

**COUNTY OF RUSSELL, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2012**

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COUNTY OF RUSSELL, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012

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

### COUNTY SCHOOL BOARD

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Carl Jackson, Vice Chairman	Charlie Collins, Chairman	Bob Hillman
Fayrene Plaster		Linda Cross
Tom Griffith		

### SOCIAL SERVICES BOARD

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Bill W. Wampler, Vice Chairman	Harry Ferguson, Jr., Chairman	Roger Brown
Bill Hale		

### 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 .....	Mike Puckett
Interim Director of Social Services .....	Carol Brunty
County Administrator .....	Marycarol White
County Attorney .....	Dennis Jones

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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**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units (School Board and Russell County Industrial Development Authority), the major funds, and the aggregate remaining fund information of the County of Russell, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Russell, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units (Russell County Public Service Authority and Castlewood Water and Sewage Authority). Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the County of Russell, Virginia as of June 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units (School Board and Russell County Industrial Development Authority), the major funds, and the aggregate remaining fund information of the County of Russell, Virginia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Russell, Virginia's, financial statements as a whole. The introductory section, other supplementary information, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other statistical information have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Robinson, Turner, & Associates*

Blacksburg, Virginia  
December 19, 2012

## 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, 2012.

### Financial Highlights

- The assets of the County of Russell, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$16,271,527 (net assets). Of this amount, \$5,140,399 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$84,977. No single factor is responsible for this reduction in net assets, but is spread over a number of changes.
- As of the close of the current fiscal year, the County of Russell's governmental funds reported combined ending fund balances of \$8,178,009, a decrease of \$1,219,476 in comparison with the prior year. Most of this total amount, \$6,744,967 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 \$6,884,605, or 23.2% of total general fund expenditures.
- The County of Russell's total long-term debt decreased by \$1,894,241 (8.8%) during the current fiscal year. The key factors in this decrease were the principal payments on outstanding issues. The County of Russell's only fiscal year 2012 issuance was a capital lease in the amount of \$512,094 for school buses and other equipment.

### 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-side 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 assets* presents information on all of the County of Russell's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 14-15 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 five 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, industrial development fund, coal road fund, workforce investment board fund and rental assistance fund, each of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 16-19 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 20-22 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 23 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 24-62 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 63-67 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets 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 by \$16,271,527 at the close of the most recent fiscal year.

A significant portion of the County of Russell's net assets (60.5%) 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 assets (8.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,140,399) 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 assets 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 assets of \$15,118. In the prior fiscal year each separate category for both governmental and business-type activities reported positive balances.

### County of Russell's Net Assets

	Governmental activities		Business-type activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 20,699,938	\$ 21,630,507	\$ 56,744	\$ 54,422	\$ 20,756,682	\$ 21,684,929
Capital assets	20,152,631	20,607,061	3,385,627	3,516,644	23,538,258	24,123,705
Total assets	<u>\$ 40,852,569</u>	<u>\$ 42,237,568</u>	<u>\$ 3,442,371</u>	<u>\$ 3,571,066</u>	<u>\$ 44,294,940</u>	<u>\$ 45,808,634</u>
Long-term liabilities outstanding	\$ 19,811,686	\$ 21,705,927	\$ 732,955	\$ 751,555	\$ 20,544,641	\$ 22,457,482
Other liabilities	7,456,485	6,974,624	22,287	20,024	7,478,772	6,994,648
Total liabilities	<u>\$ 27,268,171</u>	<u>\$ 28,680,551</u>	<u>\$ 755,242</u>	<u>\$ 771,579</u>	<u>\$ 28,023,413</u>	<u>\$ 29,452,130</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 7,183,413	\$ 6,032,847	\$ 2,652,672	\$ 2,765,089	\$ 9,836,085	\$ 8,797,936
Restricted	1,245,468	2,515,562	49,575	49,572	1,295,043	2,565,134
Unrestricted	5,155,517	5,008,608	(15,118)	(15,174)	5,140,399	4,993,434
Total net assets	<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>

There was an increase of \$146,965 in unrestricted net assets reported in connection with the County of Russell's governmental activities. Most of the change in net assets is attributable to a reduction in long-term debt.

**Governmental activities.** Governmental activities increased the County of Russell's net assets by \$27,381, which is a 0.2% change indicating the revenue was sufficient to cover the expenditures.

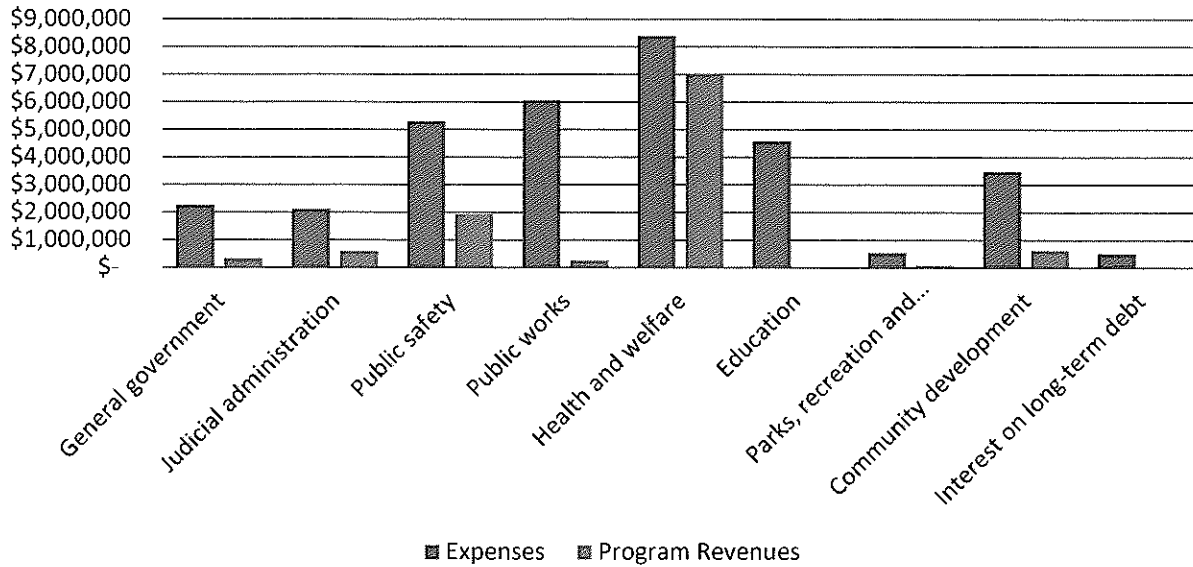
A notable change in expenditures was an increase in Public Works cost in the amount of \$1,946,574 which is mainly due to coal road expenditures.

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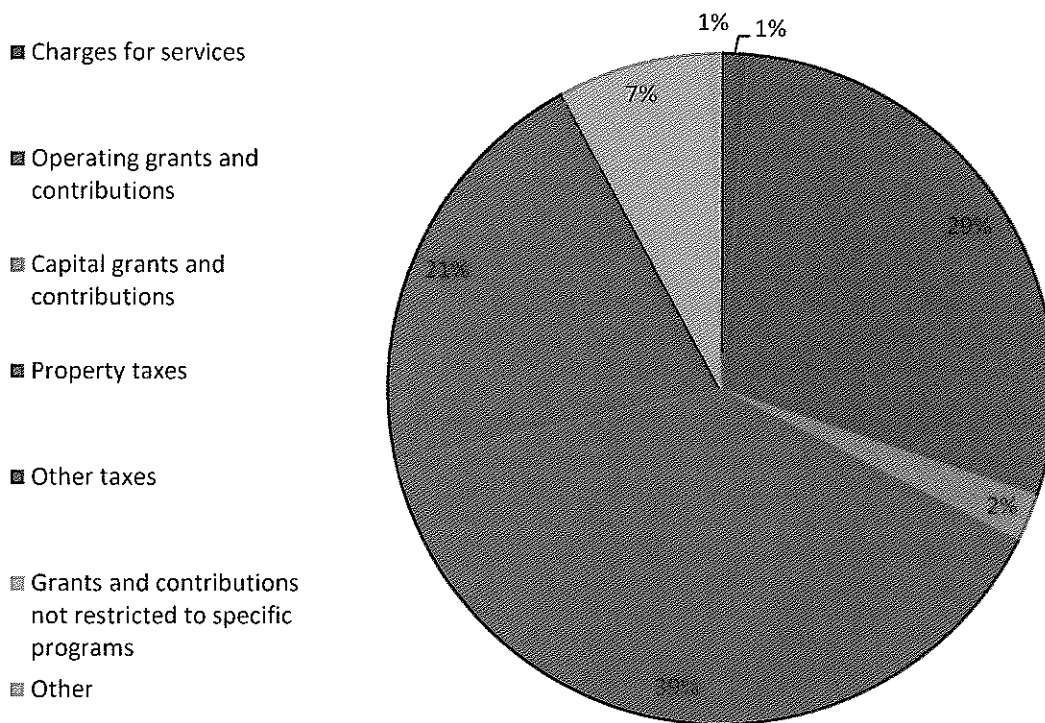
## County of Russell Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 428,699	\$ 364,326	\$ 59,709	\$ 72,073	\$ 488,408	\$ 436,399
Operating grants and contributions	9,677,480	10,635,876	-	-	9,677,480	10,635,876
Capital grants and contributions	761,738	-	-	-	761,738	-
General revenues:					-	-
Property taxes	13,142,777	13,683,476	-	-	13,142,777	13,683,476
Other taxes	6,881,302	6,340,919	-	-	6,881,302	6,340,919
Grants and contributions not restricted to specific programs	2,445,435	2,638,202	-	-	2,445,435	2,638,202
Other	<u>215,361</u>	<u>267,254</u>	<u>-</u>	<u>234</u>	<u>215,361</u>	<u>267,488</u>
Total revenues	<u>33,552,792</u>	<u>33,930,053</u>	<u>59,709</u>	<u>72,307</u>	<u>33,612,501</u>	<u>34,002,360</u>
					-	-
Expenses:					-	-
General government	2,267,145	1,691,031	-	-	2,267,145	1,691,031
Judicial administration	2,119,900	2,112,758	-	-	2,119,900	2,112,758
Public safety	5,296,188	5,091,612	-	-	5,296,188	5,091,612
Public works	6,060,973	4,003,987	-	-	6,060,973	4,003,987
Health and welfare	8,397,896	8,592,042	-	-	8,397,896	8,592,042
Education	4,589,631	5,681,243	-	-	4,589,631	5,681,243
Parks, recreation and cultural	539,126	563,123	-	-	539,126	563,123
Community development	3,493,655	3,191,256	-	-	3,493,655	3,191,256
Interest on long-term debt	522,300	756,064	-	-	522,300	756,064
Service Authority	<u>-</u>	<u>-</u>	<u>410,664</u>	<u>423,945</u>	<u>410,664</u>	<u>423,945</u>
Total expenses	<u>33,286,814</u>	<u>31,683,116</u>	<u>410,664</u>	<u>423,945</u>	<u>33,697,478</u>	<u>32,107,061</u>
Change in net assets before transfers	<u>265,978</u>	<u>2,246,937</u>	<u>(350,955)</u>	<u>(351,638)</u>	<u>(84,977)</u>	<u>1,895,299</u>
Transfers	<u>(238,597)</u>	<u>(245,887)</u>	<u>238,597</u>	<u>245,887</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>27,381</u>	<u>2,001,050</u>	<u>(112,358)</u>	<u>(105,751)</u>	<u>(84,977)</u>	<u>1,895,299</u>
Net assets - July 1, 2011 as restated	<u>13,557,017</u>	<u>11,555,967</u>	<u>2,799,487</u>	<u>2,905,238</u>	<u>16,356,504</u>	<u>14,461,205</u>
Net assets - June 30, 2012	<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>

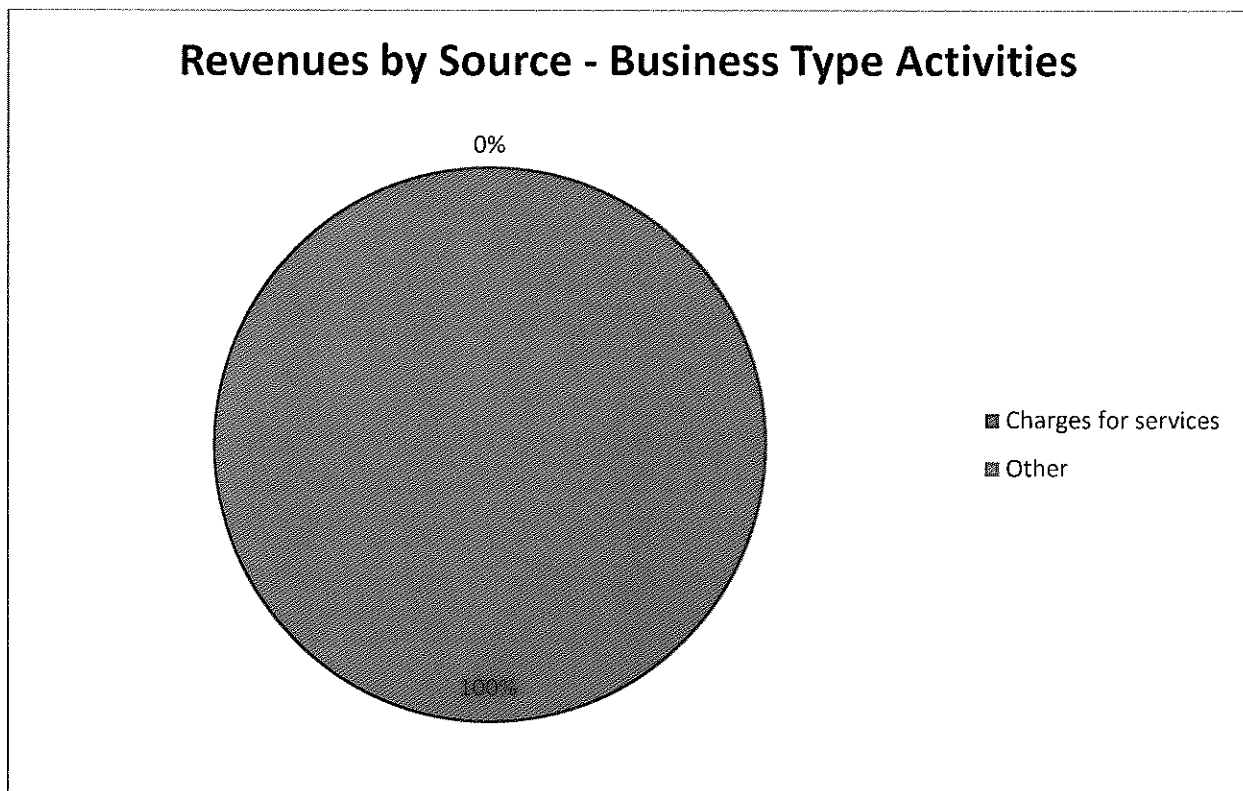
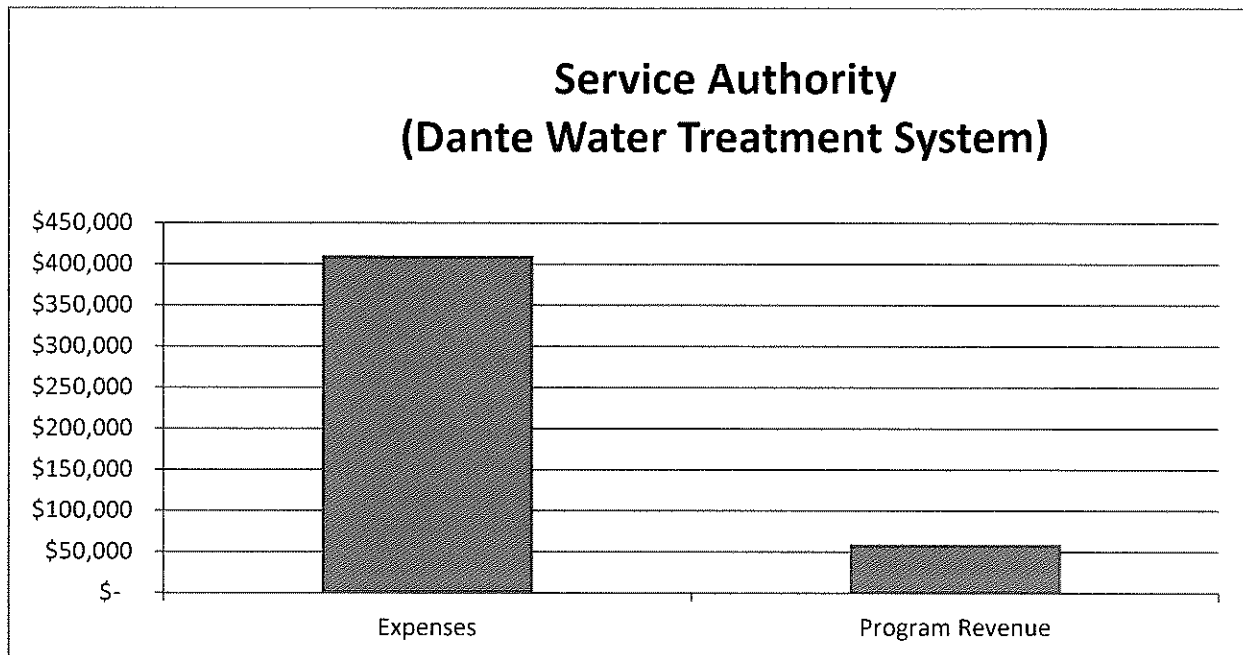
## Expenses and Program Revenues - Governmental Activities



## Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities decreased the County of Russell's net assets by \$112,358. The Dante Water Treatment System referred to as "the Service Authority," incurred expenses of \$410,664 and collected program revenue of \$59,709. The Service Authority also received a General Fund subsidy of \$238,597. 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 \$8,178,009, a decrease of \$1,219,476 in comparison with the prior year. The majority of this fund balance represents unassigned fund balance (\$6,884,605), 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 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 \$6,884,605, while total fund balance was \$6,884,605. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 23.2% of general fund expenditures, while total fund balance represents 23.2% of that same amount.

The fund balance of the County of Russell's General Fund increased by \$1,875,021 during the current fiscal year. The key factor in the increase is:

- A transfer from the Industrial Development Authority (IDA) in the amount of \$1,852,814.

The IDA is the fund within the County's accounting structure used primarily to pay the debt service incurred by the Russell County Industrial Development Authority on behalf of the County of Russell.

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, 2011. Construction on these projects, along with the related expenditures, occurred during fiscal year 2012. As a result, the fund balance in the Coal Road Fund decreased by approximately one million dollars during the fiscal year. The balance of \$1,245,468 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 increased \$24,878 during the year ended June 30, 2012. The entire fund balance of \$47,936 is committed 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 assets of the Service Authority at the end of the year amounted to (\$15,118), and those for the Health Insurance Fund amounted to \$2,404,656. The total growth or (decline) in the net assets for both funds was (\$112,358) and (\$620,399), 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. Beginning with fiscal year 2012 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, 2012, amounts to \$23,538,258 (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 2.5% (2.3% 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 2012.

	Governmental activities		Business-type activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,541,333	\$ 1,541,333	\$ -	\$ -	\$ 1,541,333	\$ 1,541,333
Construction in Progress	-	1,494,450	-	-	-	\$ 1,494,450
Buildings	17,007,601	16,390,487	-	-	\$17,007,061	\$16,390,487
Utility plant	-	-	3,385,627	3,516,644	\$ 3,385,627	\$ 3,516,644
Machinery and equipment	<u>1,603,697</u>	<u>1,180,791</u>	<u>-</u>	<u>-</u>	<u>\$ 1,603,697</u>	<u>\$ 1,180,791</u>
Total	<u>\$ 20,152,631</u>	<u>\$20,607,061</u>	<u>\$3,385,627</u>	<u>\$3,516,644</u>	<u>\$23,538,258</u>	<u>\$24,123,705</u>

Additional information on the County of Russell's capital assets can be found in note 10 on pages 50-51 of this report.

#### **Long-term debt.**

At the end of the current fiscal year, the County of Russell had total debt outstanding of \$19,811,686. Of this total, \$14,869,887 comprises general obligation and revenue bonds all backed by the full faith and credit of the County and \$3,194,980 comprise Literary Fund Loans and Literary Anticipation Note on the financial statements of the component unit School Board.

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	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 9,471,649	\$10,083,228	\$	\$	\$9,471,649	\$10,083,228
Literary loans	2,564,585	2,990,863			2,564,585	2,990,863
Revenue bonds, as restated	5,114,923	5,351,965	732,955	751,555	5,847,878	6,103,520
Literary anticipation note	630,395	992,638			630,395	992,638
Deferred amounts:						
Bond premium	283,315	300,119			283,315	300,119
Lease purchase agreements	617,454	357,060			617,454	357,060
closure/post-closure liability	526,868	1,100,775			526,868	1,100,775
OPEB obligations	6,609	7,153			6,609	7,153
Compensated absences	595,888	522,126			595,888	522,126
Total	\$19,811,686	\$21,705,927	\$ 732,955	\$ 751,555	\$20,544,641	\$22,457,482

### 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, Interim 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 Assets  
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,539,771	\$ 658	\$ 7,540,429	\$ 342,189	\$ 286,706
Receivables (net of allowance for uncollectibles):					
Taxes receivable	8,745,550	-	8,745,550	-	-
Accounts receivable	325,616	6,511	332,127	-	52,840
Notes receivable	220,005	-	220,005	-	371,207
Grants receivable	-	-	-	-	8,200
Due from component unit	908,695	-	908,695	-	-
Due from other governmental units	1,840,602	-	1,840,602	1,785,603	-
Prepaid expenses	-	-	-	402,669	-
Other assets:					
Bond issuance costs	-	-	-	-	16,306
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	1,119,699	49,575	1,169,274	-	196,523
Noncurrent assets:					
Lease purchase receivable - net of current portion	-	-	-	-	-
Capital assets (net of accumulated depreciation):					
Land	1,541,333	-	1,541,333	4,643,707	1,864,397
Land improvements	-	-	-	-	386,410
Buildings and improvements	17,007,601	-	17,007,601	10,641,935	6,751,755
Machinery and equipment	1,603,697	-	1,603,697	2,113,158	445,042
Utility plant in service	-	3,385,627	3,385,627	-	-
Total assets	\$ 40,852,569	\$ 3,442,371	\$ 44,294,940	\$ 19,929,261	\$ 10,379,386
<b>LIABILITIES</b>					
Accounts payable	\$ 2,298,766	\$ 20,510	\$ 2,319,276	\$ 297,543	\$ 23,824
Accrued liabilities	774	-	774	1,054,270	-
Accrued interest payable	254,990	1,777	256,767	-	28,994
Due to primary government	-	-	-	708,695	200,000
Unearned revenue	4,901,955	-	4,901,955	-	-
Long-term liabilities:					
Due within one year	2,071,399	19,371	2,090,770	589,734	2,391,849
Due in more than one year	17,740,287	713,584	18,453,871	290,905	6,068,180
Total liabilities	\$ 27,268,171	\$ 755,242	\$ 28,023,413	\$ 2,941,147	\$ 8,712,847
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 7,183,413	\$ 2,652,672	\$ 9,836,085	\$ 17,398,800	\$ 3,030,360
Restricted for:					
Coal Road	1,245,468	-	1,245,468	-	-
Debt service and bond covenants	-	49,575	49,575	-	196,523
Unrestricted (deficit)	5,155,517	(15,118)	5,140,399	(410,686)	(1,560,344)
Total net assets	\$ 13,584,398	\$ 2,687,129	\$ 16,271,527	\$ 16,988,114	\$ 1,666,539

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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	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
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government administration	\$ 2,267,145	\$ -	\$ 340,675	\$ -	\$ (1,926,470)	\$ -	\$ (1,926,470)		
Judicial administration	2,119,900	9,110	586,923	-	(1,523,867)	-	(1,523,867)		
Public safety	5,296,188	123,173	1,663,369	150,000	(3,359,646)	-	(3,359,646)		
Public works	6,060,973	253,521	10,844	-	(5,796,608)	-	(5,796,608)		
Health and welfare	8,397,896	-	6,996,715	-	(1,401,181)	-	(1,401,181)		
Education	4,589,631	-	-	-	(4,589,631)	-	(4,589,631)		
Parks, recreation, and cultural	539,126	13,958	78,954	-	(446,214)	-	(446,214)		
Community development	3,493,655	28,937	-	611,738	(2,852,980)	-	(2,852,980)		
Interest on long-term debt	522,300	-	-	-	(522,300)	-	(522,300)		
Total governmental activities	\$ 33,286,814	\$ 428,699	\$ 9,677,480	\$ 761,738	\$ (22,418,897)	\$ -	\$ (22,418,897)		
Business-type activities:									
Service Authority	\$ 410,664	\$ 59,709	\$ -	\$ -	\$ -	\$ (350,955)	\$ (350,955)		
Total primary government	\$ 33,697,478	\$ 488,408	\$ 9,677,480	\$ 761,738	\$ (22,418,897)	\$ (350,955)	\$ (22,769,852)		
<b>COMPONENT UNITS:</b>									
School Board	\$ 39,783,118	\$ 786,940	\$ 33,234,975	\$ -			\$ (5,761,203)	\$ -	\$ (791,689)
Industrial Development Authority	874,175	-	3,872	78,614					
Total component units	\$ 40,657,293	\$ 786,940	\$ 33,238,847	\$ 78,614			\$ (5,761,203)	\$ -	\$ (791,689)
General revenues:					\$ 13,142,777	\$ -	\$ 13,142,777	\$ -	\$ -
General property taxes									
Other local taxes:									
Local sales and use taxes					1,755,731	-	1,755,731	-	-
Coal road and severance taxes					4,020,635	-	4,020,635	-	-
Consumers' utility taxes					568,780	-	568,780	-	-
Motor vehicle licenses					337,567	-	337,567	-	-
Other local taxes					198,589	-	198,589	-	-
Unrestricted revenues from use of money and property					77,226	-	77,226	1,642	485,300
Miscellaneous					138,135	-	138,135	256,522	83,655
Payments from the County of Russell, Virginia					-	-	-	3,080,559	1,530,294
Grants and contributions not restricted to specific programs					2,445,435	-	2,445,435	-	-
Transfers					(238,597)	238,597	-	-	-
Total general revenues and transfers					\$ 22,446,278	\$ 238,597	\$ 22,684,875	\$ 3,338,723	\$ 2,099,249
Change in net assets					\$ 27,381	\$ (112,358)	\$ (84,977)	\$ (2,422,480)	\$ 1,307,560
Net assets - beginning, as restated					13,557,017	2,799,487	16,356,504	19,410,594	368,979
Net assets - ending					\$ 13,584,398	\$ 2,687,129	\$ 16,271,527	\$ 16,988,114	\$ 1,666,539

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

County of Russell, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,543,543	\$ -	\$ 27,649	\$ 4,571,192
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,745,550	-	-	8,745,550
Accounts receivable	234,790	88,318	-	323,108
Notes receivable	220,005	-	-	220,005
Due from other funds	46,117	65,103	-	111,220
Due from component unit	908,695	-	-	908,695
Due from other governmental units	1,220,361	-	620,241	1,840,602
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	1,119,699	-	1,119,699
Total assets	<u>\$ 15,919,061</u>	<u>\$ 1,273,120</u>	<u>\$ 647,890</u>	<u>\$ 17,840,071</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,215,949	\$ 27,652	\$ 488,734	\$ 1,732,335
Accrued liabilities	774	-	-	774
Due to other funds	-	-	111,220	111,220
Deferred revenue	7,817,733	-	-	7,817,733
Total liabilities	<u>\$ 9,034,456</u>	<u>\$ 27,652</u>	<u>\$ 599,954</u>	<u>\$ 9,662,062</u>
Fund balances:				
Restricted:				
Coal Road	\$ -	\$ 1,245,468	\$ -	\$ 1,245,468
Committed:				
Special revenue funds	-	-	47,936	47,936
Unassigned:	6,884,605	-	-	6,884,605
Total fund balances	<u>\$ 6,884,605</u>	<u>\$ 1,245,468</u>	<u>\$ 47,936</u>	<u>\$ 8,178,009</u>
Total liabilities and fund balances	<u>\$ 15,919,061</u>	<u>\$ 1,273,120</u>	<u>\$ 647,890</u>	<u>\$ 17,840,071</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 Assets  
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,178,009
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,152,631
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,915,778
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 assets.	2,404,656
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(20,066,676)
Net assets of governmental activities	<u>\$ 13,584,398</u>

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, 2012

	General	Industrial Development	Coal Road	Workforce Investment Board	Total
<b>REVENUES</b>					
General property taxes	\$ 12,813,407	\$ -	\$ -	\$ -	\$ 12,813,407
Other local taxes	4,870,985	-	2,010,317	-	6,881,302
Permits, privilege fees, and regulatory licenses	28,272	-	-	-	28,272
Fines and forfeitures	24,567	-	-	-	24,567
Revenue from the use of money and property	51,404	3,533	8,659	-	63,596
Charges for services	375,860	-	-	-	375,860
Miscellaneous	138,135	-	-	-	138,135
Recovered costs	327,727	-	-	-	327,727
Intergovernmental revenues:					
Commonwealth	8,009,326	-	-	84,117	8,093,443
Federal	2,798,154	-	-	1,993,056	4,791,210
Total revenues	\$ 29,437,837	\$ 3,533	\$ 2,018,976	\$ 2,077,173	\$ 33,537,519
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 2,060,380	\$ -	\$ -	\$ -	\$ 2,060,380
Judicial administration	2,114,097	-	-	-	2,114,097
Public safety	5,509,998	-	-	-	5,509,998
Public works	3,226,082	-	3,289,070	-	6,515,152
Health and welfare	6,466,430	-	-	2,052,295	8,518,725
Education	2,831,068	-	-	-	2,831,068
Parks, recreation, and cultural	484,891	-	-	-	484,891
Community development	2,442,356	-	-	-	2,442,356
Nondepartmental	305,904	-	-	-	305,904
Capital projects	1,721,900	-	-	-	1,721,900
Debt service:					
Principal retirement	1,888,842	-	-	-	1,888,842
Interest and other fiscal charges	637,179	-	-	-	637,179
Total expenditures	\$ 29,689,127	\$ -	\$ 3,289,070	\$ 2,052,295	\$ 35,030,492
Excess (deficiency) of revenues over (under) expenditures	\$ (251,290)	\$ 3,533	\$ (1,270,094)	\$ 24,878	\$ (1,492,973)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 1,852,814	\$ -	\$ -	\$ -	\$ 1,852,814
Transfers out	(238,597)	(1,852,814)	-	-	(2,091,411)
Issuance of capital leases	512,094	-	-	-	512,094
Total other financing sources (uses)	\$ 2,126,311	\$ (1,852,814)	\$ -	\$ -	\$ 273,497
Net change in fund balances	\$ 1,875,021	\$ (1,849,281)	\$ (1,270,094)	\$ 24,878	\$ (1,219,476)
Fund balances - beginning, as restated	5,009,584	1,849,281	2,515,562	23,058	9,397,485
Fund balances - ending	\$ 6,884,605	\$ -	\$ 1,245,468	\$ 47,936	\$ 8,178,009

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, 2012

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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	\$ (1,219,476)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(443,327)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	(11,103)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	329,370
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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 assets. Also, governmental funds report the effect of issuance costs, 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.	1,950,655
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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.	41,661
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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 net revenue (expense) of certain internal service funds is reported with governmental activities.	(620,399)
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Change in net assets of governmental activities	\$ 27,381
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The accompanying notes to the financial statements are an integral part of this statement.

County of Russell, Virginia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 658	\$ 2,968,579
Interest receivable	235	2,508
Accounts receivable, net of allowance for uncollectibles	6,276	-
Total current assets	<u>\$ 7,169</u>	<u>\$ 2,971,087</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	(1,855,072)	-
Total capital assets	<u>\$ 3,385,627</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 3,435,202</u>	<u>\$ -</u>
Total assets	<u>\$ 3,442,371</u>	<u>\$ 2,971,087</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 20,510	\$ 566,431
Accrued interest payable	1,777	-
Bonds payable - current portion	19,371	-
Total current liabilities	<u>\$ 41,658</u>	<u>\$ 566,431</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 713,584	\$ -
Total liabilities	<u>\$ 755,242</u>	<u>\$ 566,431</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 2,652,672	\$ -
Restricted for debt service and bond covenants	49,575	-
Unrestricted	(15,118)	2,404,656
Total net assets	<u>\$ 2,687,129</u>	<u>\$ 2,404,656</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 Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
<b>OPERATING REVENUES</b>		
Charges for services:		
Sewer revenues	\$ 59,709	\$ -
Insurance premiums	-	10,265,316
Total operating revenues	<u>\$ 59,709</u>	<u>\$ 10,265,316</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	\$ 113,293	\$ -
Professional services	15,489	-
Utilities	638	-
Materials and supplies	16,280	-
Office expenses	83,390	-
Repairs and maintenance	17,752	-
Insurance claims and expenses	-	10,899,345
Depreciation	131,016	-
Total operating expenses	<u>\$ 377,858</u>	<u>\$ 10,899,345</u>
Operating income (loss)	<u>\$ (318,149)</u>	<u>\$ (634,029)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ -	\$ 13,630
Interest expense	(32,806)	-
Total nonoperating revenues (expenses)	<u>\$ (32,806)</u>	<u>\$ 13,630</u>
Income before transfers	<u>\$ (350,955)</u>	<u>\$ (620,399)</u>
Transfers in	\$ 238,597	\$ -
Change in net assets	<u>\$ (112,358)</u>	<u>\$ (620,399)</u>
Total net assets - beginning	<u>\$ 2,799,487</u>	<u>\$ 3,025,055</u>
Total net assets - ending	<u>\$ 2,687,129</u>	<u>\$ 2,404,656</u>

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, 2012

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 57,907	\$ -
Receipts for insurance premiums	-	10,265,316
Payments to suppliers	(131,245)	-
Payments to employees	(113,293)	-
Payments for premiums	-	(10,672,536)
Net cash provided by (used for) operating activities	<u>\$ (186,631)</u>	<u>\$ (407,220)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	<u>\$ 238,597</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on bonds	\$ (18,600)	\$ -
Interest payments	(32,847)	-
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 and dividends received	<u>\$ 139</u>	<u>\$ 14,591</u>
Net increase (decrease) in cash and cash equivalents	\$ 658	\$ (392,629)
Cash and cash equivalents - beginning	\$ 49,575	\$ 3,361,208
Cash and cash equivalents - ending	<u>\$ 50,233</u>	<u>\$ 2,968,579</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (318,149)	\$ (634,029)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 131,016	\$ -
(Increase) decrease in accounts receivable	(1,802)	-
Increase (decrease) in accounts payable	2,304	226,809
Total adjustments	<u>\$ 131,518</u>	<u>\$ 226,809</u>
Net cash provided by (used for) operating activities	<u>\$ (186,631)</u>	<u>\$ (407,220)</u>

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

County of Russell, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2012

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 68,973
Total assets	<u>\$ 68,973</u>
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 68,973
Total liabilities	<u>\$ 68,973</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, 2012

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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 Russell County Industrial Development Authority (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 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 but were not available as of the report date.

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 but were not available as of the report date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**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 \$1,755,193 to the Regional Jail and \$157,547 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

B. Government-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental funds, 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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.

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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

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

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

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

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

The Industrial Development, Coal Road, Workforce Investment Board, and Rental Assistance Funds serve as the County's major *Special Revenue Funds*. The Industrial Development Fund accounts for and reports financial resources to be used for industrial and community development benefiting the County. The Industrial Development Fund includes activities aimed at attracting and retaining industrial prospects in Russell County. 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 Rental Assistance Fund accounts for and reports the financial resources used to assist low income families with rental expenses.

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 System 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 Account Fund and VASAP Fund. The Special Welfare Account Fund includes activity of the Title XX and the SSI Fund, which have all been merged for financial reporting purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

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.

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

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

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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

D. Assets, Liabilities, and Net Assets or Equity (continued)

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 \$760,377 at June 30, 2012 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:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

D. Assets, Liabilities, and Net Assets or Equity (continued)

7. 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.

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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;

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

D. Assets, Liabilities, and Net Assets or Equity (continued)

9. Fund Equity (continued)

- 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.

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.

10. Net Assets

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

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(20,066,676) and \$(880,639) differences for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	School Board
Bonds and literary loans	\$ (17,781,552)	\$ -
Capital leases	(617,454)	-
Unamortized premium	(283,315)	-
Accrued interest payable	(254,990)	-
Landfill accrued closure and postclosure monitoring costs	(526,868)	-
Early Retirement Incentive	-	(94,833)
Net OPEB Obligation	(6,609)	(44,828)
Compensated absences	(595,888)	(740,978)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (20,066,676)	\$ (880,639)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of these \$(443,327) and \$46,911 differences for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 1,150,216	\$ 84,206
Transfer of capital assets to School Board, net	(430,484)	430,484
Depreciation expense	(1,163,059)	(467,779)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(443,327)</u>	\$ <u>46,911</u>

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Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,950,655 difference in the primary government are as follows:

	Primary Government
Debt Issued or Incurred:	
Lease purchase agreements	\$ (512,094)
Principal Payments:	
Accrued landfill closure/postclosure	573,907
Bonds, literary loans, and notes	1,637,142
Lease purchase agreements	251,700
Net adjustment to increase (decrease) <i>net changes in fund balances</i> - <i>total governmental funds</i> to arrive at <i>changes in net assets of</i> <i>governmental activities</i>	\$ 1,950,655

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states, "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." The details of this \$41,661 and \$148,246 difference for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (73,762)	\$ 189,530
(Increase) decrease in accrued interest	98,075	-
(Increase) decrease in early retirement incentive	-	(44,833)
(Increase) decrease in net OPEB obligation	544	3,549
Amortization of bond premium	16,804	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 41,661	\$ 148,246

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 3-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. Those departments can be found on Schedule 2 starting on page 78 of this report.

C. Deficit fund equity

At June 30, 2012, there were no funds which had deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 4-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, 2012, the County had no investments.

**Note 5-Due from Other Governmental Units:**

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

	Primary Government	Component Unit School Board
<u>Workforce Investment Board:</u>		
Workforce Investment funds	\$ 620,241	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	302,799	-
State sales tax	-	658,015
Non-categorical aid	181,236	-
Categorical aid-shared expenses	182,866	-
Categorical aid-Virginia Public Assistance funds	146,469	-
Categorical aid-education payments	-	163,408
Categorical aid-other	21,770	-
Categorical aid-Comprehensive Services Act funds	177,279	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	158,626	-
School federal programs	-	964,180
Categorical aid-other	49,316	-
Total Amount Due from Other Governmental Units	\$ 1,840,602	\$ 1,785,603

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 6-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>908,695</u>
Component Unit:		
School Board	\$ <u>708,965</u>	\$ <u>-</u>
IDA	<u>200,000</u>	<u>-</u>
Total	\$ <u>908,965</u>	\$ <u>-</u>

Interfund transfers and remaining balances for the year ended June 30, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,852,814	\$ 238,597
Industrial Development	-	1,852,814
Dante Fund	238,597	-
Total	<u>\$ 2,091,411</u>	<u>\$ 2,091,411</u>
Primary Government:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 46,117	\$ -
Coal Road Fund	65,103	-
Workforce Investment Fund	-	111,220
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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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-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, 2012:

	Balance July 1, 2011	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2012
General obligation bonds	\$ 10,083,228	\$ -	\$ (611,579)	\$ 9,471,649
Literary loans	2,990,863	-	(426,278)	2,564,585
Revenue bonds, as restated	5,351,965	-	(237,042)	5,114,923
Literary anticipation note	992,638	-	(362,243)	630,395
Deferred Amounts:				
Bond premiums	300,119	-	(16,804)	283,315
Capital leases	357,060	512,094	(251,700)	617,454
Landfill closure/ postclosure liability	1,100,775	-	(573,907)	526,868
Net OPEB obligation	7,153	42,754	(43,298)	6,609
Compensated absences	522,126	465,356	(391,594)	595,888
Total	\$ 21,705,927	\$ 1,020,204	\$ (2,914,445)	\$ 19,811,686

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
2013	\$ 717,972	\$ 437,035	\$ 375,977	\$ 59,016	\$ 237,463	\$ -
2014	611,026	403,830	375,977	50,054	237,463	-
2015	627,696	372,805	375,977	41,092	237,463	-
2016	644,976	340,870	375,977	32,130	237,463	-
2017	647,901	308,788	375,977	23,167	237,463	-
2018-2022	3,343,527	997,974	672,200	27,597	1,187,317	-
2023-2027	2,113,551	465,780	12,500	250	1,152,870	-
2028-2032	765,000	87,583	-	-	1,101,198	-
2033-2037	-	-	-	-	486,223	-
Totals	\$ 9,471,649	\$ 3,414,665	\$ 2,564,585	\$ 233,306	\$ 5,114,923	\$ -

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-Long-Term Obligations: (continued)**

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation and Revenue Bonds:</u>						
General obligation bond	4.90%-6.35%	1992	2013	\$ 1,812,215	\$ 122,268	\$ 122,268
General obligation bond	5.10%-6.10%	1995	2016	325,000	60,000	15,000
General obligation bond	5.10%-6.10%	1997	2016	140,000	30,000	5,000
General obligation bond	4.10%-5.23%	1999	2019	510,000	200,000	25,000
General obligation bond	4.98%-5.10%	2000	2021	1,802,210	932,119	92,571
General obligation bond	2.35%-5.10%	2002	2023	4,382,954	2,628,587	209,326
General obligation bond	4.60%-5.10%	2006	2027	3,205,190	2,538,675	143,807
General obligation bond	4.60%-5.10%	2009	2030	1,485,000	1,390,000	50,000
General obligation bond	3.05%-5.05%	2010	2031	1,620,000	1,570,000	55,000
General obligation/Revenue bond	0.00%	11/28/2001	2033	935,690	623,793	31,190
General obligation/Revenue bond	0.00%	11/28/2001	2033	1,678,400	1,136,028	55,946
General obligation/Revenue bond	0.00%	11/28/2001	2025	344,477	223,910	17,224
General obligation/Revenue bond	0.00%	11/1/2002	2033	822,366	561,950	27,412
General obligation/Revenue bond	0.00%	3/10/2005	2036	556,538	435,955	18,551
General obligation/Revenue bond	0.00%	10/14/2005	2036	91,439	73,151	3,048
General obligation/Revenue bond	0.00%	10/14/2005	2037	1,906,717	1,557,152	63,557
General obligation/Revenue bond	0.00%	4/28/2006	2037	415,513	339,335	13,851
General obligation/Revenue bond	0.00%	3/30/2007	2037	197,179	163,649	6,684
Subtotal General Obligation and Revenue Bonds					\$ 14,586,572	\$ 955,435
Plus:						
Unamortized Premium					\$ 283,315	\$ 16,804
Total General Obligation and Revenue Bonds					\$ 14,869,887	\$ 972,239

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-Long-Term Obligations: (continued)**

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness: (continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>Literary loans:</u>						
Literary loan	3.00%	7/15/1986	2017	\$ 960,000	\$ 151,110	\$ 30,222
Literary loan	3.00%	7/15/1986	2017	2,000,000	314,815	62,963
Literary loan	3.00%	2/1/1988	2018	530,999	111,132	18,522
Literary loan	3.00%	2/1/1988	2018	358,151	75,486	12,581
Literary loan	3.00%	2/1/1988	2018	84,805	18,030	3,005
Literary loan	3.00%	2/1/1988	2018	281,079	59,970	9,995
Literary loan	3.00%	2/1/1988	2018	196,873	41,934	6,989
Literary loan	2.00%	1/1/2000	2020	1,155,140	462,056	57,757
Literary loan	2.00%	3/15/1999	2019	1,114,086	389,986	55,700
Literary loan	2.00%	3/15/1999	2019	161,449	54,849	8,200
Literary loan	2.00%	6/15/1999	2019	422,680	147,938	21,134
Literary loan	2.00%	6/15/1999	2019	880,411	308,151	44,020
Literary loan	2.00%	11/15/2000	2021	493,789	222,210	24,689
Literary loan	3.00%	12/15/2000	2021	154,118	69,418	7,700
Literary loan	2.00%	7/1/2003	2023	250,000	137,500	12,500
Total Literary loans					<u>\$ 2,564,585</u>	<u>\$ 375,977</u>
Literary anticipation note	4.10%	9/4/2008	9/4/2013	\$ 992,638	\$ 630,395	\$ -
<u>Other Obligations:</u>						
Capital Leases (Note 8)					\$ 617,454	\$ 276,267
Landfill Closure and Postclosure Liability					526,868	-
Net OPEB Obligation					6,609	-
Compensated Absences					595,888	446,916
Total Other Obligations					<u>\$ 1,746,819</u>	<u>\$ 723,183</u>
Total Long-Term Obligations					<u>\$ 19,811,686</u>	<u>\$ 2,071,399</u>

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

**Note 7-Long-Term Obligations: (continued)**

Primary Government – Enterprise Activity Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2012.

	<u>July 1, 2011</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Revenue bonds	\$ 751,555	\$ -	\$ (18,600)	\$ 732,955

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>
2013	\$ 19,371	\$ 32,076
2014	20,175	31,272
2015	21,015	30,432
2016	21,895	29,553
2017	22,814	28,633
2018-2022	122,852	127,820
2023-2027	150,265	97,595
2028-2032	188,102	59,758
2033-2036	166,466	14,335
Totals	<u>\$ 732,955</u>	<u>\$ 451,474</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	\$ 12,188	\$ 1,875
Revenue bond	4.50%	4/10/1996	2036	900,000	720,767	17,496
Total Revenue Bonds					<u>\$ 732,955</u>	<u>\$ 19,371</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

Note 7-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, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Net OPEB obligation	\$ 48,377	\$ 278,829	\$ (282,378)	\$ 44,828
Early retirement incentive	50,000	44,833	-	94,833
Compensated absences	930,508	508,351	(697,881)	740,978
Total	\$ 1,028,885	\$ 832,013	\$ (980,259)	\$ 880,639

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Early retirement incentive	\$ 94,833	\$ 34,000
Net OPEB Obligation	44,828	-
Compensated Absences	740,978	555,734
Total Other Obligations	\$ 880,639	\$ 589,734

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 8-Capital Leases:**Primary Government

The County has entered into lease agreements to finance the acquisition of school buses, a bucket truck, and other vehicles and equipment for the School Board. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	<u>Machinery &amp; Equipment</u>
Machinery and equipment	\$ 1,069,069
Less: Accumulated depreciation	<u>(130,784)</u>
Net Asset	\$ <u>938,285</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2012, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2013	\$ 284,997
2014	176,476
2015	<u>176,476</u>
Subtotal	\$ 637,949
Less, amount representing interest	<u>(20,495)</u>
Present Value of Lease Agreement	\$ <u><u>617,454</u></u>

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**Note 9-Employee Retirement System and Defined Benefit Pension Plans:**

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 credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 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 who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 9-Employee Retirement System and Defined Benefit Pension Plans: (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 statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-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. 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 2012 was 10.52% 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. 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 2012 was 14.07% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County of Russell, Virginia's annual pension cost of \$576,628 and \$386,243 was equal to the County of Russell, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 9-Employee Retirement System and Defined Benefit Pension Plans: (continued)**

## C. Annual Pension Cost (continued)

## Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2010	\$ 437,791	100.00%	\$ -
	6/30/2011	579,314	100.00%	-
	6/30/2012	576,628	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	\$ 412,281	100.00%	\$ -
	6/30/2011	384,524	100.00%	-
	6/30/2012	386,243	100.00%	-

<sup>1</sup> Employer portion onlyPrimary Government:

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75%** to **5.60%** per year for general government employees and **3.50%** to **4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's 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, 2009 was 20 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 9-Employee Retirement System and Defined Benefit Pension Plans: (continued)**

C. Annual Pension Cost (continued)

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

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75%** to **5.60%** per year for general government employees and **3.50%** to **4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the 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, 2009 was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 73.04% funded. The actuarial accrued liability for benefits was \$27,499,897, and the actuarial value of assets was \$20,084,643, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,415,254. The covered payroll (annual payroll of active employees covered by the plan) was \$5,413,452, and ratio of the UAAL to the covered payroll was 136.98%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 64.28% funded. The actuarial accrued liability for benefits was \$16,067,146, and the actuarial value of assets was \$10,328,276, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,738,870. The covered payroll (annual payroll of active employees covered by the plan) was \$2,693,695, and ratio of the UAAL to the covered payroll was 213.05%.

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 9-Employee Retirement System and Defined Benefit Pension Plans: (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 Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the 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 \$1,164,108, \$700,575, and \$1,202,914 for the fiscal years ended 2012, 2011, and 2010, respectively. Employer contributions represented 6.33%, 3.93%, and 8.81% of covered payroll for the fiscal years ended 2012, 2011, and 2010, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,541,333	\$ -	\$ -	\$ 1,541,333
Construction in progress	1,494,450	90,571	(1,585,021)	-
Total capital assets not being depreciated	<u>\$ 3,035,783</u>	<u>\$ 90,571</u>	<u>\$ (1,585,021)</u>	<u>\$ 1,541,333</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,409,513	\$ 1,684,896	\$ (1,684,791)	\$ 28,409,618
Machinery and equipment	3,539,588	959,770	(662,312)	3,837,046
Total capital assets being depreciated	<u>\$ 31,949,101</u>	<u>\$ 2,644,666</u>	<u>\$ (2,347,103)</u>	<u>\$ 32,246,664</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (12,019,026)	\$ (723,480)	\$ 1,340,489	\$ (11,402,017)
Machinery and equipment	(2,358,797)	(439,579)	565,027	(2,233,349)
Total accumulated depreciation	<u>\$ (14,377,823)</u>	<u>\$ (1,163,059)</u>	<u>\$ 1,905,516</u>	<u>\$ (13,635,366)</u>
Total capital assets being depreciated, net	<u>\$ 17,571,278</u>	<u>\$ 1,481,607</u>	<u>\$ (441,587)</u>	<u>\$ 18,611,298</u>
Governmental activities capital assets, net	<u>\$ 20,607,061</u>	<u>\$ 1,572,178</u>	<u>\$ (2,026,608)</u>	<u>\$ 20,152,631</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 10-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
Machinery and equipment	75,470	-	(75,470)	-
Total capital assets being depreciated	<u>\$ 5,316,169</u>	<u>\$ -</u>	<u>\$ (75,470)</u>	<u>\$ 5,240,699</u>
Less: accumulated depreciation for:				
Utility plant	\$ (1,724,056)	\$ (131,016)	\$ -	\$ (1,855,072)
Machinery and equipment	(75,470)	-	75,470	-
Total accumulated depreciation	<u>\$ (1,799,526)</u>	<u>\$ (131,016)</u>	<u>\$ 75,470</u>	<u>\$ (1,855,072)</u>
Total capital assets being depreciated, net	<u>\$ 3,516,643</u>	<u>\$ (131,016)</u>	<u>\$ -</u>	<u>\$ 3,385,627</u>
Business-Type activities capital assets, net	<u>\$ 3,516,643</u>	<u>\$ (131,016)</u>	<u>\$ -</u>	<u>\$ 3,385,627</u>

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

## Governmental activities:

General government administration	\$ 3,244
Judicial administration	4,642
Public safety	207,018
Public works	49,978
Health and welfare	25,673
Education	828,279
Parks, recreation, and cultural	36,411
Community development	<u>7,814</u>

Total depreciation expense-governmental activities	<u>\$ 1,163,059</u>
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## Business-Type activities:

Sewer Authority	<u>\$ 131,016</u>
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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 10-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2012 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
Construction in progress	90,571	-	(90,571)	-
Total capital assets not being depreciated	<u>\$ 4,734,278</u>	<u>\$ -</u>	<u>\$ (90,571)</u>	<u>\$ 4,643,707</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,713,922	\$ 1,684,791	\$ -	\$ 20,398,713
Machinery and equipment	5,715,771	605,685	-	6,321,456
Total capital assets being depreciated	<u>\$ 24,429,693</u>	<u>\$ 2,290,476</u>	<u>\$ -</u>	<u>\$ 26,720,169</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (7,837,332)	\$ (1,919,446)	\$ -	\$ (9,756,778)
Machinery and equipment	(3,974,750)	(233,548)	-	(4,208,298)
Total accumulated depreciation	<u>\$ (11,812,082)</u>	<u>\$ (2,152,994)</u>	<u>\$ -</u>	<u>\$ (13,965,076)</u>
Total capital assets being depreciated, net	<u>\$ 12,617,611</u>	<u>\$ 137,482</u>	<u>\$ -</u>	<u>\$ 12,755,093</u>
Governmental activities capital assets, net	<u>\$ 17,351,889</u>	<u>\$ 137,482</u>	<u>\$ (90,571)</u>	<u>\$ 17,398,800</u>

**Note 11-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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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**Note 12-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 13-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 14-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. \$526,868 is the total estimated closure and postclosure care liability at June 30, 2012. 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 2012. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 15-Deferred (Unearned) Revenue:**

Governmental funds report *deferred 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 *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 7,730,240	\$ 4,814,462
Prepaid taxes	87,493	87,493
Total deferred/unearned revenue for governmental funds	\$ 7,817,733	\$ 4,901,955

**Note 16-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 2012, a total of \$10,899,345 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, 2012, 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 \$566,431 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 2012 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>
2011-12	\$ 339,622	\$ 11,126,154	\$ (10,899,345)	\$ 566,431

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 17-Other Post-Employment 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, 2012

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**Note 17-Other Post-Employment 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 year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 42,919
Interest on net OPEB obligation	361
Adjustment to annual required contribution	(526)
Annual OPEB cost (expense)	<u>42,754</u>
Contributions made	<u>(43,298)</u>
Increase (decrease) in net OPEB obligation	(544)
Net OPEB obligation - beginning of year	<u>7,153</u>
Net OPEB obligation - end of year	\$ <u>6,609</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
6/30/2010	\$ 42,981	99.99%	\$ 4,949
6/30/2011	42,373	94.80%	7,153
6/30/2012	42,754	101.27%	6,609

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 17-Other Post-Employment 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	\$ 279,908
Interest on net OPEB obligation	2,353
Adjustment to annual required contribution	(3,432)
Annual OPEB cost (expense)	278,829
Contributions made	(282,378)
Increase (decrease) in net OPEB obligation	(3,549)
Net OPEB obligation - beginning of year	48,377
Net OPEB obligation - end of year	\$ 44,828

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2010	\$ 295,287	88.04%	\$ 34,000
6/30/2011	276,346	94.80%	48,377
6/30/2012	278,829	101.27%	44,828

## D. Funded Status and Funding Progress

The funded status of the Plan for the County as of July 1, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 464,748
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 464,748
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 5,581,443
UAAL as a percentage of covered payroll	8.33%



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 17-Other Post-Employment 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, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	3,030,967
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	3,030,967
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	20,559,274
UAAL as a percentage of covered payroll		14.74%

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, 2010, 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 10.00 percent graded to 5.00 percent over 8 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011 was 20 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 18-Other Post-Employment Benefits-VRS Health Insurance Credit:**

A. Plan Description

The County participates 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, 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

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 2012 was 0.06% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 18-Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)****C. OPEB Cost and Net OPEB Obligation (continued)**

For 2012, the County's contribution of \$3,289 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 2012 and the two preceding years are shown below:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Primary Government:				
County	6/30/2010	\$ 996	100.00%	\$ -
	6/30/2011	3,304	100.00%	-
	6/30/2012	3,289	100.00%	-

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 100,667
Actuarial value of plan assets	\$ 82,852
Unfunded actuarial accrued liability (UAAL)	\$ 17,815
Funded ratio (actuarial value of plan assets/AAL)	82.30%
Covered payroll (active plan members)	\$ 1,523,173
UAAL as a percentage of covered payroll	1.17%

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 18-Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)**

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 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, 2011 was 30 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.

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 \$110,342 and \$165,875 for the fiscal years ended 2012 and 2011, respectively. The School Board's contributions represented 0.60% and 1.08% of covered payroll for the fiscal years ended 2012 and 2011, respectively.

**Note 19-Moral Obligations**

The County has signed support agreements that back certain debt obligations of the Russell County Industrial Development Authority (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, 2011, the outstanding balance such loans was \$7,834,623. During fiscal year 2011, the County paid \$1,058,677 in debt service for the Russell County Industrial Development Authority. No such payments were made during fiscal year 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012Note 20-Restatement

		<b>Primary Government</b>
		<u>General Fund</u>
Fund Balance as Previously Reported 6/30/11	\$	4,910,249
Solid Waste Charges		99,335
Fund Balance as Restated 6/30/11	\$	<u>5,009,584</u>
		 Governmental
		<u>Activities</u>
Net Assets as Previously Reported 6/30/11	\$	14,164,287
Change in Fund Balance (above)		99,335
Additional Debt Obligations*		(706,605)
Net Assets as Restated 6/30/11	\$	<u><u>13,557,017</u></u>

\*Restatement is due to the discovery of two revenue bonds which were issued in 2001 and 2005 for \$344,477 and \$556,538, respectively, and a \$10,965 restatement to a previously recorded revenue bond issued in 2001 for \$1,678,400.

## **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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 13,721,072	\$ 13,721,072	\$ 12,813,407	\$ (907,665)
Other local taxes	4,888,337	4,888,337	4,870,985	(17,352)
Permits, privilege fees, and regulatory licenses	45,100	45,100	28,272	(16,828)
Fines and forfeitures	1,000	1,000	24,567	23,567
Revenue from the use of money and property	50,000	50,000	51,404	1,404
Charges for services	275,150	275,150	375,860	100,710
Miscellaneous	1,717,522	1,717,522	138,135	(1,579,387)
Recovered costs	150,000	150,000	327,727	177,727
Intergovernmental revenues:				
Commonwealth	6,781,397	6,785,949	8,009,326	1,223,377
Federal	2,162,047	2,164,463	2,798,154	633,691
Total revenues	<u>\$ 29,791,625</u>	<u>\$ 29,798,593</u>	<u>\$ 29,437,837</u>	<u>\$ (360,756)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,107,307	\$ 2,190,553	\$ 2,060,380	\$ 130,173
Judicial administration	2,156,973	2,173,094	2,114,097	58,997
Public safety	4,887,394	4,795,298	5,509,998	(714,700)
Public works	3,346,313	3,335,729	3,226,082	109,647
Health and welfare	5,164,514	5,092,416	6,466,430	(1,374,014)
Education	5,271,204	5,271,204	2,831,068	2,440,136
Parks, recreation, and cultural	513,902	467,913	484,891	(16,978)
Community development	3,426,330	3,432,608	2,442,356	990,252
Nondepartmental	448,056	723,088	305,904	417,184
Capital projects	401,000	438,261	1,721,900	(1,283,639)
Debt service:				
Principal retirement	1,453,358	1,453,358	1,888,842	(435,484)
Interest and other fiscal charges	490,274	490,274	637,179	(146,905)
Total expenditures	<u>\$ 29,666,625</u>	<u>\$ 29,863,796</u>	<u>\$ 29,689,127</u>	<u>\$ 174,669</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 125,000</u>	<u>\$ (65,203)</u>	<u>\$ (251,290)</u>	<u>\$ (186,087)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 1,852,814	\$ 1,852,814
Transfers out	(125,000)	(125,000)	(238,597)	(113,597)
Issuance of capital leases	-	-	512,094	512,094
Total other financing sources (uses)	<u>\$ (125,000)</u>	<u>\$ (125,000)</u>	<u>\$ 2,126,311</u>	<u>\$ 2,251,311</u>
Net change in fund balances	\$ -	\$ (190,203)	\$ 1,875,021	\$ 2,065,224
Fund balances - beginning, as restated	-	190,203	5,009,584	4,819,381
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,884,605</u>	<u>\$ 6,884,605</u>

County of Russell, Virginia  
Special Revenue Fund - Industrial Development Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	<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>				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,533	\$ 3,533
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 3,533	\$ 3,533
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (1,852,814)	\$ (1,852,814)
Net change in fund balances	\$ -	\$ -	\$ (1,849,281)	\$ (1,849,281)
Fund balances - beginning	-	-	1,849,281	1,849,281
Fund balances - ending	\$ -	\$ -	\$ -	\$ -



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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other local taxes	\$ 3,575,750	\$ 3,575,750	\$ 2,010,317	\$ (1,565,433)
Revenue from the use of money and property	-	-	8,659	8,659
Total revenues	<u>\$ 3,575,750</u>	<u>\$ 3,575,750</u>	<u>\$ 2,018,976</u>	<u>\$ (1,556,774)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 3,575,750	\$ 3,575,750	\$ 3,289,070	\$ 286,680
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,270,094)</u>	<u>\$ (1,270,094)</u>
Net change in fund balances	\$ -	\$ -	\$ (1,270,094)	\$ (1,270,094)
Fund balances - beginning	-	-	2,515,562	2,515,562
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,245,468</u>	<u>\$ 1,245,468</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, 2012

	<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	\$ -	\$ -	\$ 84,117	\$ 84,117
Federal	2,053,185	2,053,185	1,993,056	(60,129)
Total revenues	<u>\$ 2,053,185</u>	<u>\$ 2,053,185</u>	<u>\$ 2,077,173</u>	<u>\$ 23,988</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 2,053,185	\$ 2,053,185	\$ 2,052,295	\$ 890
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,878</u>	<u>\$ 24,878</u>
Net change in fund balances	\$ -	\$ -	\$ 24,878	\$ 24,878
Fund balances - beginning	-	-	23,058	23,058
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,936</u>	<u>\$ 47,936</u>

**County of Russell, Virginia**  
**Schedules of Pension and OPEB Funding Progress**  
**For the Year Ended June 30, 2012**

**Primary Government**

## County Retirement Plan:

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2009	19,933,712	23,803,518	3,869,806	83.74%	5,559,094	69.61%

## County Other Postemployment Benefits-Health Insurance:

Valuation as of (*)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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:

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2009	60,586	72,718	12,132	83.32%	5,559,094	0.22%

**Discretely Presented Component Unit:**

## School Board Non-Professional Retirement Plan:

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2009	10,588,117	14,751,035	4,162,918	71.78%	2,878,696	144.61%

## School Board Other Postemployment Benefits-Health Insurance:

Valuation as of (*)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%

\*Only two valuations available

## **Other Supplementary Information**

County of Russell, Virginia  
Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2012

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	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 62,816	\$ 165,080	\$ (158,923)	\$ 68,973
VASAP Fund	-	252,356	(252,356)	-
Total Assets	<u>\$ 62,816</u>	<u>\$ 417,436</u>	<u>\$ (411,279)</u>	<u>\$ 68,973</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 62,816	\$ 165,080	\$ (158,923)	\$ 68,973
Amounts held for VASAP	-	252,356	(252,356)	-
Total Liabilities	<u>\$ 62,816</u>	<u>\$ 417,436</u>	<u>\$ (411,279)</u>	<u>\$ 68,973</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, 2012

	School Operating Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 342,189
Due from other governmental units	1,785,603
Prepaid items	402,669
Total assets	<u>\$ 2,530,461</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 297,543
Salaries payable	1,054,270
Due to primary government	708,695
Total liabilities	<u>\$ 2,060,508</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 402,669
Committed:	
Textbook purchases	32,325
Regional Adult Education	437,628
Unassigned:	(402,669)
Total fund balances	<u>\$ 469,953</u>
Total liabilities and fund balances	<u>\$ 2,530,461</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 469,953
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,398,800
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.	(880,639)
Net assets of governmental activities	<u>\$ 16,988,114</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, 2012

	<b>School Operating Fund</b>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 1,642
Charges for services	786,940
Miscellaneous	256,522
Recovered costs	811,343
Intergovernmental revenues:	
Local government	2,740,646
Commonwealth	26,393,251
Federal	6,841,724
Total revenues	<u>\$ 37,832,068</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 40,449,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,617,637)</u>
Net change in fund balances	\$ (2,617,637)
Fund balances - beginning	<u>3,087,590</u>
Fund balances - ending	<u><u>\$ 469,953</u></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	\$ (2,617,637)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	46,911
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.	148,246
Change in net assets of governmental activities	<u><u>\$ (2,433,583)</u></u>



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, 2012

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 11,500	\$ 11,500	\$ 1,642	\$ (9,858)
Charges for services	793,344	793,344	786,940	(6,404)
Miscellaneous	190,000	190,000	256,522	66,522
Recovered costs	552,902	552,902	811,343	258,441
Intergovernmental revenues:				
Local government	5,180,782	5,180,782	2,740,646	(2,440,136)
Commonwealth	25,758,445	25,758,445	26,393,251	634,806
Federal	7,127,397	7,127,397	6,841,724	(285,673)
Total revenues	<u>\$ 39,614,370</u>	<u>\$ 39,614,370</u>	<u>\$ 37,832,068</u>	<u>\$ (1,782,302)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 39,614,370	\$ 39,614,370	\$ 40,449,705	\$ (835,335)
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,617,637)</u>	<u>\$ (2,617,637)</u>
Net change in fund balances	\$ -	\$ -	\$ (2,617,637)	\$ (2,617,637)
Fund balances - beginning	-	-	3,087,590	3,087,590
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,953</u>	<u>\$ 469,953</u>

## **Supporting Schedules**

County of Russell, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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	\$ 6,336,641	\$ 6,336,641	\$ 7,177,390	\$ 840,749
Real and Personal PSC Tax	2,179,431	2,179,431	973,606	(1,205,825)
Personal Property Tax	2,200,000	2,200,000	2,482,201	282,201
Mobile Home Tax	105,000	105,000	114,123	9,123
Machinery and Tools Tax	1,575,000	1,575,000	1,149,211	(425,789)
Merchants Capital	25,000	25,000	31,664	6,664
Mineral Tax	1,000,000	1,000,000	543,983	(456,017)
Penalties	100,000	100,000	116,843	16,843
Interest	200,000	200,000	224,386	24,386
Total general property taxes	<u>\$ 13,721,072</u>	<u>\$ 13,721,072</u>	<u>\$ 12,813,407</u>	<u>\$ (907,665)</u>
Other local taxes:				
Local Sales and Use Tax	\$ 2,057,982	\$ 2,057,982	\$ 1,755,731	\$ (302,251)
Consumers' Utility Tax	600,000	600,000	568,780	(31,220)
Consumption Taxes	95,000	95,000	83,246	(11,754)
Franchise License Tax	18,000	18,000	11,742	(6,258)
Coal Severance Tax	1,675,000	1,675,000	2,010,318	335,318
Grantee tax	100,000	100,000	79,759	(20,241)
Motor Vehicle Licenses	300,000	300,000	337,567	37,567
Taxes on Recordation and Wills	42,355	42,355	23,842	(18,513)
Total other local taxes	<u>\$ 4,888,337</u>	<u>\$ 4,888,337</u>	<u>\$ 4,870,985</u>	<u>\$ (17,352)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,800	\$ 1,800	\$ 1,435	\$ (365)
Transfer fees	800	800	940	140
Building permits	37,500	37,500	23,831	(13,669)
Other permits and other licenses	5,000	5,000	2,066	(2,934)
Total permits, privilege fees, and regulatory licenses	<u>\$ 45,100</u>	<u>\$ 45,100</u>	<u>\$ 28,272</u>	<u>\$ (16,828)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,000	\$ 1,000	\$ 24,567	\$ 23,567
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 51,404	\$ 1,404
Charges for services:				
Charges for law enforcement and traffic control	\$ 2,000	\$ 2,000	\$ 3,446	\$ 1,446
Charges for Commonwealth's Attorney	2,000	2,000	5,668	3,668
Miscellaneous jail and inmate fees	3,000	3,000	4,053	1,053
District court fees	3,000	3,000	2,615	(385)
Clerk's collections	900	900	827	(73)
Charges for sanitation and waste removal	200,000	200,000	240,683	40,683
Charges for library	19,500	19,500	13,958	(5,542)
Courthouse maintenance fees	7,000	7,000	12,838	5,838
Courthouse security fees	37,000	37,000	40,776	3,776
Cannery charges	-	-	27,997	27,997
Other charges for services	750	750	22,999	22,249
Total charges for services	<u>\$ 275,150</u>	<u>\$ 275,150</u>	<u>\$ 375,860</u>	<u>\$ 100,710</u>

County of Russell, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Donations	\$ -	\$ -	\$ 27,278	\$ 27,278
Miscellaneous other	1,654,522	1,654,522	97,238	(1,557,284)
Sheriff's Department	63,000	63,000	13,619	(49,381)
Total miscellaneous revenue	<u>\$ 1,717,522</u>	<u>\$ 1,717,522</u>	<u>\$ 138,135</u>	<u>\$ (1,579,387)</u>
Recovered costs:				
Telephone	\$ -	\$ -	\$ 2,576	\$ 2,576
Recovered Cost - Social Services	-	-	85,096	85,096
Recovered Cost - Health Department	-	-	30,375	30,375
Recovered Cost - Sheriff	-	-	117,240	117,240
Insurance recoveries	-	-	23,628	23,628
Restitution	-	-	1,148	1,148
Recovered Cost - Regional Jail	-	-	65,082	65,082
Other Recovered Costs	150,000	150,000	2,582	(147,418)
Total recovered costs	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 327,727</u>	<u>\$ 177,727</u>
Total revenue from local sources	<u>\$ 20,848,181</u>	<u>\$ 20,848,181</u>	<u>\$ 18,630,357</u>	<u>\$ (2,217,824)</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 205,000	\$ 205,000	\$ 126,037	\$ (78,963)
Mobile home titling tax	125,000	125,000	131,309	6,309
Motor vehicle rental tax	2,500	2,500	3,696	1,196
State budget reduction	(162,481)	(162,481)	(161,510)	971
Communications tax	901,430	901,430	878,740	(22,690)
State recordation tax	30,000	30,000	30,160	160
Personal property tax relief act funds	1,437,003	1,437,003	1,437,003	-
Total noncategorical aid	<u>\$ 2,538,452</u>	<u>\$ 2,538,452</u>	<u>\$ 2,445,435</u>	<u>\$ (93,017)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 313,793	\$ 313,793	\$ 314,122	\$ 329
Sheriff	1,324,624	1,324,624	1,334,522	9,898
Commissioner of revenue	104,287	104,287	162,140	57,853
Treasurer	107,278	107,278	103,364	(3,914)
Medical examiner	400	400	-	(400)
Registrar/electoral board	65,000	65,000	63,771	(1,229)
Clerk of the Circuit Court	253,102	253,102	249,418	(3,684)
Total Shared Expenses	<u>\$ 2,168,484</u>	<u>\$ 2,168,484</u>	<u>\$ 2,227,337</u>	<u>\$ 58,853</u>
Other categorical aid:				
Community development block grant	\$ -	\$ -	\$ 22,486	\$ 22,486
GIS	-	-	1,401	1,401
E911 capital grant	-	-	150,000	150,000
E911 state funds	120,000	120,000	40,000	(80,000)
Law enforcement grants	50,000	50,000	1,811	(48,189)
Asset forfeiture funds	-	-	78,921	78,921

County of Russell, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 1  
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental Revenues: (continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
EMS grants	\$ 12,000	\$ 12,000	\$ 30,018	\$ 18,018
Fire Program Funds	35,000	35,000	67,682	32,682
Library grants	82,340	82,340	78,954	(3,386)
Litter control grants	13,500	13,500	10,844	(2,656)
Clerk of the circuit court grants	10,000	14,552	23,383	8,831
Public assistance	1,751,621	1,751,621	1,735,812	(15,809)
Comprehensive services act	-	-	1,065,211	1,065,211
School resource officer grants	-	-	22,095	22,095
Emergency management grants	-	-	7,936	7,936
Total other categorical aid	<u>\$ 2,074,461</u>	<u>\$ 2,079,013</u>	<u>\$ 3,336,554</u>	<u>\$ 1,257,541</u>
Total categorical aid	<u>\$ 4,242,945</u>	<u>\$ 4,247,497</u>	<u>\$ 5,563,891</u>	<u>\$ 1,316,394</u>
Total revenue from the Commonwealth	<u>\$ 6,781,397</u>	<u>\$ 6,785,949</u>	<u>\$ 8,009,326</u>	<u>\$ 1,223,377</u>
Revenue from the federal government:				
Categorical aid:				
CDBG grants	\$ -	\$ -	\$ 589,252	\$ 589,252
Electoral Board	-	-	11,400	11,400
Violence against women	22,222	24,638	20,688	(3,950)
Emergency management grants	-	-	38,827	38,827
Law enforcement grants	2,012	2,012	6,746	4,734
DMV ground transportation safety grant	-	-	12,722	12,722
Public assistance	2,137,813	2,137,813	2,118,519	(19,294)
Total categorical aid	<u>\$ 2,162,047</u>	<u>\$ 2,164,463</u>	<u>\$ 2,798,154</u>	<u>\$ 633,691</u>
Total revenue from the federal government	<u>\$ 2,162,047</u>	<u>\$ 2,164,463</u>	<u>\$ 2,798,154</u>	<u>\$ 633,691</u>
Total General Fund	<u><u>\$ 29,791,625</u></u>	<u><u>\$ 29,798,593</u></u>	<u><u>\$ 29,437,837</u></u>	<u><u>\$ (360,756)</u></u>
<b>Special Revenue Funds:</b>				
<b>Industrial Development Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,533	\$ 3,533
Total Industrial Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,533</u>	<u>\$ 3,533</u>
<b>Coal Road Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 3,575,750	\$ 3,575,750	\$ 2,010,317	\$ (1,565,433)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 8,659	\$ 8,659
Total revenue from local sources	<u>\$ 3,575,750</u>	<u>\$ 3,575,750</u>	<u>\$ 2,018,976</u>	<u>\$ (1,556,774)</u>
Total Coal Road Fund	<u><u>\$ 3,575,750</u></u>	<u><u>\$ 3,575,750</u></u>	<u><u>\$ 2,018,976</u></u>	<u><u>\$ (1,556,774)</u></u>

County of Russell, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds: (Continued)</b>				
<b>Workforce Investment Board Fund:</b>				
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Workforce Investment	\$ -	\$ -	\$ 84,117	\$ 84,117
Total revenue from the Commonwealth	\$ -	\$ -	\$ 84,117	\$ 84,117
Revenue from the federal government:				
Categorical aid:				
Workforce Investment	\$ 2,053,185	\$ 2,053,185	\$ 1,993,056	\$ (60,129)
Total revenue from the federal government	\$ 2,053,185	\$ 2,053,185	\$ 1,993,056	\$ (60,129)
Total Workforce Investment Board Fund	\$ 2,053,185	\$ 2,053,185	\$ 2,077,173	\$ 23,988
Total Primary Government	\$ 35,420,560	\$ 35,427,528	\$ 33,537,519	\$ (1,890,009)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,000	\$ 10,000	\$ 142	\$ (9,858)
Revenue from the use of property	1,500	1,500	1,500	-
Total revenue from use of money and property	\$ 11,500	\$ 11,500	\$ 1,642	\$ (9,858)
Charges for services:				
Cafeteria sales	\$ 683,714	\$ 683,714	\$ 597,693	\$ (86,021)
Tuition payments	-	-	2,583	2,583
Drivers Ed fees	14,000	14,000	13,140	(860)
Regional Adult Education	85,630	85,630	170,889	85,259
GED Testing fees	10,000	10,000	2,635	(7,365)
Total charges for services	\$ 793,344	\$ 793,344	\$ 786,940	\$ (6,404)
Miscellaneous revenue:				
Other miscellaneous	\$ 190,000	\$ 190,000	\$ 256,522	\$ 66,522
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 123,401	\$ 123,401
Extra duties revenue	23,000	23,000	33,967	10,967
Dual Enrollment	200,000	200,000	487,636	287,636
Sale of Equipment and Supplies	42,000	42,000	2,935	(39,065)
Reimburse Health Services	45,000	45,000	57,742	12,742
Other recovered costs	242,902	242,902	105,662	(137,240)
Total recovered costs	\$ 552,902	\$ 552,902	\$ 811,343	\$ 258,441
Total revenue from local sources	\$ 1,547,746	\$ 1,547,746	\$ 1,856,447	\$ 308,701

County of Russell, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Russell, Virginia	\$ 5,180,782	\$ 5,180,782	\$ 2,740,646	\$ (2,440,136)
Total revenues from local governments	<u>\$ 5,180,782</u>	<u>\$ 5,180,782</u>	<u>\$ 2,740,646</u>	<u>\$ (2,440,136)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,283,377	\$ 3,283,377	\$ 3,402,919	\$ 119,542
Basic Aid	13,689,938	13,689,938	14,076,152	386,214
Remedial summer education	180,612	180,612	174,833	(5,779)
Regular foster care	19,358	19,358	11,634	(7,724)
Gifted and talented	143,643	143,643	147,143	3,500
Remedial education	462,850	462,850	474,128	11,278
Special education	1,841,822	1,841,822	1,886,702	44,880
Textbook payment	130,471	130,471	132,624	2,153
Career and Technical Education	115,982	115,982	34,680	(81,302)
Alternative education	749,679	749,679	749,679	-
Elementary Alternative Education	-	-	2,500	2,500
Algebra readiness	63,856	63,856	71,164	7,308
Mentor teacher program	8,080	8,080	3,659	(4,421)
Social security fringe benefits	877,818	877,818	899,208	21,390
Group life	31,921	31,921	32,698	777
Retirement fringe benefits	794,824	794,824	814,192	19,368
Supplemental support	413,756	413,756	179,894	(233,862)
Early reading intervention	98,252	98,252	79,081	(19,171)
Adult Education	6,338	6,338	34,655	28,317
Homebound education	62,481	62,481	27,120	(35,361)
Vocation education	536,267	536,267	592,058	55,791
At risk payments	535,388	535,388	548,615	13,227
Primary class size	591,084	591,084	576,302	(12,782)
Technology	414,000	414,000	314,655	(99,345)
Jobs for Virginia Graduates	22,500	22,500	21,000	(1,500)
Industry Certification Costs	-	-	3,349	3,349
At risk four-year olds	525,274	525,274	525,274	-
School Food	36,010	36,010	36,348	338
English as a second language	22,147	22,147	11,291	(10,856)
Project graduation	-	-	7,869	7,869
GED prep programs	15,717	15,717	90,709	74,992
Lottery payments	-	-	243,944	243,944
Tobacco Commission	-	-	89,233	89,233
Adult literacy	85,000	85,000	95,939	10,939
Total categorical aid	<u>\$ 25,758,445</u>	<u>\$ 25,758,445</u>	<u>\$ 26,393,251</u>	<u>\$ 634,806</u>
Total revenue from the Commonwealth	<u>\$ 25,758,445</u>	<u>\$ 25,758,445</u>	<u>\$ 26,393,251</u>	<u>\$ 634,806</u>
Revenue from the federal government:				
Categorical aid:				
Basic Adult Education	\$ 453,160	\$ 453,160	\$ 444,681	\$ (8,479)
Title I	1,661,212	1,661,212	1,731,003	69,791
ARRA - Title I	90,000	90,000	100,000	10,000
Special Education	1,190,890	1,190,890	1,183,568	(7,322)
Title VI-B, preschool	35,822	35,822	35,770	(52)
ARRA - Title VI-B, preschool	-	-	30,058	30,058
Vocational education	97,462	97,462	93,778	(3,684)
School Food Program	1,125,000	1,125,000	1,323,790	198,790

County of Russell, Virginia  
Schedule of Revenues - Budget and Actual  
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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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ARRA - Educational Jobs program	\$ 637,472	\$ 637,472	\$ 80,948	\$ (556,524)
Fresh fruit and vegetable program	-	-	29,189	29,189
WIA adult activities	-	-	38,000	38,000
Improving teacher quality	316,793	316,793	294,856	(21,937)
Even start	307,869	307,869	259,316	(48,553)
21st century grant	1,074,320	1,074,320	967,797	(106,523)
Learn and serve America	25,000	25,000	23,723	(1,277)
Rural and low income schools	102,767	102,767	203,452	100,685
Educational technology	9,630	9,630	1,795	(7,835)
Total categorical aid	<u>\$ 7,127,397</u>	<u>\$ 7,127,397</u>	<u>\$ 6,841,724</u>	<u>\$ (285,673)</u>
Total revenue from the federal government	<u>\$ 7,127,397</u>	<u>\$ 7,127,397</u>	<u>\$ 6,841,724</u>	<u>\$ (285,673)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 39,614,370</u>	<u>\$ 39,614,370</u>	<u>\$ 37,832,068</u>	<u>\$ (1,782,302)</u>



County of Russell, Virginia  
Schedule of Expenditures - Budget and Actual  
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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	\$ 200,999	\$ 200,999	\$ 196,444	\$ 4,555
General and financial administration:				
County administrator	\$ 367,396	\$ 434,997	\$ 443,070	\$ (8,073)
Independent auditor	72,000	72,000	59,950	12,050
Commissioner of the revenue	286,594	319,522	325,409	(5,887)
Real estate assessor	416,585	413,011	290,514	122,497
Treasurer	415,387	407,914	378,011	29,903
Data processing	93,891	92,244	90,259	1,985
Total general and financial administration	\$ 1,651,853	\$ 1,739,688	\$ 1,587,213	\$ 152,475
Board of elections:				
Electoral Board	\$ 128,970	\$ 128,647	\$ 142,400	\$ (13,753)
General Registrar	125,485	121,219	134,323	(13,104)
Total board of elections	\$ 254,455	\$ 249,866	\$ 276,723	\$ (26,857)
Total general government administration	\$ 2,107,307	\$ 2,190,553	\$ 2,060,380	\$ 130,173
Judicial administration:				
Courts:				
Circuit Court	\$ 130,275	\$ 120,144	\$ 131,598	\$ (11,454)
General District Court	11,000	11,000	10,052	948
Special Magistrates	10,400	10,400	8,666	1,734
Clerk's Office	382,032	389,435	375,648	13,787
Sheriff Courts	1,128,114	1,155,145	1,051,330	103,815
Victim and Witness Assistance	24,960	27,054	32,813	(5,759)
Law Library	-	-	620	(620)
Total courts	\$ 1,686,781	\$ 1,713,178	\$ 1,610,727	\$ 102,451
Commonwealth's attorney:				
Commonwealth's Attorney	\$ 470,192	\$ 459,916	\$ 503,370	\$ (43,454)
Total judicial administration	\$ 2,156,973	\$ 2,173,094	\$ 2,114,097	\$ 58,997
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,507,143	\$ 1,471,422	\$ 1,907,502	\$ (436,080)
Alcohol Safety Action Program	-	-	13,165	(13,165)
Total law enforcement and traffic control	\$ 1,507,143	\$ 1,471,422	\$ 1,920,667	\$ (449,245)
Fire and rescue services:				
Volunteer Fire Departments	\$ 242,391	\$ 242,391	\$ 264,728	\$ (22,337)
Ambulance Rescue Squad	170,575	170,575	159,802	10,773
Total fire and rescue services	\$ 412,966	\$ 412,966	\$ 424,530	\$ (11,564)
Correction and detention:				
Operation of Jail	\$ 1,781,902	\$ 1,781,902	\$ 1,755,193	\$ 26,709
Probation Office	237,988	237,988	242,632	(4,644)
Total correction and detention	\$ 2,019,890	\$ 2,019,890	\$ 1,997,825	\$ 22,065
Inspections:				
Building inspector	\$ 121,011	\$ 117,084	\$ 123,983	\$ (6,899)

County of Russell, Virginia  
Schedule of Expenditures - Budget and Actual  
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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)				
Other protection:				
Forestry Service	\$ 12,100	\$ 12,100	\$ 12,098	\$ 2
Enhanced 911	541,740	461,300	683,709	(222,409)
Medical Examiner	1,000	1,000	380	620
Emergency Services	85,986	137,749	131,286	6,463
Animal Control	185,558	161,787	215,520	(53,733)
Total other protection	<u>\$ 826,384</u>	<u>\$ 773,936</u>	<u>\$ 1,042,993</u>	<u>\$ (269,057)</u>
Total public safety	<u>\$ 4,887,394</u>	<u>\$ 4,795,298</u>	<u>\$ 5,509,998</u>	<u>\$ (714,700)</u>
Public works:				
Sanitation and waste removal:				
Landfill	\$ 2,610,596	\$ 2,607,403	\$ 2,434,849	\$ 172,554
Refuse collection	-	-	75,000	(75,000)
Total sanitation and waste removal	<u>\$ 2,610,596</u>	<u>\$ 2,607,403</u>	<u>\$ 2,509,849</u>	<u>\$ 97,554</u>
Maintenance of general buildings and grounds:				
General properties	\$ 735,717	\$ 728,326	\$ 716,233	\$ 12,093
Total public works	<u>\$ 3,346,313</u>	<u>\$ 3,335,729</u>	<u>\$ 3,226,082</u>	<u>\$ 109,647</u>
Health and welfare:				
Health:				
Health Department	\$ 343,506	\$ 343,506	\$ 343,506	\$ -
Mental health and mental retardation:				
Cumberland Mountain Community Services Board	\$ 157,547	\$ 157,547	\$ 157,547	\$ -
Welfare/Social Services:				
Health and welfare	\$ -	\$ -	\$ 7,278	\$ (7,278)
Social services	4,484,451	4,414,451	4,308,790	105,661
Comprehensive Services Act	81,512	79,414	1,551,176	(1,471,762)
Appalachian Agency for Senior Citizens	86,560	86,560	87,195	(635)
Lebanon Speech and Hearing	10,938	10,938	10,938	-
Total welfare	<u>\$ 4,663,461</u>	<u>\$ 4,591,363</u>	<u>\$ 5,965,377</u>	<u>\$ (1,374,014)</u>
Total health and welfare	<u>\$ 5,164,514</u>	<u>\$ 5,092,416</u>	<u>\$ 6,466,430</u>	<u>\$ (1,374,014)</u>
Education:				
Contributions to County School Board	\$ 5,180,782	\$ 5,180,782	\$ 2,740,646	\$ 2,440,136
SVCC Contribution	90,422	90,422	90,422	-
Total education	<u>\$ 5,271,204</u>	<u>\$ 5,271,204</u>	<u>\$ 2,831,068</u>	<u>\$ 2,440,136</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Park	\$ 103,437	\$ 103,136	\$ 106,179	\$ (3,043)
Library:				
Public Library	\$ 410,465	\$ 364,777	\$ 378,712	\$ (13,935)
Total parks, recreation, and cultural	<u>\$ 513,902</u>	<u>\$ 467,913</u>	<u>\$ 484,891</u>	<u>\$ (16,978)</u>

County of Russell, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
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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>				
Community development:				
Planning and community development:				
Planning Commission	\$ 47,500	\$ 47,500	\$ 43,274	\$ 4,226
Community Development	64,075	72,075	100,499	(28,424)
Industrial Development	2,166,289	2,166,289	1,858,389	307,900
PSA Contributions	928,480	928,480	121,864	806,616
Cumberland Plateau	35,000	35,000	35,000	-
Regional Housing	15,000	15,000	15,000	-
Highway Safety Commission	2,400	2,400	1,764	636
Canneries	-	-	123,844	(123,844)
Tourism	68,566	66,844	66,277	567
Total planning and community development	\$ 3,327,310	\$ 3,333,588	\$ 2,365,911	\$ 967,677
Environmental management:				
Soil and Water Conservation	\$ 34,236	\$ 34,236	\$ 34,453	\$ (217)
Cooperative extension program:				
VPI Extension	\$ 64,784	\$ 64,784	\$ 41,992	\$ 22,792
Total community development	\$ 3,426,330	\$ 3,432,608	\$ 2,442,356	\$ 990,252
Nondepartmental:				
Nondepartmental	\$ 448,056	\$ 723,088	\$ 305,904	\$ 417,184
Capital projects:				
Water projects	\$ -	\$ -	\$ 1,020,999	\$ (1,020,999)
Other capital projects	401,000	438,261	137,361	300,900
School projects	-	-	563,540	(563,540)
Total capital projects	\$ 401,000	\$ 438,261	\$ 1,721,900	\$ (1,283,639)
Debt service:				
Principal payments	\$ 1,453,358	\$ 1,453,358	\$ 1,888,842	\$ (435,484)
Interest Expense	490,274	490,274	637,179	(146,905)
Total debt service	\$ 1,943,632	\$ 1,943,632	\$ 2,526,021	\$ (582,389)
Total General Fund	\$ 29,666,625	\$ 29,863,796	\$ 29,689,127	\$ 174,669
<b>Special Revenue Funds:</b>				
<b>Coal Road Fund:</b>				
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Maintenance of highways, streets, bridges and sidewalks	\$ 3,000,750	\$ 3,000,750	\$ 2,678,614	\$ 322,136
Virginia coalfield	575,000	575,000	610,456	(35,456)
Total Public Works	\$ 3,575,750	\$ 3,575,750	\$ 3,289,070	\$ 286,680
Total Coal Road Fund	\$ 3,575,750	\$ 3,575,750	\$ 3,289,070	\$ 286,680

County of Russell, Virginia  
Schedule of Expenditures - Budget and Actual  
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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>Special Revenue Funds: (Continued)</b>				
<b>Workforce Investment Board Fund:</b>				
Health and Welfare				
Welfare				
Workforce Investment	\$ 2,053,185	\$ 2,053,185	\$ 2,052,295	\$ 890
Total Primary Government	\$ 35,295,560	\$ 35,492,731	\$ 35,030,492	\$ 462,239
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration and health services	\$ 1,291,909	\$ 1,291,909	\$ 1,338,724	\$ (46,815)
Instruction costs:				
Instructional costs	\$ 28,540,305	\$ 28,540,305	\$ 29,756,511	\$ (1,216,206)
Technology	479,897	479,897	480,328	(431)
Total instruction costs	\$ 29,020,202	\$ 29,020,202	\$ 30,236,839	\$ (1,216,637)
Operating costs:				
Pupil transportation	\$ 2,746,166	\$ 2,746,166	\$ 2,754,359	\$ (8,193)
Operation and maintenance of school plant	4,691,749	4,691,749	4,010,904	680,845
Food service and non-instructional	1,864,344	1,864,344	2,108,879	(244,535)
Total operating costs	\$ 9,302,259	\$ 9,302,259	\$ 8,874,142	\$ 428,117
Total education	\$ 39,614,370	\$ 39,614,370	\$ 40,449,705	\$ (835,335)
Total School Operating Fund	\$ 39,614,370	\$ 39,614,370	\$ 40,449,705	\$ (835,335)
Total Discretely Presented Component Unit - School Board	\$ 39,614,370	\$ 39,614,370	\$ 40,449,705	\$ (835,335)

## **Other Statistical Section**

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare (2)	Education	Parks, Recreation, and Cultural	Community Development (3)	Interest on Long-Term Debt	Service Authority	Total
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 6 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.

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	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)		
2011-12	\$ 488,408	\$ 9,677,480	\$ 761,738	\$ 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	6,340,919	89,819	177,669	2,638,202	33,903,025	
2009-10	393,362	7,473,127	-	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	7,779,265	153,807	346,880	1,771,674	30,798,596	
2007-08	505,428	7,780,609	-	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	5,467,574	808,979	252,756	1,881,802	31,216,330	

(1) Information has only been available for 6 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
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
2002-03	1,267,146	977,540	3,651,469	3,067,788	4,910,495	27,683,380	378,365	4,133,801	-	2,111,104	48,181,088

(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
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
2002-03	10,025,380	4,785,938	45,294	19,552	89,715	764,203	209,160	145,776	36,381,448	52,466,466

(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
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%
2002-03	8,989,461	8,106,975	90.18%	361,604	8,468,579	94.21%	1,853,569	20.62%

(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
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	93,980,621	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
2002-03	842,179,548	114,427,984	78,930,645	3,051,245	24,231,179	226,477,438	1,289,298,039

(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
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
2002-03	0.55	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

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
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
2002-03	28,940	1,289,298	15,770,006	15,770,006	1.22%	545

(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
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%
2002-03	1,658,923	48,181,088	3.44%

(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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units (School Board and Russell County Industrial Development Authority), each major fund, and the aggregate remaining fund information of the County of Russell, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Russell, Virginia's basic financial statements and have issued our report thereon dated December 19, 2012. The report on the aggregate discretely presented component units was qualified because of the omission of the discretely presented component units (Russell County Public Service Authority and Castlewood Water and Sewage Authority). We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 2012-1 and 2012-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Russell, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-3 and 2012-4.

We noted certain matters that we reported to management of the County of Russell, Virginia, in a separate letter dated December 19, 2012.

The County of Russell, Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Russell, Virginia's responses and, accordingly, we express no opinion on them.

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

*Robinson, Famer, & Associates*

Blacksburg, Virginia  
December 19, 2012

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## **Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

### **Compliance**

We have audited the 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 the County of Russell, Virginia's major federal programs for the year ended June 30, 2012. The 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Russell, Virginia's management. Our responsibility is to express an opinion on the County of Russell, Virginia's compliance based on our audit.

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

As described in item 2012-5 in the accompanying schedule of findings and questioned costs, the County of Russell, Virginia did not comply with requirements regarding allowable costs that are applicable to its Adult Education program. Compliance with such requirements is necessary, in our opinion, for the County of Russell, Virginia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County of Russell, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

Management of the County of Russell, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Russell, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-5 to be a material weakness.

The County of Russell, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Russell, Virginia's response and, accordingly, we express no opinion on the response.

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

*Robinson, Famer, & Associates*

Blacksburg, Virginia  
December 19, 2012

County of Russell, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Page 1 of 4

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	0950111, 0950112	\$ 24,912
Temporary Assistance for Needy Families	93.558	0400111, 0400112	419,053
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111, 0500112	504
Low-Income Home Energy Assistance	93.568	0600411, 0600412	34,013
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770110, 0770111	11,659
Child Care Mandatory and Matching Funds of the	93.596	0760111, 0760112	72,318
Child Care and Development Fund			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111, 0900112	1,346
Foster Care - Title IV-E	93.658	1100111, 1100112	413,488
Adoption Assistance	93.659	1120111, 1120112	320,174
Social Services Block Grant	93.667	1000111, 1000112	269,259
Chafee Foster Care Independence Program	93.674	9150111, 9150112	12,340
Children's Health Insurance Program	93.767	0540111, 0540112	9,528
Medical Assistance Program	93.778	1200111, 1200112	<u>200,229</u>
Total Department of Health and Human Services			<u>\$ 1,788,823</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution-Schools (Note 3)	10.555	Not applicable	\$ 88,581
Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	40623	919,243
National School Lunch Program Subtotal			<u>\$ 1,007,824</u>
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	40591	315,966
Fresh Fruit and Vegetable Program	10.582	40599	29,189
Department of Social Services:			
State Administrative Matching Grants for the Supplemental	10.561	0010111, 0010112	\$ 329,696
Nutrition Assistance Program		0040111, 0040112	
Total Department of Agriculture			<u>\$ 1,682,675</u>
U.S. Election Assistance Commission			
Pass Through Payments:			
Virginia Board of Elections:			
Help America Vote Act Requirements Payments	90.401	40040	<u>\$ 11,400</u>

County of Russell, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Page 2 of 4

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607	Not applicable	\$ 6,746
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	10WFAX0041	20,688
Total Department of Justice			\$ 27,434
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2012 52260 4638 SC-2011 51346 4288	\$ 12,722
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 444,681
Title I Cluster:			
Title I: Grants to Local Educational Agencies	84.010	42901	1,731,003
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	100,000
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	1,183,568
Special Education - Preschool Grants	84.173	62521	35,770
ARRA - Special Education - Preschool Grants	84.392	61247	30,058
Career and Technical Education: Basic Grants to States	84.048	61095	93,778
Even Start - State Educational Agencies	84.213	42950	259,316
Twenty-First Century Community Learning Centers	84.287	60565	967,797
Education Technology State Grants	84.318	61600	1,795
Rural Education	84.358	43481	203,452
ARRA - Education Jobs Funds	84.410	62700	80,948
Improving Teacher Quality State Grants	84.367	61480	294,856
Total Department of Education			\$ 5,427,022
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	50791	\$ 589,252
Corporation on National and Community Service:			
Pass Through Payments:			
Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	60185	\$ 23,723

County of Russell, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Page 3 of 4

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Labor:			
Pass Through Payments:			
Department of Education:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	53427	\$ 38,000
Virginia Community College System:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	53427	768,424
WIA Adult Program Total	17.258	53427	\$ 806,424
WIA Youth Activities	17.259	53427	987,669
WIA Dislocated Workers	17.260	53427	236,963
Total Department of Labor			\$ 2,031,056
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	52707, 52741	\$ 16,767
Emergency Management Performance Grant	97.042	146	14,060
Homeland Security Grant Program	97.053	52727	8,000
Total U.S. Department of Homeland Security			\$ 38,827
Total Expenditures of Federal Awards			\$ 11,632,934

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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Russell County, Virginia, it is not intended to and does not present the financial position, changes in net assets, 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, 2012 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	\$ 589,252
17.258, 17.259, 17.260	Workforce Investment Act Cluster	1,993,056

County of Russell, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

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Page 4 of 4

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	\$ 2,798,154
Workforce Investment Board Fund	<u>1,993,056</u>

Total primary government:	<u>\$ 4,791,210</u>
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Component Unit Schools:

School Operating Fund	<u>\$ 6,841,724</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 11,632,934</u></u>
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County of Russell, Virginia

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

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? Yes

**Federal Awards**

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? Yes

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.173/84.027/84.392	Special Education Cluster
84.010/84.389	Title I: Part A Cluster
10.553/10.555	Child Nutrition Cluster
14.228	Community Development Block Grant
84.002	Adult Education - Basic Grants to States
84.287	Twenty-first Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: \$348,988

Auditee qualified as low-risk auditee? No



County of Russell, Virginia

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

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Section II - Financial Statement Findings

2012-1

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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 2012 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 2012 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2012-2

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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 lacks proper segregation of duties over payroll.
Cause of Condition:	The School Board lacks 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 payroll lacks proper segregation of duties and has hired a Finance Director that should reduce the risk due to segregation of duties. The new Director was hired at the end of fiscal year 2012 which should alleviate the issue for fiscal year 2013.

## County of Russell, Virginia

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

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

#### 2012-3

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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 IDA Debt Reduction Fund, VPA Expenditures Fund, Cannery Fund, Textbook Fund, Workforce Investment Fund and Law Library Fund overspent the budget. Numerous departments within the General fund also overspent their budget.
Cause of Condition:	The County has never posted supplemental appropriations to the accounting system.
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.

#### 2012-4

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Criteria:	The <u>Code of Virginia</u> , (1950), requires that CSA pool expenditures be related to public or private nonresidential or residential services for troubled youths and families. The Auditor of Public Accounts (APA) requires that requests for these expenditures be supported with written contracts, service agreements, or invoices.
Condition:	The County requested and received reimbursement for one month of CSA pool expenditures twice.
Context:	Reimbursement requests exceeded annual expenditures by \$125,649.
Cause of Condition:	Staff turnover and job responsibility transitions.
Effect of Condition:	The County received a duplicate reimbursement for expenses totaling \$125,649 resulting in an overpayment from the Commonwealth.
Recommendation:	The County should closely monitor expenses that are requested for reimbursement.
Management's Response:	Management will closely review all expenses that are requested for reimbursement and ensure that transfers of job responsibilities go smoother in the future.

## County of Russell, Virginia

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

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

<u>2012-5</u>	Adult Education - Basic Grants to States -CFDA 84.002 Award Number V002A10047, Award Year 2010 and V002A110047, Award Year 2011
Statement of Condition:	Allowable costs: The School Board charged a number of bills to the Program based on budgeted amounts and not actual amounts spent. In addition, a large portion of these expenditures were paid in advance of receiving the goods or services.
Criteria:	Expenditures submitted for reimbursement should be traced to an exact cost and documented appropriately.
Context:	Eighteen invoices were selected for review. The above instances of noncompliance were noted in six of the invoices.
Cause:	Desire to use up money prior to losing it.
Effect:	Reimbursement requests are not supported by documentation specifically related to the program.
Questioned Costs:	The School Board has \$35,450 in questioned costs.
Recommendation:	The School Board should review each reimbursement request to verify that it is supported appropriately by allowable expenditures.
Management's Response and Planned Corrective Actions:	The School Board will review each reimbursement request to verify that it is supported appropriately by allowable expenditures.

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

Financial Statement Findings 2011-1, 2011-2, and 2011-3 recurred during fiscal year 2012. Federal Award Findings and Questioned Costs 2011-5 recurred during fiscal year 2012 but was not material to the Financial Statements. Federal Award Findings and Questioned Costs 2011-6 was corrected during fiscal year 2012.