland Drive, Lebanon, VA 24266.

The Russell County Public Service Authority (PSA) provides water and sewer service to residents of Russell County. The Authority is fiscally dependent on the County because the County appoints the governing body and has financing guarantees involving the Authority. Complete financial statements of the PSA can be obtained in writing at 7341 Swords Creek Road, Swords Creek, VA 24649.

The Castlewood Water and Sewage Authority of Russell County provides water and sewer service to residents of Russell County. The Authority is fiscally dependent on the County because the County appoints the governing body and has financing guarantees involving the Authority. Complete financial statements of the Authority can be obtained in writing at P.O. Box 655, Castlewood, VA 24224.



**Note 1-Summary of Significant Accounting Policies: (continued)**

**A. Financial Reporting Entity (continued)**

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the county's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail and the Cumberland Mountain Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$2,157,445 to the Regional Jail and \$154,433 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

**B. Government-wide and Fund Financial Statements**

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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

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

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

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

**Note 1-Summary of Significant Accounting Policies: (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, 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*, as are the proprietary fund and fiduciary fund financial statements. 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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 and claims and judgments, 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 revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 the government receives cash.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Social Services, E-911, Dog Tag, Damage Stamp, Revenue Anticipation Note, Law Library, and Knox Creek Funds. The aforementioned Funds have been merged with the General Fund for financial reporting purposes.

The Coal Road and Workforce Investment Board Funds serve as the County's major *Special Revenue Funds*. The Coal Road Fund accounts for and reports financial resources to be used for improvements to roads used in conjunction with coal mining and other expenses allowable by the Code of Virginia, (1950), as amended. The Workforce Investment Board Fund accounts for and reports financial resources to be used for workforce development benefiting the County.

The government reports the following major proprietary funds:

The County operates a water treatment system. The activities of the system are accounted for in the Dante fund.

Additionally, the government reports the following fund types:

*Internal Service Funds* account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Self Health Insurance Funds.

*Fiduciary funds* (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare Fund and VASAP Fund. The Special Welfare Fund includes activity of the Title XX and the SSI Fund, which have all been merged for financial reporting purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to departments for health insurance. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Cash and Cash Equivalents

The government'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.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and Collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in installments on June 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible on December 5<sup>th</sup>. The County bills and collects its own property taxes.

4. 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 \$886,473 at June 30, 2013 and is comprised solely of property taxes.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government, as well as the Component Unit - School Board, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

7. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

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

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported 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.

11. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaid expenditures) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

The Board of Supervisors is the highest level of decision-making authority and the formal action that is required to establish, modify or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

11. Fund Equity (continued)

The Board of Supervisors has authorized the County Administrator as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy.

The County of Russell will maintain an unassigned fund balance in the general fund equal to 16% of the expenditures/operating revenues (two months). The County considers a balance of less than 10% to be a cause for concern, barring unusual or deliberate circumstances.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

12. Net Position

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

13. Net Position Flow Assumption

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

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**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

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

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

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

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

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**Note 2-Stewardship, Compliance, and Accountability:**

**A. Budgetary Information**

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. All Funds of the County have legally adopted budgets with the exception of the Industrial Development Authority Fund and Agency Funds.
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. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, and the Special Revenue Funds (except the School Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

**B. Excess of expenditures over appropriations**

The County had numerous departments and funds that had excess expenditures over appropriations in the current year.

**C. Deficit fund equity**

At June 30, 2013, there were no funds which had deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 3-Deposits and Investments:**Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2013, the County had no investments.

**Note 4-Due from Other Governmental Units:**

The following amounts represent receivables from other governments at year-end:

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	296,591	-
State sales tax	-	674,359
Non-categorical aid	320,630	-
Categorical aid-shared expenses	180,243	-
Categorical aid-Virginia Public Assistance funds	137,747	-
Categorical aid-other	42,341	-
Categorical aid-Comprehensive Services Act funds	114,332	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	146,827	-
Categorical aid-Workforce Investment funds	326,651	-
School federal programs	-	834,137
Categorical aid-other	7,319	-
Total Amount Due from Other Governmental Units	\$ 1,572,681	\$ 1,508,496

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ <u>          -</u>	\$ <u>    883,334</u>
Component Unit:		
School Board	\$ <u>    683,334</u>	\$ <u>          -</u>
IDA	<u>    200,000</u>	<u>          -</u>
Total	\$ <u>    883,334</u>	\$ <u>    883,334</u>

Interfund transfers and remaining balances for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ <u>          -</u>	\$ <u>    283,789</u>
Dante Fund	<u>    283,789</u>	<u>          -</u>
Total	\$ <u>    283,789</u>	\$ <u>    283,789</u>
Primary Government:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ <u>    46,115</u>	\$ <u>          -</u>
Coal Road Fund	<u>    65,105</u>	<u>          -</u>
Workforce Investment Board Fund	<u>          -</u>	<u>    111,220</u>
Total	\$ <u>    111,220</u>	\$ <u>    111,220</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 6-Long-Term Obligations:Primary Government - Governmental Activity Indebtedness

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

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 9,471,649	\$ -	\$ (717,972)	\$ 8,753,677
Literary loans	2,564,585	-	(469,162)	2,095,423
Revenue bonds	5,114,923	-	(236,928)	4,877,995
Literary anticipation note	630,395	-	(613,708)	16,687
Deferred Amounts:				
Bond premiums	283,315	-	(16,804)	266,511
Capital lease	617,454	-	(276,266)	341,188
Landfill closure/ postclosure liability	526,868	-	(258,955)	267,913
Net OPEB obligation	6,609	35,812	(900)	41,521
Compensated absences	595,888	454,472	(481,874)	568,486
Total	\$ 19,811,686	\$ 490,284	\$ (3,072,569)	\$ 17,229,401

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Loans		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 611,026	\$ 403,830	\$ 282,792	\$ 38,872	\$ 237,459	\$ -
2015	627,696	372,805	375,977	41,092	237,459	-
2016	644,976	340,870	375,977	32,130	237,459	-
2017	647,901	308,788	375,977	23,167	237,459	-
2018	670,770	277,286	282,792	14,205	237,459	-
2019-2023	3,284,952	856,665	401,908	13,642	1,187,295	-
2024-2028	1,706,356	366,998	-	-	1,135,623	-
2029-2033	560,000	50,388	-	-	1,017,958	-
2034-2038	-	-	-	-	349,824	-
Totals	\$ 8,753,677	\$ 2,977,630	\$ 2,095,423	\$ 163,108	\$ 4,877,995	\$ -

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 6-Long-Term Obligations: (continued)**

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds:</u>							
General obligation bond	5.10%-6.10%	1995	2016	\$15,000 a+	\$ 325,000	\$ 45,000	\$ 15,000
General obligation bond	5.10%-6.10%	1997	2016	\$5,000 a+	140,000	25,000	5,000
General obligation bond	4.10%-5.23%	1999	2019	\$25,000 a+	510,000	175,000	25,000
General obligation bond	4.98%-5.10%	2000	2021	\$94,999-115,952 a+	1,802,210	839,548	94,999
General obligation bond	2.35%-5.10%	2002	2023	\$213,799-272,702 a+	4,382,954	2,419,261	213,799
General obligation bond	4.60%-5.10%	2006	2027	\$147,228-197,458 a+	3,205,190	2,394,868	147,228
General obligation bond	4.60%-5.10%	2009	2030	\$55,000-110,000 a+	1,485,000	1,340,000	55,000
General obligation bond	3.05%-5.05%	2010	2031	\$55,000-120,000 a+	1,620,000	1,515,000	55,000
Total General Obligation Bonds						\$ 8,753,677	\$ 611,026
<u>Revenue Bonds:</u>							
Revenue bond	0.00%	11/28/2001	2033	\$15,595 sa	935,690	592,604	31,190
Revenue bond	0.00%	11/28/2001	2033	\$27,973 sa	1,678,400	1,080,612	55,946
Revenue bond	0.00%	11/28/2001	2025	\$8,612 sa	344,477	206,686	17,224
Revenue bond	0.00%	11/1/2002	2033	\$13,707 sa	822,366	534,538	27,412
Revenue bond	0.00%	3/10/2005	2036	\$9,276 sa	556,538	417,404	18,551
Revenue bond	0.00%	10/14/2005	2036	\$1,524 sa	91,439	70,103	3,048
Revenue bond	0.00%	10/14/2005	2037	\$31,779 sa	1,906,717	1,493,595	63,557
Revenue bond	0.00%	4/28/2006	2037	\$6,925 sa	415,513	325,484	13,851
Revenue bond	0.00%	3/30/2007	2037	\$3,340 sa	197,179	156,969	6,680
Total Revenue Bonds						\$ 4,877,995	\$ 237,459
Plus:							
Unamortized Premium						\$ 266,511	\$ 16,804
Total General Obligation and Revenue Bonds						\$ 13,898,183	\$ 865,289

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 6-Long-Term Obligations: (continued)Primary Government - Governmental Activity Indebtedness (continued)

## Details of long-term indebtedness: (continued)

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amounts</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<u>Literary loans:</u>							
Literary loan	3.00%	7/15/1986	2017	\$30,222 a+	\$ 960,000	\$ 90,666	\$ -
Literary loan	3.00%	7/15/1986	2017	\$62,693 a+	2,000,000	188,889	-
Literary loan	3.00%	2/1/1988	2018	\$18,522 a+	530,999	92,610	18,522
Literary loan	3.00%	2/1/1988	2018	\$12,581 a+	358,151	62,905	12,581
Literary loan	3.00%	2/1/1988	2018	\$3,005 a+	84,805	15,025	3,005
Literary loan	3.00%	2/1/1988	2018	\$9,995 a+	281,079	49,975	9,995
Literary loan	3.00%	2/1/1988	2018	\$6,989 a+	196,873	34,945	6,989
Literary loan	2.00%	1/1/2000	2020	\$57,757 a+	1,155,140	404,299	57,757
Literary loan	2.00%	3/15/1999	2019	\$55,700 a+	1,114,086	334,286	55,700
Literary loan	2.00%	3/15/1999	2019	\$8,200 a+	161,449	46,649	8,200
Literary loan	2.00%	6/15/1999	2019	\$21,134 a+	422,680	126,804	21,134
Literary loan	2.00%	6/15/1999	2019	\$44,020 a+	880,411	264,131	44,020
Literary loan	2.00%	11/15/2000	2021	\$24,689 a+	493,789	197,521	24,689
Literary loan	3.00%	12/15/2000	2021	\$7,700 a+	154,118	61,718	7,700
Literary loan	2.00%	7/1/2003	2023	\$12,500 a+	250,000	125,000	12,500
Total Literary Loans						\$ 2,095,423	\$ 282,792
Literary Anticipation Note	4.10%	9/4/2008	9/4/2013		\$ 992,638	\$ 16,687	\$ 16,687
<u>Other Obligations:</u>							
Capital Lease (Note 7)						\$ 341,188	\$ 168,663
Landfill Closure and Postclosure Liability						267,913	-
Net OPEB Obligation						41,521	-
Compensated Absences						568,486	426,365
Total Other Obligations						\$ 1,219,108	\$ 595,028
Total Long-term Obligations						\$ 17,229,401	\$ 1,759,796

(a+) - annual principal installments shown; does not include semi-annual interest installments

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 6-Long-Term Obligations: (continued)Primary Government - Business-type Activity Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2013:

	<u>July 1, 2012</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Revenue bonds	\$ 732,955	\$ -	\$ (19,369)	\$ 713,586

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 20,175	\$ 31,272
2015	21,015	30,432
2016	21,894	29,553
2017	22,814	28,633
2018	23,776	27,671
2019-2023	126,492	122,306
2024-2028	157,168	90,691
2029-2033	196,743	51,117
2034-2036	123,509	7,723
Totals	<u>\$ 713,586</u>	<u>\$ 419,398</u>

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds:</u>						
Revenue bond	0.00%	3/24/1999	2019	\$ 37,500	\$ 10,313	\$ 1,875
Revenue bond	4.50%	4/10/1996	2036	900,000	703,273	18,300
Total Revenue Bonds					<u>\$ 713,586</u>	<u>\$ 20,175</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 6-Long-Term Obligations: (continued)Component Unit - School Board Indebtedness

The following is a summary of long-term obligation transactions of the discretely presented component unit for the year ended June 30, 2013:

	Balance July 1, 2012, As restated	Increases	Decreases	Balance June 30, 2013
Net OPEB obligation	\$ 44,828	\$ 885,708	\$ (503,000)	\$ 427,536
Early retirement incentive	546,791	-	(368,111)	178,680
Compensated absences	740,978	565,835	(555,733)	751,080
Total	\$ 1,332,597	\$ 1,451,543	\$ (1,426,844)	\$ 1,357,296

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Early retirement incentive	\$ 178,680	\$ 107,880
Net OPEB Obligation	427,536	-
Compensated Absences	751,080	563,310
Total Other Obligations	\$ 1,357,296	\$ 671,190

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 7-Capital Lease:Primary Government

The County has entered into a lease agreement to finance the acquisition of school buses for the School Board. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of minimum lease payments at the date of inception.

The capital assets acquired through capital leases are as follows:

	<u>Machinery &amp; Equipment</u>
Machinery and equipment	\$ 565,114
Less: Accumulated depreciation	<u>(70,638)</u>
Net capital asset	\$ <u>494,476</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2014	\$ 176,476
2015	<u>176,476</u>
Subtotal	\$ 352,952
Less, amount representing interest	<u>(11,764)</u>
Present Value of Lease Agreement	<u><u>\$ 341,188</u></u>

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**Note 8-Employee Retirement System and Defined Benefit Pension Plan:**

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

**Note 8-Employee Retirement System and Defined Benefit Pension Plan: (continued)**

A. Plan Description (continued)

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

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County of Russell, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Russell, Virginia's contribution rate for the fiscal year ended 2013 was 14.36% of annual covered payroll.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 16.24% of annual covered payroll.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 8-Employee Retirement System and Defined Benefit Pension Plan: (continued)**

## C. Annual Pension Cost

For fiscal year 2013, the County and School Board annual pension costs of \$800,479 and \$434,345 were equal to the required and actual contributions for the County and the School Board Non-Professionals, respectively.

## Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2011	\$ 579,314	100.00%	\$ -
	6/30/2012	576,628	100.00%	-
	6/30/2013	800,479	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	\$ 384,524	100.00%	\$ -
	6/30/2012	386,243	100.00%	-
	6/30/2013	434,345	100.00%	-

<sup>1</sup> Employer portion only

Primary Government:

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Liability (UAAL) was 30 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 8-Employee Retirement System and Defined Benefit Pension Plan: (continued)**

C. Annual Pension Cost (continued)

Discretely Presented-Component Unit School Board - Non-Professional:

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the 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 School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 70.15% funded. The actuarial accrued liability for benefits was \$28,359,443, and the actuarial value of assets was \$19,894,452, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,464,991. The covered payroll (annual payroll of active employees covered by the plan) was \$5,481,683, and ratio of the UAAL to the covered payroll was 154.42%.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

As of June 30, 2012, the most recent actuarial valuation date, the plan was 61.14% funded. The actuarial accrued liability for benefits was \$16,469,710, and the actuarial value of assets was \$10,068,998, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,400,712. The covered payroll (annual payroll of active employees covered by the plan) was \$2,689,457, and ratio of the UAAL to the covered payroll was 237.99%.

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

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**Note 8-Employee Retirement System and Defined Benefit Pension Plan: (continued)**

E. Discretely Presented Component Unit School Board

Professional Employees:

Plan Description

The Russell County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$2,037,610, \$1,164,108, and \$700,575 for the fiscal years ended 2013, 2012, and 2011, respectively. Employer contributions represented 11.66%, 6.33%, and 3.93% of covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,541,333	\$ 20,000	\$ -	\$ 1,561,333
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,465,973	\$ -	\$ (1,812,215)	\$ 26,653,758
Machinery and equipment	3,780,691	358,940	(374,364)	3,765,267
Total capital assets being depreciated	\$ 32,246,664	\$ 358,940	\$ (2,186,579)	\$ 30,419,025
Accumulated depreciation:				
Buildings and improvements	\$ (11,402,017)	\$ (683,170)	\$ 996,716	\$ (11,088,471)
Machinery and equipment	(2,233,349)	(452,936)	312,969	(2,373,316)
Total accumulated depreciation	\$ (13,635,366)	\$ (1,136,106)	\$ 1,309,685	\$ (13,461,787)
Total capital assets being depreciated, net	\$ 18,611,298	\$ (777,166)	\$ (876,894)	\$ 16,957,238
Governmental activities capital assets, net	\$ 20,152,631	\$ (757,166)	\$ (876,894)	\$ 18,518,571

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 9-Capital Assets: (continued)**

## Primary Government: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Utility plant	\$ 5,240,699	\$ -	\$ -	\$ 5,240,699
Accumulated depreciation:				
Utility plant	\$ (1,855,072)	\$ (131,017)	\$ -	\$ (1,986,089)
Total capital assets being depreciated, net	\$ 3,385,627	\$ (131,017)	\$ -	\$ 3,254,610
Business-Type activities capital assets, net	\$ 3,385,627	\$ (131,017)	\$ -	\$ 3,254,610

Depreciation expense was charged to functions/programs of the primary government as follows:

## Governmental activities:

General government administration	\$ 15,600
Judicial administration	754
Public safety	213,546
Public works	49,978
Health and welfare	24,866
Education	785,326
Parks, recreation, and cultural	38,222
Community development	7,814

Total depreciation expense-governmental activities \$ 1,136,106

## Business-Type activities:

Sewer Authority	\$ 131,017
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 9-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2013 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,643,707	\$ -	\$ -	\$ 4,643,707
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,471,789	\$ 1,812,215	\$ -	\$ 22,284,004
Machinery and equipment	6,248,380	327,091	(203,000)	6,372,471
Total capital assets being depreciated	\$ 26,720,169	\$ 2,139,306	\$ (203,000)	\$ 28,656,475
Accumulated depreciation:				
Buildings and improvements	\$ (9,797,780)	\$ (1,568,128)	\$ -	\$ (11,365,908)
Machinery and equipment	(4,585,495)	(529,011)	203,000	(4,911,506)
Total accumulated depreciation	\$ (14,383,275)	\$ (2,097,139)	\$ 203,000	\$ (16,277,414)
Total capital assets being depreciated, net	\$ 12,336,894	\$ 42,167	\$ -	\$ 12,379,061
Governmental activities capital assets, net	\$ 16,980,601	\$ 42,167	\$ -	\$ 17,022,768

**Note 10-Risk Management:**

The County and its Component Unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and the related Component Unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and the School Board pay the Risk Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its Component Unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 11-Contingent Liabilities:**

Federal programs in which the County and its component units 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 matters of noncompliance were disclosed by the 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.

**Note 12-Surety Bonds:**Fidelity & Deposit Company of Maryland-Surety:

Ann McReynolds, Clerk of the Circuit Court	\$ 1,010,000
Patrick Thompson, Treasurer	400,000
Randy N. Williams, Commissioner of the Revenue	3,000
Steve Dye, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000

Hartford Company - Surety:

Tammy Gilbert - Clerk of the School Board	\$ 10,000
All school employees: blanket bond	10,000

USF&G Insurance Co. - Surety:

All Social Services employees-blanket bond	\$ 100,000
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**Note 13-Landfill Closure and Postclosure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$267,913 is the total estimated closure and postclosure care liability at June 30, 2013. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and postclosure in 2013. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 14-Unavailable Revenue:**

Governmental funds report *unavailable revenue* in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	<u>Gov't-wide Statements</u> <u>Governmental Activities</u>	<u>Balance Sheet</u> <u>Governmental Funds</u>
Delinquent property taxes receivable	\$ 7,337,069	\$ 4,504,607
Prepaid taxes	65,753	65,753
Total unavailable revenue for governmental funds	\$ 7,402,822	\$ 4,570,360

**Note 15-Self Health Insurance:**

The County of Russell, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2013, a total of \$4,826,551 was paid in benefits and administrative costs. The risk assumed by the County and School Board is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type. As of June 30, 2013, the County and School Board were exposed to risk which represents the difference between the claims to date and the ceiling liability as calculated based on enrollment levels and health plan coverage. Additional costs in excess of the ceiling liability are covered as part of the contract with the County. Incurred but not reported claims of \$454,373 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2013 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2012-13	\$ 566,431	\$ 4,714,493	\$ (4,826,551)	\$ 454,373

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 16-Other Postemployment Benefits-Health Insurance:****A. Plan Description**

The County of Russell and Russell County's Component Unit - School Board administer a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County and School Board. Any County or School Board eligible retiree may receive this benefit until he/she has reached sixty five years of age.

To be eligible for this benefit a retiree must meet the following criteria: attained age 50 and 15 years of service and not eligible for Medicare and the last 10 years must be with the County or School Board prior to retirement. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action respectively. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 496 employees that are eligible, respectively, for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the County and School Board. The rates are as follows:

	Medical & Rx	
	Retiree	Spouse
Under 65	\$ 8,600	\$ 8,600
COBRA		
	Retiree	Family
Under 65	\$ 5,880	\$ 13,842

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 16-Other Postemployment Benefits-Health Insurance: (continued)

## C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation during fiscal year 2013.

Annual required contribution	\$ 35,900
Interest on net OPEB obligation	264
Adjustment to annual required contribution	(352)
Annual OPEB cost (expense)	<u>35,812</u>
Contributions made	<u>(900)</u>
Increase (decrease) in net OPEB obligation	34,912
Net OPEB obligation - beginning of year	<u>6,609</u>
Net OPEB obligation - end of year	\$ 41,521

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011 \$	42,373	94.80% \$	7,153
6/30/2012	42,754	101.27%	6,609
6/30/2013	35,812	2.51%	41,521

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 16-Other Postemployment Benefits-Health Insurance: (continued)****C. Annual OPEB Cost and Net OPEB Obligation (continued)**

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$ 886,300
Interest on net OPEB obligation	1,793
Adjustment to annual required contribution	(2,385)
Annual OPEB cost (expense)	885,708
Contributions made	(503,000)
Increase (decrease) in net OPEB obligation	382,708
Net OPEB obligation - beginning of year	44,828
Net OPEB obligation - end of year	\$ 427,536

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 276,346	94.80%	\$ 48,377
6/30/2012	278,829	101.27%	44,828
6/30/2013	885,708	56.79%	427,536

**D. Funded Status and Funding Progress**

The funded status of the Plan for the County as of July 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 198,600
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 198,600
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 5,576,300
UAAL as a percentage of covered payroll	3.56%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 16-Other Postemployment Benefits-Health Insurance: (continued)****D. Funded Status and Funding Progress (continued)**

The funded status of the Plan for the School Board as of July 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	8,991,400
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	8,991,400
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	21,181,100
UAAL as a percentage of covered payroll		42.45%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflation at 2.50 percent, plus productivity component of 1.25 percent, investment rate of return at 4.00 percent, and a health care trend rate of 7.50 percent graded to 4.80 percent over 72 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2012 was 20 years.



**Note 17-Other Postemployment Benefits-VRS Health Insurance Credit:**

**A. Plan Description**

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

An employee of the County or School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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

**B. Funding Policy**

**Primary Government:**

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 was 0.23% of annual covered payroll.

**Discretely Presented Component Unit - School Board (Non-Professional Employees):**

As a participating local political subdivision, the Covington School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 0.59% of annual covered payroll.

**C. Annual OPEB Cost and Net OPEB Obligation**

**Primary Government:**

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013Note 17-Other Postemployment Benefits-VRS Health Insurance Credit: (continued)C. OPEB Cost and Net OPEB Obligation (continued)Primary Government: (continued)

For 2013, the County's contribution of \$1,764 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are shown below:

	<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
Primary Government:				
County	6/30/2011	\$ 3,304	100.00%	\$ -
	6/30/2012	3,289	100.00%	-
	6/30/2013	1,764	100.00%	-

Discretely Presented Component Unit - School Board (Non-Professional Employees):

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2013, the School Board's contribution of \$15,780 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

	<u>Year Ending</u>	<u>OPEB Cost (ARC)</u>	<u>of ARC Contributed</u>	<u>OPEB Obligation</u>
Discretely Presented Component Unit				
School Board	6/30/2013	\$ 15,780	100.00%	\$ -

Note: 2013 is the first year of the VRS health insurance credit program for non-professional school board employees.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 17-Other Postemployment Benefits-VRS Health Insurance Credit: (continued)****D. Funded Status and Funding Progress**Primary Government:

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	101,849
Actuarial value of plan assets	\$	78,231
Unfunded actuarial accrued liability (UAAL)	\$	23,618
Funded ratio (actuarial value of plan assets/AAL)		76.81%
Covered payroll (active plan members)	\$	1,769,420
UAAL as a percentage of covered payroll		1.33%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	161,463
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	161,463
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	\$	2,689,457
UAAL as a percentage of covered payroll		6.00%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Note 17-Other Postemployment Benefits-VRS Health Insurance Credit: (continued)**

**D. Funded Status and Funding Progress (continued)**

**Discretely Presented Component Unit - School Board (Non-Professional Employees): (continued)**

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**E. Actuarial Methods and Assumptions**

**Primary Government:**

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2012 was 29 years.

**Discretely Presented Component Unit - School Board (Non-Professional Employees):**

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2012 was 29 years.

**F. Professional Employees - Discretely Presented Component Unit School Board**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

**Note 17-Other Postemployment Benefits-VRS Health Insurance Credit: (continued)**

**F. Professional Employees - Discretely Presented Component Unit School Board (continued)**

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The School Board's contribution to VRS was \$193,975, \$110,342 and \$165,875 for the fiscal years ended 2013, 2012, and 2011, respectively. The School Board's contributions represented 1.11%, 0.60% and 1.08% of covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

**Note 18-Moral Obligation:**

The County has signed support agreements that back certain debt obligations of The Industrial Development Authority of Russell County (a component unit of the County). In these agreements, the Board of Supervisors has a non-binding (moral obligation) to fund the Russell County Industrial Development Authority in amounts sufficient to cover debt service on referenced obligations. To date, the County of Russell, Virginia has provided funds sufficient to cover such debt service. As of June 30, 2013, the outstanding balance such loans was \$600,000. During fiscal year 2013, the County paid \$944,503 in debt service for The Industrial Development Authority of Russell County. The Industrial Development Authority of Russell County expects the County to pay the remaining \$600,000 during fiscal year 2014.

The County has signed a support agreement that backs certain debt obligations of the Russell County Public Service Authority (a component unit of the County). In the agreement, the Board of Supervisors has a moral obligation to fund the Russell County Public Service Authority in amounts sufficient to cover debt service issued during fiscal year 2013 in the amount of \$700,843. To date, the County of Russell, Virginia has provided funds sufficient to cover such debt service. During fiscal year 2013, the County paid \$132,046 in debt service for the Russell County Public Service Authority.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**Note 19-Operating Lease:**

The County has signed a lease agreement with The Industrial Development Authority of Russell County to pay rent equivalent to the required debt service as it relates to the Russell County Government Center. To date, the County of Russell, Virginia has provided funds sufficient to cover such debt service. As of June 30, 2013, the outstanding balance of the loan was \$5,086,100. Future required rent payments are as follows:

Year Ending June 30,	Operating Lease	
	Principal	Interest
2014	\$ 223,300	\$ 116,497
2015	355,100	109,767
2016	363,300	101,621
2017	372,100	92,744
2018	381,000	83,925
2019-2023	2,044,500	280,035
2024-2028	1,346,800	47,997
Totals	<u>\$ 5,086,100</u>	<u>\$ 832,586</u>

**Note 20-Upcoming Pronouncements:**

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

**Note 21-Litigation:**

As of June 30, 2013, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

**Note 22-Restatement:**

Beginning net position of the School Board has been restated due to the discovery of an early retirement incentive program and an additional adjustment for unrecorded depreciation expense in the prior year. The restatement is demonstrated below:

	Component Unit - <u>School Board</u>
Net Position as Previously Reported 6/30/12	\$ 16,988,114
Early Retirement Incentive Program	(451,958)
Depreciation Expense	(418,199)
Net Position as Restated 6/30/12	<u>\$ 16,117,957</u>

## **Required Supplementary Information**

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
General property taxes	\$ 13,985,801	\$ 13,985,801	\$ 14,696,587	\$ 710,786
Other local taxes	5,062,996	5,042,996	3,937,219	(1,105,777)
Permits, privilege fees, and regulatory licenses	19,800	19,800	34,152	14,352
Fines and forfeitures	73,806	73,806	14,955	(58,851)
Revenue from the use of money and property	50,000	50,000	31,431	(18,569)
Charges for services	270,900	474,108	303,412	(170,696)
Miscellaneous	44,000	44,000	60,479	16,479
Recovered costs	383,000	383,000	1,009,359	626,359
Intergovernmental revenues:				
Commonwealth	7,956,339	7,956,339	7,734,506	(221,833)
Federal	2,355,448	2,355,448	2,458,978	103,530
Total revenues	\$ 30,202,090	\$ 30,385,298	\$ 30,281,078	\$ (104,220)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,571,513	\$ 1,726,663	\$ 1,797,929	\$ (71,266)
Judicial administration	2,150,066	2,154,866	2,096,382	58,484
Public safety	5,197,517	5,419,427	5,742,101	(322,674)
Public works	3,638,060	3,514,305	3,241,005	273,300
Health and welfare	6,770,802	6,708,456	6,120,771	587,685
Education	7,258,593	7,258,593	6,390,469	868,124
Parks, recreation, and cultural	469,655	469,655	488,706	(19,051)
Community development	1,532,898	1,530,569	2,283,910	(753,341)
Nondepartmental	806,600	408,328	423,737	(15,409)
Capital projects	100,000	280,008	334,929	(54,921)
Debt service:				
Principal retirement	1,424,901	1,424,901	2,314,036	(889,135)
Interest and other fiscal charges	352,481	352,481	555,784	(203,303)
Total expenditures	\$ 31,273,086	\$ 31,248,252	\$ 31,789,759	\$ (541,507)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,070,996)	\$ (862,954)	\$ (1,508,681)	\$ (645,727)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (100,000)	\$ (183,042)	\$ (283,789)	\$ (100,747)
Net change in fund balances	\$ (1,170,996)	\$ (1,045,996)	\$ (1,792,470)	\$ (746,474)
Fund balances - beginning	1,170,996	1,045,996	6,884,605	5,838,609
Fund balances - ending	\$ -	\$ -	\$ 5,092,135	\$ 5,092,135



County of Russell, Virginia  
Special Revenue Fund - Coal Road Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Other local taxes	\$ 1,320,000	\$ 1,320,000	\$ 1,142,393	\$ (177,607)
Revenue from the use of money and property	-	-	5,232	5,232
Total revenues	<u>\$ 1,320,000</u>	<u>\$ 1,320,000</u>	<u>\$ 1,147,625</u>	<u>\$ (172,375)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 1,320,000	\$ 1,320,000	\$ 1,503,326	\$ (183,326)
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (355,701)</u>	<u>\$ (355,701)</u>
Net change in fund balances	\$ -	\$ -	\$ (355,701)	\$ (355,701)
Fund balances - beginning	-	-	1,245,468	1,245,468
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 889,767</u>	<u>\$ 889,767</u>

County of Russell, Virginia  
Special Revenue Fund - Workforce Investment Board Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
Commonwealth	\$ -	\$ -	\$ 2,550	\$ 2,550
Federal	3,198,324	3,198,324	2,206,878	(991,446)
Total revenues	<u>\$ 3,198,324</u>	<u>\$ 3,198,324</u>	<u>\$ 2,209,428</u>	<u>\$ (988,896)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	<u>\$ 3,198,324</u>	<u>\$ 3,198,324</u>	<u>\$ 2,213,965</u>	<u>\$ 984,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,537)</u>	<u>\$ (4,537)</u>
Net change in fund balances	\$ -	\$ -	\$ (4,537)	\$ (4,537)
Fund balances - beginning	-	-	47,936	47,936
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,399</u>	<u>\$ 43,399</u>

County of Russell, Virginia  
Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2013

Primary Government

County Retirement Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 19,894,452	\$ 28,359,443	\$ 8,464,991	70.15%	\$ 5,481,683	154.42%
June 30, 2011	20,084,643	27,499,897	7,415,254	73.04%	5,413,452	136.98%
June 30, 2010	19,759,376	26,221,057	6,461,681	75.36%	5,581,443	115.77%

County Other Postemployment Benefits-Health Insurance:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	\$ -	\$ 198,600	\$ 198,600	0.00%	\$ 5,576,300	3.56%
July 1, 2010	-	464,748	464,748	0.00%	5,581,443	8.33%
July 1, 2008	-	546,570	546,570	0.00%	4,198,697	13.02%

County Other Postemployment Benefits-VRS Health Insurance Credit:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 78,231	\$ 101,849	\$ 23,618	76.81%	\$ 1,769,420	1.33%
June 30, 2011	82,852	100,667	17,815	82.30%	1,523,173	1.17%
June 30, 2010	71,521	76,866	5,345	93.05%	5,581,443	0.10%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 10,068,998	\$ 16,469,710	\$ 6,400,712	61.14%	\$ 2,689,457	237.99%
June 30, 2011	10,328,276	16,067,146	5,738,870	64.28%	2,693,695	213.05%
June 30, 2010	10,392,200	15,863,210	5,471,010	65.51%	2,838,654	192.73%

School Board Other Postemployment Benefits-Health Insurance:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	\$ -	\$ 8,991,400	\$ 8,991,400	0.00%	\$ 21,181,100	42.45%
July 1, 2010	-	3,030,967	3,030,967	0.00%	20,559,274	14.74%
July 1, 2008	-	3,755,059	3,755,059	0.00%	24,186,441	15.53%

School Board Other Postemployment Benefits-VRS Health Insurance Credit:

Actuarial Valuation as of (*)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ -	\$ 161,463	\$ 161,463	0.00%	\$ 2,689,457	6.00%

(\*) - This was the initial valuation as the School Board recently joined this plan.

## **Other Supplementary Information**

## **FIDUCIARY FUNDS**

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Special Welfare - The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

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

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	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Assets</b>				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 68,973	\$ 127,869	\$ (136,455)	\$ 60,387
VASAP Fund	-	260,316	(270,033)	(9,717)
Total Assets	<u>\$ 68,973</u>	<u>\$ 388,185</u>	<u>\$ (406,488)</u>	<u>\$ 50,670</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 68,973	\$ 127,869	\$ (136,455)	\$ 60,387
Amounts held for VASAP	-	260,316	(270,033)	(9,717)
Total Liabilities	<u>\$ 68,973</u>	<u>\$ 388,185</u>	<u>\$ (406,488)</u>	<u>\$ 50,670</u>

## **DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

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### **MAJOR GOVERNMENTAL FUNDS**

School Operating Fund - The School Operating Fund accounts for and reports the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Russell, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2013

	School Operating Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 351,024
Receivables (net of allowance for uncollectibles):	
Accounts receivable	44,540
Due from other governmental units	1,508,496
Prepaid items	385,063
Total assets	<u>2,289,123</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	377,926
Salaries payable	990,356
Due to primary government	683,334
Total liabilities	<u>2,051,616</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 385,063
Committed:	
Textbook purchases	12,924
Regional Adult Education	224,583
Unassigned:	(385,063)
Total fund balances	<u>\$ 237,507</u>
Total liabilities and fund balances	<u>\$ 2,289,123</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 237,507
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	4,643,707
Buildings and improvements	10,918,096
Machinery and equipment	<u>1,460,965</u>
	17,022,768
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(751,080)
Early retirement incentive	(178,680)
Net OPEB obligation	<u>(427,536)</u>
	(1,357,296)
Net position of governmental activities	<u>\$ 15,902,979</u>



County of Russell, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2013

	School Operating Fund
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 3,215
Charges for services	647,817
Miscellaneous	292,514
Recovered costs	578,948
Intergovernmental revenues:	
Local government	6,300,144
Commonwealth	26,537,482
Federal	5,478,525
Total revenues	<u>\$ 39,838,645</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 40,071,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (232,446)</u>
Net change in fund balances	\$ (232,446)
Fund balances - beginning	469,953
Fund balances - ending	<u>\$ 237,507</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above	\$ (232,446)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	20,116	
Reversion of assets back to the School Board (net)	876,894	
Depreciation expense	<u>(854,843)</u>	42,167

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.

(Increase) decrease in compensated absences	(10,102)	
(Increase) decrease in early retirement incentive	368,111	
(Increase) decrease in net OPEB obligation	<u>(382,708)</u>	(24,699)

Change in net position of governmental activities	<u>\$ (214,978)</u>
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County of Russell, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ 3,215	\$ 1,715
Charges for services	792,114	792,114	647,817	(144,297)
Miscellaneous	184,999	184,999	292,514	107,515
Recovered costs	545,735	545,735	578,948	33,213
Intergovernmental revenues:				
Local government	7,168,268	7,168,268	6,300,144	(868,124)
Commonwealth	26,697,463	26,697,463	26,537,482	(159,981)
Federal	5,905,574	5,905,574	5,478,525	(427,049)
Total revenues	\$ 41,295,653	\$ 41,295,653	\$ 39,838,645	\$ (1,457,008)
EXPENDITURES				
Current:				
Education	\$ 41,295,653	\$ 41,295,653	\$ 40,071,091	\$ 1,224,562
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (232,446)	\$ (232,446)
Net change in fund balances	\$ -	\$ -	\$ (232,446)	\$ (232,446)
Fund balances - beginning	-	-	469,953	469,953
Fund balances - ending	\$ -	\$ -	\$ 237,507	\$ 237,507

## **Supporting Schedules**

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

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 8,628,051	\$ 8,628,051	\$ 6,953,198	\$ (1,674,853)
Real and Personal PSC Tax	1,006,250	1,006,250	1,878,891	872,641
Personal Property Tax	2,200,000	2,200,000	3,102,651	902,651
Mobile Home Tax	126,500	126,500	126,660	160
Machinery and Tools Tax	800,000	800,000	1,272,447	472,447
Merchants Capital	25,000	25,000	31,021	6,021
Mineral Tax	900,000	900,000	964,538	64,538
Penalties	100,000	100,000	122,649	22,649
Interest	200,000	200,000	244,532	44,532
Total general property taxes	\$ 13,985,801	\$ 13,985,801	\$ 14,696,587	\$ 710,786
Other local taxes:				
Local Sales and Use Tax	\$ 1,924,996	\$ 1,904,996	\$ 1,689,275	\$ (215,721)
Consumers' Utility Tax	600,000	600,000	567,707	(32,293)
Consumption Taxes	95,000	95,000	84,573	(10,427)
Franchise License Tax	18,000	18,000	-	(18,000)
Coal Severance Tax	2,000,000	2,000,000	1,142,693	(857,307)
Bank Stock Tax	-	-	10,652	10,652
Grantee tax	100,000	100,000	73,154	(26,846)
Motor Vehicle Licenses	300,000	300,000	355,686	55,686
Taxes on Recordation and Wills	25,000	25,000	13,479	(11,521)
Total other local taxes	\$ 5,062,996	\$ 5,042,996	\$ 3,937,219	\$ (1,105,777)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,500	\$ 1,500	\$ 2,720	\$ 1,220
Building permits	15,000	15,000	27,967	12,967
Other permits and other licenses	3,300	3,300	3,465	165
Total permits, privilege fees, and regulatory licenses	\$ 19,800	\$ 19,800	\$ 34,152	\$ 14,352
Fines and forfeitures:				
Court fines and forfeitures	\$ 73,806	\$ 73,806	\$ 14,955	\$ (58,851)
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 25,040	\$ (24,960)
Revenue from use of property	-	-	6,391	6,391
Total revenue from use of money and property	\$ 50,000	\$ 50,000	\$ 31,431	\$ (18,569)
Charges for services:				
Charges for sanitation and waste removal	\$ 200,000	\$ 403,208	\$ 200,586	\$ (202,622)
Charges for courthouse security	37,000	37,000	51,603	14,603
Charges for cannery operations	-	-	27,766	27,766
Charges for commonwealth attorney	2,000	2,000	5,352	3,352
Charges for courthouse maintenance	7,000	7,000	4,470	(2,530)
Charges for jail and inmate fees	6,500	6,500	4,299	(2,201)
Charges for district court	-	-	2,733	2,733
Charges for library	14,500	14,500	1,924	(12,576)
Other charges for services	3,900	3,900	4,679	779
Total charges for services	\$ 270,900	\$ 474,108	\$ 303,412	\$ (170,696)

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

Schedule 1  
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ 44,000	\$ 44,000	\$ 60,479	\$ 16,479
Recovered costs:				
Social services	\$ -	\$ -	\$ 227,313	\$ 227,313
Health department	-	-	82,467	82,467
School resource officer	63,000	63,000	89,540	26,540
Insurance recoveries	-	-	12,621	12,621
Regional jail	-	-	6,586	6,586
Industrial development	70,000	70,000	118,005	48,005
Other Recovered Costs	250,000	250,000	472,827	222,827
Total recovered costs	\$ 383,000	\$ 383,000	\$ 1,009,359	\$ 626,359
Total revenue from local sources	\$ 19,890,303	\$ 20,073,511	\$ 20,087,594	\$ 14,083
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 125,000	\$ 125,000	\$ 300,420	\$ 175,420
Mobile home titling tax	135,000	135,000	75,522	(59,478)
Motor vehicle rental tax	2,500	2,500	3,785	1,285
State budget reduction	(252,756)	(252,756)	(139,859)	112,897
Communications tax	900,000	900,000	881,071	(18,929)
State recordation tax	34,965	34,965	22,897	(12,068)
Personal property tax relief act funds	1,437,003	1,437,003	1,437,003	-
Total noncategorical aid	\$ 2,381,712	\$ 2,381,712	\$ 2,580,839	\$ 199,127
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 314,501	\$ 314,501	\$ 314,522	\$ 21
Sheriff	1,338,443	1,338,443	1,339,982	1,539
Commissioner of revenue	111,761	111,761	162,991	51,230
Treasurer	103,089	103,089	103,401	312
Medical examiner	400	400	-	(400)
Registrar/electoral board	65,000	65,000	39,833	(25,167)
Clerk of the Circuit Court	249,524	249,524	273,698	24,174
Total Shared Expenses	\$ 2,182,718	\$ 2,182,718	\$ 2,234,427	\$ 51,709
Other categorical aid:				
Victim witness grant	\$ 24,000	\$ 24,000	\$ 72,948	\$ 48,948
GIS	-	-	1,150	1,150
JAG grants	1,597	1,597	-	(1,597)
E911 state funds	85,000	85,000	41,033	(43,967)
Law enforcement grants	-	-	1,437	1,437
Asset forfeiture funds	-	-	8,534	8,534

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

Schedule 1  
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental Revenues: (continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
EMS grants	\$ -	\$ -	\$ 29,599	\$ 29,599
Fire Program Funds	-	-	67,942	67,942
Library grants	78,186	78,186	78,186	-
Litter control grants	-	-	15,169	15,169
Public assistance	1,886,675	1,886,675	1,792,969	(93,706)
Comprehensive services act	1,316,451	1,316,451	764,843	(551,608)
School resource officer grants	-	-	45,430	45,430
Total other categorical aid	<u>\$ 3,391,909</u>	<u>\$ 3,391,909</u>	<u>\$ 2,919,240</u>	<u>\$ (472,669)</u>
Total categorical aid	<u>\$ 5,574,627</u>	<u>\$ 5,574,627</u>	<u>\$ 5,153,667</u>	<u>\$ (420,960)</u>
Total revenue from the Commonwealth	<u>\$ 7,956,339</u>	<u>\$ 7,956,339</u>	<u>\$ 7,734,506</u>	<u>\$ (221,833)</u>
Revenue from the federal government:				
Categorical aid:				
CDBG grants	\$ -	\$ -	\$ 260,344	\$ 260,344
Emergency management grants	-	-	16,750	16,750
Law enforcement grants	-	-	25,875	25,875
Violence against women	-	-	36,597	36,597
DMV ground transportation safety grant	-	-	6,800	6,800
Comprehensive services act	251,164	251,164	112,842	(138,322)
Public assistance	2,104,284	2,104,284	1,999,770	(104,514)
Total categorical aid	<u>\$ 2,355,448</u>	<u>\$ 2,355,448</u>	<u>\$ 2,458,978</u>	<u>\$ 103,530</u>
Total revenue from the federal government	<u>\$ 2,355,448</u>	<u>\$ 2,355,448</u>	<u>\$ 2,458,978</u>	<u>\$ 103,530</u>
Total General Fund	<u>\$ 30,202,090</u>	<u>\$ 30,385,298</u>	<u>\$ 30,281,078</u>	<u>\$ (104,220)</u>
<b>Coal Road Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 1,320,000	\$ 1,320,000	\$ 1,142,393	\$ (177,607)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,232	\$ 5,232
Total revenue from local sources	<u>\$ 1,320,000</u>	<u>\$ 1,320,000</u>	<u>\$ 1,147,625</u>	<u>\$ (172,375)</u>
Total Coal Road Fund	<u>\$ 1,320,000</u>	<u>\$ 1,320,000</u>	<u>\$ 1,147,625</u>	<u>\$ (172,375)</u>

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

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Workforce Investment Board Fund:				
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Workforce Investment	\$ -	\$ -	\$ 2,550	\$ 2,550
Total revenue from the Commonwealth	\$ -	\$ -	\$ 2,550	\$ 2,550
Revenue from the federal government:				
Categorical aid:				
Workforce Investment	\$ 3,198,324	\$ 3,198,324	\$ 2,206,878	\$ (991,446)
Total revenue from the federal government	\$ 3,198,324	\$ 3,198,324	\$ 2,206,878	\$ (991,446)
Total Workforce Investment Board Fund	\$ 3,198,324	\$ 3,198,324	\$ 2,209,428	\$ (988,896)
Total Primary Government	\$ 34,720,414	\$ 34,903,622	\$ 33,638,131	\$ (1,265,491)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,500	\$ 1,500	\$ 3,215	\$ 1,715
Charges for services:				
Cafeteria sales	\$ 682,214	\$ 682,214	\$ 487,645	\$ (194,569)
Tuition payments	-	-	5,130	5,130
Drivers Ed fees	14,000	14,000	12,420	(1,580)
Other charges for services	11,000	11,000	637	(10,363)
Regional Adult Education	74,900	74,900	139,108	64,208
GED Testing fees	10,000	10,000	2,877	(7,123)
Total charges for services	\$ 792,114	\$ 792,114	\$ 647,817	\$ (144,297)
Miscellaneous revenue:				
Other miscellaneous	\$ 184,999	\$ 184,999	\$ 292,514	\$ 107,515
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 11,251	\$ 11,251
Extra duties revenue	23,000	23,000	23,970	970
Dual Enrollment	350,000	350,000	331,555	(18,445)
Sale of Equipment and Supplies	20,000	20,000	12,460	(7,540)
Reimburse Health Services	45,000	45,000	101,211	56,211
Other recovered costs	107,735	107,735	98,501	(9,234)
Total recovered costs	\$ 545,735	\$ 545,735	\$ 578,948	\$ 33,213
Total revenue from local sources	\$ 1,524,348	\$ 1,524,348	\$ 1,522,494	\$ (1,854)

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Russell, Virginia	\$ 7,168,268	\$ 7,168,268	\$ 6,300,144	\$ (868,124)
Total revenues from local governments	\$ 7,168,268	\$ 7,168,268	\$ 6,300,144	\$ (868,124)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,926,711	\$ 3,926,711	\$ 3,930,493	\$ 3,782
Basic Aid	13,551,280	13,551,280	13,319,918	(231,362)
Remedial summer education	175,450	175,450	179,031	3,581
Regular foster care	12,579	12,579	1,733	(10,846)
Gifted and talented	144,367	144,367	142,561	(1,806)
Remedial education	502,148	502,148	495,863	(6,285)
Special education	1,710,441	1,710,441	1,689,033	(21,408)
Textbook payment	281,611	281,611	278,086	(3,525)
Career and Technical Education	71,479	71,479	37,062	(34,417)
Alternative education	814,785	814,785	814,904	119
Elementary Alternative Education	-	-	2,500	2,500
Algebra readiness	77,316	77,316	72,814	(4,502)
Mentor teacher program	8,080	8,080	2,943	(5,137)
Social security fringe benefits	866,205	866,205	855,363	(10,842)
Group life	53,353	53,353	52,685	(668)
Retirement fringe benefits	1,446,813	1,446,813	1,428,705	(18,108)
Early reading intervention	94,537	94,537	85,083	(9,454)
Adult Education	6,338	6,338	31,563	25,225
Homebound education	26,942	26,942	15,337	(11,605)
Vocation education	404,857	404,857	445,179	40,322
At risk payments	547,826	547,826	540,952	(6,874)
Primary class size	688,085	688,085	662,121	(25,964)
Technology	414,000	414,000	496,216	82,216
Jobs for Virginia Graduates	22,500	22,500	21,000	(1,500)
Industry Certification Costs	-	-	4,117	4,117
At risk four-year olds	467,826	467,826	467,826	-
School Food	37,221	37,221	38,874	1,653
English as a second language	12,187	12,187	6,928	(5,259)
Project graduation	-	-	5,784	5,784
GED prep programs	15,717	15,717	85,375	69,658
Lottery payments	215,638	215,638	-	(215,638)
Tobacco Commission	-	-	6,094	6,094
Adult literacy	99,595	99,595	99,595	-
Other state funds	1,576	1,576	221,744	220,168
Total categorical aid	\$ 26,697,463	\$ 26,697,463	\$ 26,537,482	\$ (159,981)
Total revenue from the Commonwealth	\$ 26,697,463	\$ 26,697,463	\$ 26,537,482	\$ (159,981)



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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Basic Adult Education	\$ 320,856	\$ 320,856	\$ 294,285	\$ (26,571)
Title I	1,430,324	1,430,324	1,634,498	204,174
Special Education	885,248	885,248	948,471	63,223
Title VI-B, preschool	35,770	35,770	35,752	(18)
Vocational education	92,718	92,718	88,956	(3,762)
School Food Program	1,295,000	1,295,000	1,317,776	22,776
Improving teacher quality	267,991	267,991	285,064	17,073
Even start	30,000	30,000	42,529	12,529
21st century grant	1,221,704	1,221,704	755,496	(466,208)
Learn and serve America	25,000	25,000	7,176	(17,824)
Rural and low income schools	86,414	86,414	68,522	(17,892)
Other federal funds	214,549	214,549	-	(214,549)
Total categorical aid	<u>\$ 5,905,574</u>	<u>\$ 5,905,574</u>	<u>\$ 5,478,525</u>	<u>\$ (427,049)</u>
Total revenue from the federal government	<u>\$ 5,905,574</u>	<u>\$ 5,905,574</u>	<u>\$ 5,478,525</u>	<u>\$ (427,049)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 41,295,653</u>	<u>\$ 41,295,653</u>	<u>\$ 39,838,645</u>	<u>\$ (1,457,008)</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 148,644	\$ 168,644	\$ 166,923	\$ 1,721
General and financial administration:				
County administrator	\$ 285,961	\$ 313,511	\$ 328,400	\$ (14,889)
Independent auditor	74,700	63,100	57,700	5,400
Commissioner of the revenue	291,470	291,470	306,441	(14,971)
Real estate assessor	110,611	215,611	264,650	(49,039)
Treasurer	377,567	386,067	396,064	(9,997)
Data processing	94,188	109,888	105,875	4,013
Total general and financial administration	\$ 1,234,497	\$ 1,379,647	\$ 1,459,130	\$ (79,483)
Board of elections:				
Electoral Board	\$ 65,164	\$ 65,164	\$ 66,679	\$ (1,515)
General Registrar	123,208	113,208	105,197	8,011
Total board of elections	\$ 188,372	\$ 178,372	\$ 171,876	\$ 6,496
Total general government administration	\$ 1,571,513	\$ 1,726,663	\$ 1,797,929	\$ (71,266)
Judicial administration:				
Courts:				
Circuit Court	\$ 115,640	\$ 120,440	\$ 140,266	\$ (19,826)
General District Court	10,340	10,340	10,344	(4)
Special Magistrates	8,836	8,836	8,143	693
Clerk's Office	368,039	368,039	387,938	(19,899)
Sheriff Courts	1,100,956	1,100,956	1,008,906	92,050
Victim and Witness Assistance	27,809	27,809	33,740	(5,931)
Law Library	-	-	672	(672)
Total courts	\$ 1,631,620	\$ 1,636,420	\$ 1,590,009	\$ 46,411
Commonwealth's attorney:				
Commonwealth's Attorney	\$ 518,446	\$ 518,446	\$ 506,373	\$ 12,073
Total judicial administration	\$ 2,150,066	\$ 2,154,866	\$ 2,096,382	\$ 58,484
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,605,766	\$ 1,783,224	\$ 1,887,829	\$ (104,605)
Dare program	3,000	3,000	3,222	(222)
Total law enforcement and traffic control	\$ 1,608,766	\$ 1,786,224	\$ 1,891,051	\$ (104,827)
Fire and rescue services:				
Volunteer Fire Departments	\$ 242,391	\$ 242,391	\$ 277,103	\$ (34,712)
Ambulance Rescue Squad	170,575	170,575	228,915	(58,340)
Total fire and rescue services	\$ 412,966	\$ 412,966	\$ 506,018	\$ (93,052)
Correction and detention:				
Operation of Jail	\$ 2,013,904	\$ 2,013,904	\$ 2,157,445	\$ (143,541)
Probation Office	201,710	201,710	204,309	(2,599)
Total correction and detention	\$ 2,215,614	\$ 2,215,614	\$ 2,361,754	\$ (146,140)

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Inspections:				
Building inspector	\$ 117,784	\$ 117,784	\$ 122,955	\$ (5,171)
Other protection:				
Forestry Service	\$ 11,616	\$ 11,616	\$ 12,098	\$ (482)
Enhanced 911	549,066	583,366	583,067	299
Medical Examiner	960	960	500	460
Emergency Services	105,184	105,184	73,353	31,831
Animal Control	175,561	185,713	191,305	(5,592)
Total other protection	\$ 842,387	\$ 886,839	\$ 860,323	\$ 26,516
Total public safety	\$ 5,197,517	\$ 5,419,427	\$ 5,742,101	\$ (322,674)
Public works:				
Sanitation and waste removal:				
Landfill	\$ 2,565,768	\$ 2,565,768	\$ 2,417,009	\$ 148,759
Refuse collection	371,320	51,320	-	51,320
Total sanitation and waste removal	\$ 2,937,088	\$ 2,617,088	\$ 2,417,009	\$ 200,079
Maintenance of general buildings and grounds:				
General properties	\$ 700,972	\$ 897,217	\$ 823,996	\$ 73,221
Total public works	\$ 3,638,060	\$ 3,514,305	\$ 3,241,005	\$ 273,300
Health and welfare:				
Health:				
Health Department	\$ 353,211	\$ 353,211	\$ 459,412	\$ (106,201)
Mental health and mental retardation:				
Cumberland Mountain Community Services Board	\$ 154,433	\$ 154,433	\$ 154,433	\$ -
Welfare/Social Services:				
Social services	\$ 4,515,180	\$ 4,515,180	\$ 4,244,566	\$ 270,614
Comprehensive Services Act	1,650,793	1,588,447	1,162,425	426,022
Appalachian Agency for Senior Citizens	87,315	87,315	83,665	3,650
Lebanon Speech and Hearing	9,870	9,870	9,870	-
Other health and welfare	-	-	6,400	(6,400)
Total welfare	\$ 6,263,158	\$ 6,200,812	\$ 5,506,926	\$ 693,886
Total health and welfare	\$ 6,770,802	\$ 6,708,456	\$ 6,120,771	\$ 587,685
Education:				
Contributions to County School Board	\$ 7,168,268	\$ 7,168,268	\$ 6,300,144	\$ 868,124
SVCC Contribution	90,325	90,325	90,325	-
Total education	\$ 7,258,593	\$ 7,258,593	\$ 6,390,469	\$ 868,124
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Park	\$ 104,829	\$ 104,829	\$ 122,552	\$ (17,723)

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural: (Continued)				
Library:				
Public Library	\$ 364,826	\$ 364,826	\$ 366,154	\$ (1,328)
Total parks, recreation, and cultural	\$ 469,655	\$ 469,655	\$ 488,706	\$ (19,051)
Community development:				
Planning and community development:				
Planning Commission	\$ 25,100	\$ 25,100	\$ 30,650	\$ (5,550)
Community Development	59,458	64,458	262,091	(197,633)
Industrial Development	1,031,617	918,617	1,537,278	(618,661)
PSA Contributions	281,011	371,011	237,794	133,217
Cumberland Plateau	35,000	35,000	35,000	-
Highway Safety Commission	1,920	1,920	1,545	375
Canneries	-	-	71,516	(71,516)
Tourism	-	15,671	15,915	(244)
Total planning and community development	\$ 1,434,106	\$ 1,431,777	\$ 2,191,789	\$ (760,012)
Environmental management:				
Soil and Water Conservation	\$ 34,236	\$ 34,236	\$ 34,653	\$ (417)
Cooperative extension program:				
VPI Extension	\$ 64,556	\$ 64,556	\$ 57,468	\$ 7,088
Total community development	\$ 1,532,898	\$ 1,530,569	\$ 2,283,910	\$ (753,341)
Nondepartmental:				
Nondepartmental	\$ 806,600	\$ 408,328	\$ 423,737	\$ (15,409)
Capital projects:				
Other capital projects	\$ 100,000	\$ 280,008	\$ 334,929	\$ (54,921)
Debt service:				
Principal payments	\$ 1,424,901	\$ 1,424,901	\$ 2,314,036	\$ (889,135)
Interest Expense	352,481	352,481	555,784	(203,303)
Total debt service	\$ 1,777,382	\$ 1,777,382	\$ 2,869,820	\$ (1,092,438)
Total General Fund	\$ 31,273,086	\$ 31,248,252	\$ 31,789,759	\$ (541,507)
<b>Special Revenue Funds:</b>				
Coal Road Fund:				
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Maintenance of highways, streets, bridges and sidewalks	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ -
Virginia coalfield	220,000	220,000	403,326	(183,326)
Total Public Works	\$ 1,320,000	\$ 1,320,000	\$ 1,503,326	\$ (183,326)
Total Coal Road Fund	\$ 1,320,000	\$ 1,320,000	\$ 1,503,326	\$ (183,326)

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Workforce Investment Board Fund:				
Health and Welfare				
Welfare				
Workforce Investment	\$ 3,198,324	\$ 3,198,324	\$ 2,213,965	\$ 984,359
Total Primary Government	\$ 35,791,410	\$ 35,766,576	\$ 35,507,050	\$ 259,526
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,501,083	\$ 1,501,083	\$ 1,502,698	\$ (1,615)
Instruction costs:				
Instructional costs	\$ 29,577,733	\$ 29,577,733	\$ 29,064,390	\$ 513,343
Technology	514,444	514,444	532,807	(18,363)
Total instruction costs	\$ 30,092,177	\$ 30,092,177	\$ 29,597,197	\$ 494,980
Operating costs:				
Pupil transportation	\$ 3,099,656	\$ 3,099,656	\$ 2,611,543	\$ 488,113
Operation and maintenance of school plant	4,586,802	4,586,802	4,415,994	170,808
Food service and non-instructional	2,015,935	2,015,935	1,943,659	72,276
Total operating costs	\$ 9,702,393	\$ 9,702,393	\$ 8,971,196	\$ 731,197
Total education	\$ 41,295,653	\$ 41,295,653	\$ 40,071,091	\$ 1,224,562
Total School Operating Fund	\$ 41,295,653	\$ 41,295,653	\$ 40,071,091	\$ 1,224,562
Total Discretely Presented Component Unit - School Board	\$ 41,295,653	\$ 41,295,653	\$ 40,071,091	\$ 1,224,562

## **Other Statistical Section**

Table 1

County of Russell, Virginia  
Government-Wide Expenses by Function  
Last Ten Fiscal Years (1)

Fiscal Year	General		Judicial Administration	Public Safety	Public Works	Health and Welfare (2)	Parks,			Community Development (3)	Interest on Long-Term Debt		Service Authority	Total								
	Government Administration						Recreation, and Cultural	Education			Term Debt											
2012-13	\$	1,269,473	\$	2,097,469	\$	5,908,601	\$	4,592,807	\$	8,285,584	\$	7,484,972	\$	529,959	\$	2,173,719	\$	498,401	\$	441,349	\$	33,282,334
2011-12		2,267,145		2,119,900		5,296,188		6,060,973		8,397,896		4,589,631		539,126		3,493,655		522,300		410,664		33,697,478
2010-11		1,691,031		2,112,758		5,091,612		4,003,987		8,592,042		5,681,243		563,123		3,191,256		756,064		423,945		32,107,061
2009-10		1,828,631		2,219,866		4,234,145		5,549,934		6,070,091		5,897,486		560,735		1,491,257		728,202		434,552		29,014,899
2008-09		1,706,342		2,243,005		4,013,947		6,055,397		5,982,456		5,471,573		541,087		4,826,721		758,753		407,145		32,006,426
2007-08		1,411,595		2,070,008		4,025,383		5,386,506		5,395,294		4,508,131		433,946		5,549,375		827,965		388,949		29,997,152
2006-07		1,465,480		1,710,751		3,667,580		2,867,007		4,880,408		3,884,301		477,515		3,246,100		852,493		422,425		23,474,060

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

(2) 2010-2011 is the first year the Workforce Investment Board is included.

(3) In 2010-2011 the County paid \$1,508,677 towards the IDA debt.

County of Russell, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes (2)	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs (2)	Total
2012-13	\$ 398,711	\$ 9,822,073	\$ -	\$ -	\$ 14,686,993	\$ 5,079,612	\$ 45,865	\$ 60,479	\$ 2,580,839	\$ 32,674,572
2011-12	488,408	9,677,480	761,738	13,142,777	13,142,777	6,881,302	77,226	138,135	2,445,435	33,612,501
2010-11	337,064	10,635,876	-	13,683,476	13,683,476	6,340,919	89,819	177,669	2,638,202	33,903,025
2009-10	393,362	7,473,127	-	13,004,381	13,004,381	6,123,807	106,848	173,322	2,465,451	29,740,298
2008-09	481,092	7,376,521	-	12,889,357	12,889,357	7,779,265	153,807	346,880	1,771,674	30,798,596
2007-08	505,428	7,780,609	-	12,279,583	12,279,583	7,976,046	529,827	55,649	1,711,485	30,838,627
2006-07	527,092	8,235,960	802,191	13,239,976	13,239,976	5,467,574	808,979	252,756	1,881,802	31,216,330

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

(2) 2009-10 is the first year State Communications tax is classified as grants and contributions not restricted to specific programs.



County of Russell, Virginia  
General Governmental Expenditures by Function (1)  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare (3)	Education (2)	Parks, Recreation, and Cultural	Community Development (4)	Non-departmental	Debt Service	Total
2012-13	\$ 1,797,929	\$ 2,096,382	\$ 5,742,101	\$ 4,744,331	\$ 8,334,736	\$ 40,161,416	\$ 488,706	\$ 2,283,910	\$ 423,737	\$ 2,869,820	\$ 68,943,068
2011-12	2,060,380	2,114,097	5,509,998	6,515,152	8,518,725	40,540,127	484,891	2,442,356	305,904	2,526,021	71,017,651
2010-11	1,712,850	2,106,641	5,226,797	4,102,279	8,662,052	40,273,694	556,723	2,311,048	103,820	2,537,376	67,593,280
2009-10	1,837,926	2,213,724	4,100,376	5,491,432	6,906,934	41,066,362	497,417	1,557,445	9,095	2,504,631	66,185,342
2008-09	1,702,193	2,236,691	4,383,789	6,093,232	6,672,387	42,452,183	547,104	3,925,736	56,093	2,547,424	70,616,832
2007-08	1,745,817	2,070,455	4,057,495	5,083,514	5,398,035	39,724,130	433,946	5,549,375	45,503	2,669,081	66,777,351
2006-07	1,547,966	1,805,418	3,863,960	3,205,718	5,126,034	41,346,518	493,366	5,699,361	-	2,429,487	65,517,828
2005-06	1,810,230	1,814,649	4,022,185	3,605,915	5,003,511	39,574,345	438,198	7,653,814	-	2,546,073	66,468,920
2004-05	1,471,043	1,059,566	3,977,841	3,434,569	4,948,270	33,030,292	339,244	5,186,187	-	2,704,665	56,151,677
2003-04	1,216,960	957,320	3,585,934	3,100,508	4,893,329	33,016,616	367,686	2,843,672	-	2,497,309	52,479,334

(1) Includes General and Special Revenue funds of the Primary Government and the operating fund of its Discretely Presented Component Unit - School Board. Excludes Capital Projects.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) 2010-2011 is the first year the Workforce Investment Board is included.

(4) In 2010-2011 the County paid \$1,508,677 towards the IDA debt.

Table 4

County of Russell, Virginia  
General Governmental Revenues by Source (1)  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes (3)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property		Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2), (3)	Total
2012-13	\$ 14,696,587	\$ 5,079,612	\$ 34,152	\$ 14,955	\$ 39,878	\$ 951,229	\$ 352,993	\$ 1,588,307	\$ 44,418,919	\$ 67,176,632	
2011-12	12,813,407	6,881,302	28,272	24,567	65,238	1,162,800	394,657	1,139,070	46,119,628	68,628,941	
2010-11	13,548,896	6,340,919	22,834	1,206	73,514	1,101,993	416,883	898,399	47,717,709	70,122,353	
2009-10	12,841,457	6,123,807	45,877	1,049	74,279	998,548	293,467	1,732,861	43,856,378	65,967,723	
2008-09	12,540,392	7,779,265	39,662	1,168	117,983	1,148,414	643,861	1,884,165	45,438,632	69,593,542	
2007-08	11,826,325	7,976,046	44,933	321	501,144	1,023,848	510,972	796,913	43,519,497	66,199,999	
2006-07	11,566,874	6,869,060	144,452	7,547	794,365	1,122,223	289,980	276,806	48,149,588	69,220,895	
2005-06	12,337,123	6,713,063	52,707	8,181	660,142	878,017	310,534	187,855	42,906,554	64,054,176	
2004-05	12,204,466	5,981,937	35,700	9,430	231,701	755,446	192,958	266,232	38,060,020	57,737,890	
2003-04	10,148,719	4,820,255	38,906	9,938	74,324	892,392	209,598	283,077	35,517,991	51,995,200	

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board. Excludes Capital Projects.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) 2009-10 is the first year State Communications tax is classified as noncategorical state aid.

Table 5

County of Russell, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2012-13	\$ 16,328,495	\$ 14,812,738	90.72%	\$ 953,671	\$ 15,766,409	96.56%	\$ 4,786,523	29.31%
2011-12	14,681,089	13,185,991	89.82%	723,190	13,909,181	94.74%	4,693,121	31.97%
2010-11	14,682,949	13,329,182	90.78%	1,330,697	14,659,879	99.84%	3,847,456	26.20%
2009-10	14,169,807	13,038,906	92.02%	886,480	13,925,386	98.28%	3,624,318	25.58%
2008-09	14,091,178	13,212,582	93.76%	496,787	13,709,369	97.29%	3,506,132	24.88%
2007-08	13,784,900	12,618,969	91.54%	411,887	13,030,856	94.53%	3,234,367	23.46%
2006-07	12,104,262	8,435,607	69.69%	863,735	9,299,342	76.83%	1,628,182	13.45%
2005-06	11,360,623	11,118,399	97.87%	797,364	11,915,763	104.89%	1,854,243	16.32%
2004-05	10,576,870	9,740,619	92.09%	537,362	10,277,981	97.17%	1,849,194	17.48%
2003-04	9,070,812	8,274,805	91.22%	324,217	8,599,022	94.80%	1,772,141	19.54%

(1) Exclusive of penalties and interest.

Table 6

County of Russell, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools			Merchant's Capital	Mobile Homes		Public Service (2)	Total
2012-13	\$ 1,323,141,655	\$ 292,809,049	\$ 86,317,454	\$ 5,631,601	\$ 23,486,868	\$ 230,027,520	\$ 1,961,414,147			
2011-12	1,214,673,535	251,383,699	60,747,073	5,340,902	23,401,571	269,503,982	1,825,050,762			
2010-11	1,197,720,260	235,114,151	82,948,411	5,136,529	23,320,148	326,871,285	1,871,110,784			
2009-10	1,181,352,276	224,871,200	96,552,183	5,402,115	22,864,821	253,750,196	1,784,792,791			
2008-09	1,153,488,246	239,254,757	93,960,621	5,501,882	23,139,220	234,196,018	1,749,540,744			
2007-08	1,130,643,127	243,837,948	107,205,468	5,742,600	23,608,064	231,981,492	1,743,018,699			
2006-07	931,095,586	152,418,744	99,124,678	4,954,226	23,802,666	199,922,460	1,411,318,360			
2005-06	927,558,386	241,849,424	92,859,770	5,113,134	26,020,997	206,306,945	1,499,708,656			
2004-05	905,496,746	220,786,936	102,287,891	4,160,621	24,774,536	222,627,640	1,480,134,370			
2003-04	885,323,887	205,377,101	77,287,167	3,438,802	23,763,122	226,411,983	1,421,602,062			

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission-includes all property types.

Table 7

County of Russell, Virginia  
Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes
2012-13 (5)	\$ 0.70/0.56	\$ 1.65	\$ 1.65	\$ 0.65	\$ 0.70
2011-12 (4)	0.61/0.70	1.65	1.65	0.65	0.61
2010-11	0.61	1.65	1.65	0.65	0.61
2009-10	0.61	1.65	1.65	0.65	0.61
2008-09	0.61	1.65	1.65	0.65	0.61
2007-08(3)	0.56/0.61	1.65	1.65	0.65	0.56
2006-07(2)	0.65/0.56	1.65	1.65	NA	0.64
2005-06	0.65	1.65	1.65	NA	0.64
2004-05	0.60	1.45	2.45	NA	NA
2003-04	0.60	1.45	1.45	NA	NA

(1) Per \$100 of assessed value.

(2) 2nd half 2006/1st half 2007

(3) 2nd half 2007/1st half 2008

(4) 2nd half 2011/1st half 2012

(5) 2nd half 2012/1st half 2013

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	28,897	\$ 1,961,414	\$ 10,865,788	\$ 10,865,788	0.55%	\$ 376
2011-12	28,897	1,825,051	12,666,629	12,666,629	0.69%	438
2010-11	28,897	1,871,111	14,066,729	14,066,729	0.75%	487
2009-10	28,790	1,784,793	15,315,245	15,315,245	0.86%	532
2008-09	28,790	1,749,541	14,878,819	14,878,819	0.85%	517
2007-08	28,790	1,743,019	14,584,265	14,584,265	0.84%	507
2006-07	28,790	1,411,318	14,836,861	14,836,861	1.05%	515
2005-06	28,790	1,499,709	12,594,094	12,594,094	0.84%	437
2004-05	28,830	1,480,134	13,633,304	13,633,304	0.92%	473
2003-04	28,795	1,421,602	14,670,561	14,670,561	1.03%	509

(1) Bureau of the Census.

(2) Real property assessed at 100% of the fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Russell, Virginia  
Ratio of Annual Debt Service Expenditures for General Bonded  
Debt to Total General Governmental Expenditures (1)  
Last Ten Fiscal Years

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2012-13	\$ 2,869,820	\$ 68,943,068	4.16%
2011-12	2,526,021	71,017,651	3.56%
2010-11	2,537,376	67,593,280	3.75%
2009-10	2,504,631	66,185,342	3.78%
2008-09	2,547,424	70,616,832	3.61%
2007-08	2,669,081	66,777,351	4.00%
2006-07	2,429,487	65,517,828	3.71%
2005-06	2,546,073	66,468,920	3.83%
2004-05	1,775,036	56,151,677	3.16%
2003-04	1,742,481	52,479,334	3.32%

(1) Includes all governmental funds of the Primary Government  
and funds of the Discretely Presented Component Unit-School Board.

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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To the Members of the Board of Supervisors  
County of Russell, Virginia  
Lebanon, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Russell, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise County of Russell, Virginia's basic financial statements and have issued our report thereon dated February 18, 2014, except for the Castlewood Water and Sewage Authority, Exhibit 1, Exhibit 2, Exhibit 14, Note 1, Note 6, and Note 16 (related to the inclusion of Castlewood Water and Sewage Authority and County's net OPEB obligation and related disclosures), as to which the date is March 27, 2014. Our report includes a reference to other auditors who audited the financial statements of Russell County Public Service Authority, as described in our report on County of Russell, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2013-1, 2013-2].

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Russell, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-3.

## County of Russell, Virginia's Response to Findings

County of Russell, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Russell, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

*Robinson, Turner, & Associates*

Blacksburg, Virginia

February 18, 2014, except for the Castlewood Water and Sewage Authority, Exhibit 1, Exhibit 2, Exhibit 14, Note 1, Note 6, and Note 16 (related to the inclusion of Castlewood Water and Sewage Authority and County's net OPEB obligation and related disclosures), as to which the date is March 27, 2014

# ROBINSON, FARMER, COX ASSOCIATES

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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To the Members of the Board of Supervisors  
County of Russell, Virginia  
Lebanon, Virginia

### Report on Compliance for Each Major Federal Program

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

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of County of Russell, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Russell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **Opinion on Each Major Federal Program**

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

#### **Report on Internal Control Over Compliance**

Management of County of Russell, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Russell, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Russell, Virginia's internal control over compliance.

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

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

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

*Robinson, Turner, & Associates*

Blacksburg, Virginia  
February 18, 2014

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

Page 1 of 3

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950112, 0950113	\$ 17,793
Temporary Assistance for Needy Families	93.558	0400112, 0400113	379,106
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112, 0500113	1,767
Low-Income Home Energy Assistance	93.568	0600412, 0600413	36,070
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760112, 0760113	54,884
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112, 0900113	2,185
Foster Care - Title IV-E	93.658	1100112, 1100113	291,578
Adoption Assistance	93.659	1120112, 1120113	379,595
Social Services Block Grant	93.667	1000112, 1000113	397,191
Chafee Foster Care Independence Program	93.674	9150111, 9150112	9,561
Children's Health Insurance Program	93.767	0540112, 0540113	8,167
Medical Assistance Program	93.778	1200112, 1200113	201,148
Total Department of Health and Human Services			\$ 1,779,045
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution-Schools (Note 3)	10.555	Not applicable	\$ 110,659
Department of Education:			
National School Lunch Program	10.555	40623	900,139
Department of Education:			
School Breakfast Program	10.553	40591	306,978
Total Child Nutrition Cluster			1,317,776
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010112, 0010113 0040112, 0040113	333,567
Total Department of Agriculture			\$ 1,651,343
Department of Justice:			
Direct Payments:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants To Units of Local Government	16.804	Not applicable	\$ 25,875
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	11WFAX0028	36,597
Total Department of Justice			\$ 62,472

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

Page 2 of 3

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety (402 Funds)	20.600	SC-2012-52260-4638	\$ 2,500
Alcohol Open Container Requirements	20.607	154AL-2013-53020-4736	4,300
Total Department of Transportation			<u>\$ 6,800</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 294,285
Title I: Grants to Local Educational Agencies	84.010	42901	1,634,498
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	948,471
Special Education - Preschool Grants	84.173	62521	35,752
Career and Technical Education: Basic Grants to States	84.048	61095	88,956
Even Start - State Educational Agencies	84.213	42950	42,529
Twenty-First Century Community Learning Centers	84.287	60565	755,496
Rural Education	84.358	43481	68,522
Improving Teacher Quality State Grants	84.367	61480	285,064
Total Department of Education			<u>\$ 4,153,573</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	50790	\$ 260,344
Corporation on National and Community Service:			
Pass Through Payments:			
Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	60185	\$ 7,176
Department of Labor:			
Pass Through Payments:			
Virginia Community College System:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	53427	\$ 1,013,106
WIA Youth Activities	17.259	53427	896,084
WIA Dislocated Workers	17.260	53427	216,302
Workforce Investment Act Cluster Total			<u>\$ 2,125,492</u>
Community Based Job Training Grants	17.269	Not applicable	68,260
Virginia Department for Aging and Rehabilitative Services:			
Employment Service/Wagner-Peyser Funded Activities	17.207	Not applicable	13,126
Total Department of Labor			<u>\$ 2,206,878</u>

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

Page 3 of 3

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	52741	\$ 16,750
 Total Expenditures of Federal Awards			<u>\$ 10,144,381</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Russell County, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Russell County, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Russell County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013 Russell County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- Subrecipients

Of the federal expenditures presented in the Schedule, Russell County, Virginia provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount
14.228	Community Development Block Grant	\$ 260,344
17.258, 17.259, 17.260	Workforce Investment Act Cluster	2,125,492

Note 5 -- Relationship to the 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	\$ 2,458,978
Workforce Investment Board Fund	2,206,878
Total primary government:	<u>\$ 4,665,856</u>
 Component Unit School Board:	
School Operating Fund	<u>\$ 5,478,525</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 10,144,381</u>

County of Russell, Virginia

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

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.173/84.027	Special Education Cluster
84.010	Title I: Grants to Local Educational Agencies
10.553/10.555	Child Nutrition Cluster
93.558	Temporary Assistance for Needy Families
93.659	Adoption Assistance
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$304,331
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Auditee qualified as low-risk auditee?	No
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County of Russell, Virginia

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

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Section II - Financial Statement Findings

2013-1

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Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have proper controls in place to detect and correct errors in closing their year end financial statements.
Effect of Condition:	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 controls over financial reporting.
Recommendation:	The County should review the auditors' proposed audit adjustments for 2013 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The County will review the auditors' proposed audit adjustments for 2013 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2013-2

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Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The School Board and County lack proper segregation of duties over payroll.
Cause of Condition:	The School Board and County lack the funding to fully support a completely segregated finance department.
Effect of Condition:	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 controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over School Board and County payroll lacks proper segregation of duties and is implementing processes to alleviate the situation.

## County of Russell, Virginia

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

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#### Section II - Financial Statement Findings (continued)

##### 2013-3

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Criteria:	The <u>Code of Virginia</u> , (1950), as amended requires that an appropriation exists prior to the expenditure of funds.
Condition:	The VPA Expenditures Fund, Cannery Fund, and Coal Road Fund overspent the budget. Numerous departments within the General fund also overspent their budget.
Cause of Condition:	The County does not consistently monitor appropriations. The County Administrator or each department head should be in charge of monitoring spending versus appropriations.
Effect of Condition:	The County has not met the requirements of the <u>Code of Virginia</u> , (1950), as amended.
Recommendation:	The County should budget to include appropriations for all necessary expenditures.
Management's Response:	Management will post additional appropriations to the accounting system and pay closer attention to budgeted and actual expenditures.

#### Section III - Federal Award Findings and Questioned Costs

None

#### Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Findings 2012-1, 2012-2, and 2012-3 recurred during fiscal year 2013. Financial Statement Finding 2012-4 was corrected during fiscal year 2013. Federal Award Findings and Questioned Costs 2012-5 was corrected during fiscal year 2012.