

COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

**COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of Elected and Appointed Officials		<u>Page</u> 1
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FINANCIAL SECTION

Independent Auditors' Report		2-4
------------------------------------	--	-----

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	10
Statement of Net Position - Proprietary Funds	7	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	12
Statement of Cash Flows - Proprietary Funds	9	13
Statement of Fiduciary Net Position - Fiduciary Funds	10	14
Notes to Financial Statements		15-59

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund	11	60
Special Revenue Fund - Coal Road	12	61
Special Revenue Fund - Workforce Investment Board	13	62
Schedule of Pension and OPEB Funding Progress	14	63

**COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combined Statement of Changes in Assets and Liabilities - Agency Funds	15	64
Discretely Presented Component Unit - School Board:		
Balance Sheet	16	65
Statement of Revenues, Expenditures, and Changes in Fund Balances --		
Governmental Funds	17	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances -		
Budget and Actual	18	67
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	68-73
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	74-77
Other Statistical Information:		
	<u>Table</u>	<u>Page</u>
Government-wide Information:		
Government-Wide Expenses by Function	1	78
Government-Wide Revenues	2	79
Fund Information:		
General Governmental Expenditures by Function	3	80
General Governmental Revenues by Source	4	81
Property Tax Levies and Collections	5	82
Assessed Value of Taxable Property	6	83
Property Tax Rates	7	84
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded		
Debt Per Capita	8	85
Ratio of Annual Debt Service Expenditures for General Bonded Debt to		
Total General Governmental Expenditures.....	9	86

**COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87-88
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	89-90
Schedule of Expenditures of Federal Awards	91-93
Schedule of Findings and Questioned Costs	94-96

INTRODUCTORY SECTION

COUNTY OF RUSSELL, VIRGINIA

BOARD OF SUPERVISORS

Jon Bowerbank, Chairman	Fred A. Arrington
Joseph Puckett, Vice Chairman	Ernest (Shy) Kennedy
Bob Gibson	Danny L. Brown
Rebecca Dye	

COUNTY SCHOOL BOARD

Charlie Collins, Chairman	Roger Glovier
Carl Jackson, Vice Chairman	Linda Cross
Wayne Bostic	Linda Garrett
Tom Griffith	
Robert D. Hillman	

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Russell, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Russell, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension and OPEB funding progress on pages 60-62, and 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The other supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, on our consideration of County of Russell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Russell, Virginia's internal control over financial reporting and compliance.

Robinson, Jaeger, & Associates

Blacksburg, Virginia
January 8, 2015

Basic Financial Statements

County of Russell, Virginia
Statement of Net Position
~~June 30, 2014~~

	Primary Government			Component Units			
	Governmental	Business-type	Total	School Board	Industrial	Russell County	Castlewood
	Activities	Activities			Development	Public Service	Water and Sewage
				Authority	Authority	Authority	
ASSETS							
Cash and cash equivalents	\$ 7,072,472	\$	\$ 7,072,472	\$ 780,728	\$ 264,264	\$ 127,216	\$ 86,332
Receivables (net of allowance for uncollectibles):							
Taxes receivable	8,262,339		8,262,339				
Accounts receivable	749,724	7,806	757,530	3,460	15,540	269,079	391,936
Due from component unit	1,348,626		1,348,626				
Due from other governmental units	1,702,078		1,702,078	1,165,330			10,211
Inventories						22,391	
Prepaid items				748,910			
Restricted assets							
Cash and cash equivalents	554,893	42,570	604,463			120,506	119,946
Capital assets (net of accumulated depreciation):							
Land	568,695		568,695	5,636,345	2,303,397	106,332	130,080
Land rights							13,716
Land improvements					394,784		
Buildings and improvements	15,087,963		15,087,963	10,378,724	10,161,083	107,097	212,909
Machinery and equipment	1,492,229		1,492,229	1,436,490	758,649	2,288,755	142,172
Utility plant in service		3,123,593	3,123,593			17,007,790	9,369,495
Construction in progress					4,922,034	2,728,993	2,085,961
Accumulated Depreciation					(2,023,869)	(5,165,442)	
Total assets	\$ 36,839,019	\$ 3,180,974	\$ 40,019,993	\$ 20,149,987	\$ 16,795,882	\$ 17,612,717	\$ 12,562,758
LIABILITIES							
Accounts payable	\$ 1,785,703	\$ 17,968	\$ 1,803,671	\$ 104,016	\$ 711,045	\$ 165,211	\$ 372,036
Accrued liabilities	2,802		2,802	888,935	693	103,191	23,807
Customer deposits						11,745	51,160
Accrued interest payable	194,383	1,688	196,071		53,089	3,130	19,381
Line of credit							146,209
Due to primary government				1,148,626	200,000		
Long-term liabilities:							
Due within one year	2,004,758	21,015	2,025,773	620,117	562,096	144,666	175,709
Due in more than one year	14,317,000	672,399	14,989,399	915,798	9,282,898	6,599,538	5,421,626
Total liabilities	\$ 18,304,646	\$ 713,070	\$ 19,017,716	\$ 3,677,492	\$ 10,809,821	\$ 7,027,481	\$ 6,209,928
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue - property taxes	\$ 5,286,587	\$	\$ 5,286,587	\$	\$	\$	\$
NET POSITION							
Net investment in capital assets	\$ 6,868,426	\$ 2,430,179	\$ 9,298,605	\$ 17,451,559	\$ 6,026,560	\$ 10,329,322	\$ 6,054,538
Restricted:							
Coal Road	573,214		573,214				
Debt service and bond covenants		49,575	49,575			120,506	119,946
Unrestricted (deficit)	5,806,146	(11,850)	5,794,296	(979,064)	(40,499)	135,408	178,346
Total net position	\$ 13,247,786	\$ 2,467,904	\$ 15,715,690	\$ 16,472,495	\$ 5,986,061	\$ 10,585,236	\$ 6,352,830

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Russell County Public Service Authority
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 1,702,984	\$ 9,677	\$ 323,356	\$ 24,250	\$ (1,345,701)	\$ -	\$ (1,345,701)			
Judicial administration	2,039,186	42,626	659,116		(1,337,444)		(1,337,444)			
Public safety	6,005,354	99,627	1,677,247	296,061	(3,932,419)		(3,932,419)			
Public works	4,381,728	176,440	80,000		(4,125,288)		(4,125,288)			
Health and welfare	7,169,883		6,150,822		(1,019,061)		(1,019,061)			
Education	8,943,324				(8,943,324)		(8,943,324)			
Parks, recreation, and cultural	546,171	34,147	100,690		(411,334)		(411,334)			
Community development	1,687,428				(1,687,428)		(1,687,428)			
Interest on long-term debt	457,095				(457,095)		(457,095)			
Total governmental activities	\$ 32,933,153	\$ 362,517	\$ 8,991,231	\$ 320,311	\$ (23,259,094)	\$ -	\$ (23,259,094)			
Business-type activities:										
Service Authority	\$ 403,848	\$ 83,210	\$ -	\$ -	\$ -	\$ (320,638)	\$ (320,638)			
Total primary government	\$ 33,337,001	\$ 445,727	\$ 8,991,231	\$ 320,311	\$ (23,259,094)	\$ (320,638)	\$ (23,579,732)			
COMPONENT UNITS:										
School Board	\$ 38,619,840	\$ 512,396	\$ 30,104,256	\$ -			\$ (8,003,188)	\$ -	\$ -	\$ -
Industrial Development Authority	2,773,009		1,530,799	1,190,447			(51,763)			
Russell County Public Service Authority	1,960,358	1,169,351		1,101,728					310,721	
Castlewood Water and Sewer Authority	1,685,287	1,131,088								(554,199)
Total component units	\$ 45,038,494	\$ 2,812,835	\$ 31,635,055	\$ 2,292,175			\$ (8,003,188)	\$ (51,763)	\$ 310,721	\$ (554,199)
General revenues:										
General property taxes					\$ 15,749,617	\$ -	\$ 15,749,617	\$ -	\$ -	\$ -
Other local taxes:										
Local sales and use taxes					1,736,895		1,736,895			
Coal road and severance taxes					1,922,826		1,922,826			
Consumers' utility taxes					547,137		547,137			
Motor vehicle licenses					476,255		476,255			
Other local taxes					190,744		190,744			
Unrestricted revenues from use of money and property					359,952		359,952	763	606,701	2,715
Miscellaneous					86,115		86,115	221,283	48,438	127,182
Payments from the County of Russell, Virginia								8,350,658	1,054,462	107,687
Grants and contributions not restricted to specific programs					2,562,116		2,562,116			
Gain on disposal of capital assets										3,531
Transfers					(212,781)	212,781				
Total general revenues and transfers					\$ 23,418,876	\$ 212,781	\$ 23,631,657	\$ 8,572,704	\$ 1,709,621	\$ 241,115
Change in net position					\$ 159,782	\$ (107,857)	\$ 51,925	\$ 569,516	\$ 1,657,858	\$ 551,836
Net position - beginning					13,088,004	2,575,761	15,663,765	15,902,979	4,328,203	10,033,400
Net position - ending					\$ 13,247,786	\$ 2,467,904	\$ 15,715,690	\$ 16,472,495	\$ 5,986,061	\$ 10,585,236

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

County of Russell, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,594,350	\$ -	\$ -	\$ 3,594,350
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,262,339	-	-	8,262,339
Accounts receivable	270,273	92,149	-	362,422
Due from other funds	111,220	65,105	-	176,325
Due from component unit	1,348,626	-	-	1,348,626
Due from other governmental units	1,300,725	-	401,353	1,702,078
Restricted assets:				
Cash and cash equivalents	-	554,893	-	554,893
Total assets	<u>\$ 14,887,533</u>	<u>\$ 712,147</u>	<u>\$ 401,353</u>	<u>\$ 16,001,033</u>
LIABILITIES				
Accounts payable	\$ 794,290	\$ 138,933	\$ 80,228	\$ 1,013,451
Reconciled overdraft	-	-	166,506	166,506
Accrued liabilities	2,802	-	-	2,802
Due to other funds	65,105	-	111,220	176,325
Total liabilities	<u>\$ 862,197</u>	<u>\$ 138,933</u>	<u>\$ 357,954</u>	<u>\$ 1,359,084</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 7,930,888	\$ -	\$ -	\$ 7,930,888
FUND BALANCES				
Restricted:				
Coal Road	\$ -	\$ 573,214	\$ -	\$ 573,214
Committed:				
Special revenue funds	-	-	43,399	43,399
Unassigned:	6,094,448	-	-	6,094,448
Total fund balances	<u>\$ 6,094,448</u>	<u>\$ 573,214</u>	<u>\$ 43,399</u>	<u>\$ 6,711,061</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,887,533</u>	<u>\$ 712,147</u>	<u>\$ 401,353</u>	<u>\$ 16,001,033</u>

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

County of Russell, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 6,711,061

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

Land	568,695	
Buildings and improvements	15,087,963	
Machinery and equipment	1,492,229	17,148,887

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 2,644,301

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 3,259,678

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

Bonds and literary loans	(14,596,349)	
Capital leases	(506,689)	
Unamortized premium	(249,707)	
Accrued interest payable	(194,383)	
Landfill accrued closure and postclosure liability	(271,663)	
Net OPEB obligation	(76,673)	
Compensated absences	(620,677)	(16,516,141)

Net position of governmental activities \$ 13,247,786

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, 2014

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 16,011,500	\$ -	\$ -	\$ 16,011,500
Other local taxes	3,912,444	961,413	-	4,873,857
Permits, privilege fees, and regulatory licenses	40,292	-	-	40,292
Fines and forfeitures	31,151	-	-	31,151
Revenue from the use of money and property	350,010	2,079	-	352,089
Charges for services	291,074	-	-	291,074
Miscellaneous	86,115	-	-	86,115
Recovered costs	472,761	-	-	472,761
Intergovernmental:				
Commonwealth	7,648,185	-	-	7,648,185
Federal	2,448,161	-	1,777,312	4,225,473
Total revenues	<u>\$ 31,291,693</u>	<u>\$ 963,492</u>	<u>\$ 1,777,312</u>	<u>\$ 34,032,497</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,651,589	\$ -	\$ -	\$ 1,651,589
Judicial administration	2,039,720	-	-	2,039,720
Public safety	5,955,754	-	-	5,955,754
Public works	3,220,849	1,280,045	-	4,500,894
Health and welfare	5,634,949	-	1,777,312	7,412,261
Education	7,776,917	-	-	7,776,917
Parks, recreation, and cultural	507,694	-	-	507,694
Community development	1,701,241	-	-	1,701,241
Nondepartmental	112,027	-	-	112,027
Capital projects	-	-	-	-
Debt service:				
Principal retirement	1,316,096	-	-	1,316,096
Interest and other fiscal charges	493,927	-	-	493,927
Total expenditures	<u>\$ 30,410,763</u>	<u>\$ 1,280,045</u>	<u>\$ 1,777,312</u>	<u>\$ 33,468,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 880,930</u>	<u>\$ (316,553)</u>	<u>\$ -</u>	<u>\$ 564,377</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(212,781)	-	-	(212,781)
Issuance of capital leases	334,164	-	-	334,164
Total other financing sources (uses)	<u>\$ 121,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,383</u>
Net change in fund balances	\$ 1,002,313	\$ (316,553)	\$ -	\$ 685,760
Fund balances - beginning	5,092,135	889,767	43,399	6,025,301
Fund balances - ending	<u>\$ 6,094,448</u>	<u>\$ 573,214</u>	<u>\$ 43,399</u>	<u>\$ 6,711,061</u>

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

County of Russell, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ 685,760

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

Capital outlay	667,897	
Reversion of assets back to the School Board (net)	(992,638)	
Removal of capital asset (net)	(4,265)	
Depreciation expense	(1,040,678)	(1,369,684)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (261,883)

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

Issuance of long-term obligations:		
Capital leases	(334,164)	
Landfill closure and postclosure liability	(3,750)	
Principal Payments:		
Bonds, literary loans, and notes	1,147,433	
Capital leases	168,663	978,182

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase) decrease in compensated absences	(52,191)	
(Increase) decrease in accrued interest payable	20,028	
(Increase) decrease in net OPEB obligation	(35,152)	
Amortization of bond premiums	16,804	(50,511)

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. 177,918

Change in net position of governmental activities \$ 159,782

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

County of Russell, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Fund	Internal Service Fund
	Dante Fund	Self Health Insurance
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,644,628
Interest receivable	48	1,257
Accounts receivable, net of allowance for uncollectibles	7,758	386,045
Total current assets	<u>\$ 7,806</u>	<u>\$ 4,031,930</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	(2,117,106)	-
Total capital assets	<u>\$ 3,123,593</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 3,173,168</u>	<u>\$ -</u>
Total assets	<u>\$ 3,180,974</u>	<u>\$ 4,031,930</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 17,968	\$ 772,252
Accrued interest payable	1,688	-
Revenue bonds - current portion	21,015	-
Total current liabilities	<u>\$ 40,671</u>	<u>\$ 772,252</u>
Noncurrent liabilities:		
Revenue bonds - net of current portion	\$ 672,399	\$ -
Total liabilities	<u>\$ 713,070</u>	<u>\$ 772,252</u>
NET POSITION		
Net investment in capital assets	\$ 2,430,179	\$ -
Restricted for debt service and bond covenants	49,575	-
Unrestricted	(11,850)	3,259,678
Total net position	<u>\$ 2,467,904</u>	<u>\$ 3,259,678</u>

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

County of Russell, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund	Internal Service Fund
	Dante Fund	Self Health Insurance
OPERATING REVENUES		
Charges for services:		
Sewer revenues	\$ 83,210	\$ -
Insurance premiums	-	5,547,202
Total operating revenues	<u>\$ 83,210</u>	<u>\$ 5,547,202</u>
OPERATING EXPENSES		
Salaries and benefits	\$ 127,241	\$ -
Professional services	15,593	-
Utilities	717	-
Materials and supplies	25,740	-
Office expenses	62,621	-
Repairs and maintenance	9,691	-
Insurance claims and expenses	-	5,377,147
Depreciation	131,017	-
Total operating expenses	<u>\$ 372,620</u>	<u>\$ 5,377,147</u>
Operating income (loss)	<u>\$ (289,410)</u>	<u>\$ 170,055</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ -	\$ 7,863
Interest expense	(31,228)	-
Total nonoperating revenues (expenses)	<u>\$ (31,228)</u>	<u>\$ 7,863</u>
Income before transfers	<u>\$ (320,638)</u>	<u>\$ 177,918</u>
Transfers in	\$ 212,781	\$ -
Change in net position	<u>\$ (107,857)</u>	<u>\$ 177,918</u>
Total net position - beginning	2,575,761	3,081,760
Total net position - ending	<u>\$ 2,467,904</u>	<u>\$ 3,259,678</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, 2014

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 78,650	\$ -
Receipts for insurance premiums	-	5,501,865
Payments to suppliers	(112,754)	-
Payments to employees	(127,241)	-
Payments for premiums	-	(5,059,268)
Net cash provided by (used for) operating activities	<u>\$ (161,345)</u>	<u>\$ 442,597</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>\$ 212,781</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	\$ (20,172)	\$ -
Interest payments	(31,274)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (51,446)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>\$ 10</u>	<u>\$ 8,110</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ 450,707
Cash and cash equivalents - beginning	49,575	3,193,921
Cash and cash equivalents - ending	<u>\$ 49,575</u>	<u>\$ 3,644,628</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ (289,410)</u>	<u>\$ 170,055</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	\$ 131,017	\$ -
(Increase) decrease in accounts receivable	(4,560)	(45,337)
Increase (decrease) in accounts payable	1,608	317,879
Total adjustments	<u>\$ 128,065</u>	<u>\$ 272,542</u>
Net cash provided by (used for) operating activities	<u>\$ (161,345)</u>	<u>\$ 442,597</u>

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

County of Russell, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 85,121
Total assets	\$ 85,121
LIABILITIES	
Amounts held for Social Services clients	\$ 68,932
Amounts held for VASAP	16,189
Total liabilities	\$ 85,121

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, 2014

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

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

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

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

A. Financial Reporting Entity (continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail and the Cumberland Mountain Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$2,198,223 to the Regional Jail and \$50,000 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent 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.

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$858,415 at June 30, 2014 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

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

7. Prepaid Items

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

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

9. Compensated Absences

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

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

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

10. Long-term Obligations

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

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

11. Fund Equity

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

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

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

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

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

11. Fund Equity (continued)

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

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

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

12. Net Position

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

13. Net Position Flow Assumption

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

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Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All Funds of the County have legally adopted budgets with the exception of the Industrial Development Authority Fund and Agency Funds.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, and the Special Revenue Funds. 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

Numerous departments in the General Fund and the Coal Road Fund had excess expenditures over appropriations in the current year.

C. Deficit fund equity

At June 30, 2014, there were no funds which had deficit fund equity.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2014, the County had no investments.

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 293,730	\$ -
State sales tax	-	692,510
Non-categorical aid	174,089	-
Categorical aid-shared expenses	202,946	-
Categorical aid-Virginia Public Assistance funds	146,480	-
Categorical aid-other	201,005	-
Categorical aid-Comprehensive Services Act funds	116,746	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	165,729	-
Categorical aid-Workforce Investment funds	401,353	-
School federal programs	-	472,820
	<hr/>	<hr/>
Total Amount Due from Other Governmental Units	\$ 1,702,078	\$ 1,165,330

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ <u> -</u>	\$ <u> 1,348,626</u>
Component Unit:		
School Board	\$ <u> 1,148,626</u>	\$ <u> -</u>
IDA	<u> 200,000</u>	<u> -</u>
 Total	 \$ <u> 1,348,626</u>	 \$ <u> 1,348,626</u>

Interfund transfers and remaining balances for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ <u> -</u>	\$ <u> 212,782</u>
Dante Fund	<u> 212,782</u>	<u> -</u>
Total	<u>\$ <u> 212,782</u></u>	<u>\$ <u> 212,782</u></u>
Primary Government:		
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ <u> 111,220</u>	\$ <u> 65,105</u>
Coal Road Fund	<u> 65,105</u>	<u> -</u>
Workforce Investment Board Fund	<u> -</u>	<u> 111,220</u>
Total	<u>\$ <u> 176,325</u></u>	<u>\$ <u> 176,325</u></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, 2014

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General obligation bonds	\$ 8,753,677	\$ -	\$ (611,026)	\$ 8,142,651
Literary loans	2,095,423	-	(282,792)	1,812,631
Revenue bonds	4,877,995	-	(236,928)	4,641,067
Literary anticipation note	16,687	-	(16,687)	-
Deferred Amounts:				
Bond premiums	266,511	-	(16,804)	249,707
Capital leases	341,188	334,164	(168,663)	506,689
Landfill closure/ postclosure liability	267,913	3,750	-	271,663
Net OPEB obligation	41,521	37,852	(2,700)	76,673
Compensated absences	568,486	52,191	-	620,677
Total	\$ 17,229,401	\$ 427,957	\$ (1,335,600)	\$ 16,321,758

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
2015	\$ 627,696	\$ 372,805	\$ 375,977	\$ 41,092	\$ 236,928	\$ -
2016	644,976	340,870	375,977	32,130	236,928	-
2017	647,901	308,788	375,977	23,167	236,928	-
2018	670,770	277,286	282,792	14,205	236,928	-
2019	678,680	245,292	229,246	8,038	236,928	-
2020-2024	2,959,821	765,233	172,662	5,604	1,184,641	-
2025-2029	1,567,807	249,098	-	-	1,115,746	-
2030-2034	345,000	14,428	-	-	911,901	-
2035-2039	-	-	-	-	244,139	-
Totals	\$ 8,142,651	\$ 2,573,800	\$ 1,812,631	\$ 124,236	\$ 4,641,067	\$ -

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:							
General obligation bond	5.10%-6.10%	1995	2016	\$15,000 a+	\$ 325,000	\$ 30,000	\$ 15,000
General obligation bond	5.10%-6.10%	1997	2016	\$5,000 a+	140,000	20,000	5,000
General obligation bond	4.10%-5.23%	1999	2019	\$25,000 a+	510,000	150,000	25,000
General obligation bond	4.98%-5.10%	2000	2021	\$94,999-115,952 a+	1,802,210	744,549	97,555
General obligation bond	2.35%-5.10%	2002	2023	\$213,799-272,702 a+	4,382,954	2,205,462	219,313
General obligation bond	4.60%-5.10%	2006	2027	\$147,228-197,458 a+	3,205,190	2,247,640	150,828
General obligation bond	4.60%-5.10%	2009	2030	\$55,000-110,000 a+	1,485,000	1,285,000	55,000
General obligation bond	3.05%-5.05%	2010	2031	\$55,000-120,000 a+	1,620,000	1,460,000	60,000
Total General Obligation Bonds						\$ 8,142,651	\$ 627,696
Revenue Bonds:							
Revenue bond	0.00%	11/28/2001	2033	\$15,595 sa	\$ 935,690	\$ 561,414	\$ 31,190
Revenue bond	0.00%	11/28/2001	2033	\$27,708 sa	1,678,400	1,025,197	55,416
Revenue bond	0.00%	11/28/2001	2025	\$8,612 sa	344,477	189,462	17,224
Revenue bond	0.00%	11/1/2002	2033	\$13,707 sa	822,366	507,125	27,412
Revenue bond	0.00%	3/10/2005	2036	\$9,276 sa	556,538	398,852	18,551
Revenue bond	0.00%	10/14/2005	2036	\$1,524 sa	91,439	67,055	3,048
Revenue bond	0.00%	10/14/2005	2037	\$31,779 sa	1,906,717	1,430,039	63,557
Revenue bond	0.00%	4/28/2006	2037	\$6,925 sa	415,513	311,634	13,851
Revenue bond	0.00%	3/30/2007	2037	\$3,340 sa	197,179	150,289	6,679
Total Revenue Bonds						\$ 4,641,067	\$ 236,928
Plus:							
Unamortized Premium						\$ 249,707	\$ 16,804
Total General Obligation and Revenue Bonds						\$ 13,033,425	\$ 881,428

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness (continued)

Details of long-term indebtedness: (continued)

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amounts</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Literary loans:							
Literary loan	3.00%	7/15/1986	2017	\$30,222 a+	\$ 960,000	\$ 90,666	\$ 30,222
Literary loan	3.00%	7/15/1986	2017	\$62,693 a+	2,000,000	188,889	62,963
Literary loan	3.00%	2/1/1988	2018	\$18,522 a+	530,999	74,088	18,522
Literary loan	3.00%	2/1/1988	2018	\$12,581 a+	358,151	50,324	12,581
Literary loan	3.00%	2/1/1988	2018	\$3,005 a+	84,805	12,020	3,005
Literary loan	3.00%	2/1/1988	2018	\$9,995 a+	281,079	39,980	9,995
Literary loan	3.00%	2/1/1988	2018	\$6,989 a+	196,873	27,956	6,989
Literary loan	2.00%	1/1/2000	2020	\$57,757 a+	1,155,140	346,542	57,757
Literary loan	2.00%	3/15/1999	2019	\$55,700 a+	1,114,086	278,586	55,700
Literary loan	2.00%	3/15/1999	2019	\$8,200 a+	161,449	38,449	8,200
Literary loan	2.00%	6/15/1999	2019	\$21,134 a+	422,680	105,670	21,134
Literary loan	2.00%	6/15/1999	2019	\$44,020 a+	880,411	220,111	44,020
Literary loan	2.00%	11/15/2000	2021	\$24,689 a+	493,789	172,832	24,689
Literary loan	3.00%	12/15/2000	2021	\$7,700 a+	154,118	54,018	7,700
Literary loan	2.00%	7/1/2003	2023	\$12,500 a+	250,000	112,500	12,500
Total Literary Loans						\$ 1,812,631	\$ 375,977
Other Obligations:							
Capital Leases (Note 7)						\$ 506,689	\$ 281,845
Landfill Closure and Postclosure Liability						271,663	-
Net OPEB Obligation						76,673	-
Compensated Absences						620,677	465,508
Total Other Obligations						\$ 1,475,702	\$ 747,353
Total Long-term Obligations						\$ 16,321,758	\$ 2,004,758

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

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6-Long-Term Obligations: (continued)

Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Revenue bonds	\$ 713,586	\$ -	\$ (20,172)	\$ 693,414

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>
2015	\$ 21,015	\$ 30,432
2016	21,894	29,553
2017	22,814	28,633
2018	23,776	27,671
2019	23,845	26,665
2020-2024	131,323	116,537
2025-2029	164,390	83,471
2030-2034	205,782	42,079
2035-2037	78,575	3,085
Totals	\$ 693,414	\$ 388,126

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 Business-Type Activities</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:						
Revenue bond	0.00%	3/24/1999	2019	\$ 37,500	\$ 8,438	\$ 1,875
Revenue bond	4.50%	4/10/1996	2036	900,000	684,976	19,140
Total Revenue Bonds					\$ 693,414	\$ 21,015

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6-Long-Term Obligations: (continued)

Component Unit - School Board Indebtedness

The following is a summary of long-term obligation transactions of the discretely presented component unit for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Net OPEB obligation	\$ 427,536	\$ 910,457	\$ (631,300)	\$ 706,693
Early retirement incentive	178,680	-	(107,880)	70,800
Compensated absences	751,080	570,652	(563,310)	758,422
Total	\$ 1,357,296	\$ 1,481,109	\$ (1,302,490)	\$ 1,535,915

Details of long-term indebtedness:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Early retirement incentive	\$ 70,800	\$ 51,300
Net OPEB Obligation	706,693	-
Compensated Absences	758,422	568,817
Total Other Obligations	\$ 1,535,915	\$ 620,117

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7-Capital Leases:

Primary Government

The County has entered into lease agreements to finance the acquisition of school buses 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 dates of inception.

The capital assets acquired through capital leases are as follows:

	<u>Buses</u>	<u>Buses</u>
Machinery and equipment	\$ 565,114	\$ 434,164
Less: Accumulated depreciation	<u>(127,150)</u>	<u>(32,562)</u>
Net capital asset	<u>\$ 437,964</u>	<u>\$ 401,602</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2015	\$ 292,078
2016	115,602
2017	<u>115,602</u>
Subtotal	\$ 523,282
Less, amount representing interest	<u>(16,593)</u>
Present Value of Lease Agreement	<u>\$ 506,689</u>

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Note 8- Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan. Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

- 4. Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Note 8- Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (CONTINUED)

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Note 8- Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (CONTINUED)

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 8- Pension Plan: (continued)

B. Plan Description (continued)

VRS – PLAN 1 (CONTINUED)

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** - Same as VRS Plan 1-Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1- Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1-Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1-Refer to Section 7.
- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Note 8- Pension Plan; (continued)

A. Plan Description (continued)

VRS – PLAN 2 (CONTINUED)

9. Service Retirement Multiplier - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. Normal Retirement Age - Normal Social Security retirement age.

11. Earliest Unreduced Retirement Eligibility - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. Earliest Reduced Retirement Eligibility - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. Eligibility - Same as VRS Plan 1–Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1–Refer to Section 15.

16. Disability Coverage - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service - Same as VRS Plan 1–Refer to Section 17.

Note 8- Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")
 - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Note 8- Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

3. *Non-Eligible Members (continued)

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

- 4. Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Note 8- Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. Vesting (continued)

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 8- Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2 – Refer to Section 14.

15. Exceptions to COLA Effective Dates - Refer to VRS Plan 1 and VRS Plan 2 –Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 8- Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-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 annual salary to the VRS. All or part of this 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County 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's contribution rate for the fiscal year ended 2014 was 14.36% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of this 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the 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 2014 was 16.24% of annual covered payroll.

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

C. Annual Pension Cost

For fiscal year 2014, the County and School Board's annual pension cost of \$781,244 and \$424,238 was equal to the County and School Board's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 576,628	100.00%	-
	6/30/2013	800,479	100.00%	-
	6/30/2014	781,244	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 386,243	100.00%	-
	6/30/2013	434,345	100.00%	-
	6/30/2014	424,238	100.00%	-

¹ Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

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

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 70.13% funded. The actuarial accrued liability for benefits was \$28,873,471, and the actuarial value of assets was \$20,247,742, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,625,729. The covered payroll (annual payroll of active employees covered by the plan) was \$5,434,051, and ratio of the UAAL to the covered payroll was 158.73%.

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

As of June 30, 2013, the most recent actuarial valuation date, the plan was 61.34% funded. The actuarial accrued liability for benefits was \$16,485,081, and the actuarial value of assets was \$10,112,448, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,372,633. The covered payroll (annual payroll of active employees covered by the plan) was \$2,666,329, and ratio of the UAAL to the covered payroll was 239.00%.

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 for benefits.

E. Discretely Presented Component Unit - School Board (Professional Employees)

Plan Description

The Washington County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The most recent report may be downloaded from the System's website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the 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 \$1,991,484, \$2,037,610, and \$1,164,108, for the fiscal years ended 2014, 2013, and 2012, respectively. Employer contributions represented 11.66%, 11.66%, and 6.33% of covered payroll for the fiscal years ended 2014, 2013, and 2011, respectively.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,561,333	\$ -	\$ (992,638)	\$ 568,695
Capital assets, being depreciated:				
Buildings and improvements	\$ 26,653,758	\$ 160,542	\$ -	\$ 26,814,300
Machinery and equipment	3,765,267	507,355	(157,637)	4,114,985
Total capital assets being depreciated	\$ 30,419,025	\$ 667,897	\$ (157,637)	\$ 30,929,285
Accumulated depreciation:				
Buildings and improvements	\$ (11,088,471)	\$ (637,866)	\$ -	\$ (11,726,337)
Machinery and equipment	(2,373,316)	(402,812)	153,372	(2,622,756)
Total accumulated depreciation	\$ (13,461,787)	\$ (1,040,678)	\$ 153,372	\$ (14,349,093)
Total capital assets being depreciated, net	\$ 16,957,238	\$ (372,781)	\$ (4,265)	\$ 16,580,192
Governmental activities capital assets, net	\$ 18,518,571	\$ (372,781)	\$ (996,903)	\$ 17,148,887

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9-Capital Assets: (continued)

Primary Government: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, being depreciated:				
Utility plant	\$ 5,240,699	\$ -	\$ -	\$ 5,240,699
Accumulated depreciation:				
Utility plant	\$ (1,986,089)	\$ (131,017)	\$ -	\$ (2,117,106)
Total capital assets being depreciated, net	\$ 3,254,610	\$ (131,017)	\$ -	\$ 3,123,593
Business-type activities capital assets, net	\$ 3,254,610	\$ (131,017)	\$ -	\$ 3,123,593

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

Governmental activities:	
General government administration	\$ 15,600
Judicial administration	753
Public safety	253,524
Public works	44,595
Health and welfare	27,690
Education	652,480
Parks, recreation, and cultural	38,222
Community development	7,814
Total depreciation expense-governmental activities	<u>\$ 1,040,678</u>
Business-type activities:	
Sewer Authority	<u>\$ 131,017</u>

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,643,707	\$ 992,638	\$ -	\$ 5,636,345
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,294,656	\$ -	\$ -	\$ 22,294,656
Machinery and equipment	6,361,819	374,031	-	6,735,850
Total capital assets being depreciated	\$ 28,656,475	\$ 374,031	\$ -	\$ 29,030,506
Accumulated depreciation:				
Buildings and improvements	\$ (11,309,828)	\$ (606,104)	\$ -	\$ (11,915,932)
Machinery and equipment	(4,967,586)	(331,774)	-	(5,299,360)
Total accumulated depreciation	\$ (16,277,414)	\$ (937,878)	\$ -	\$ (17,215,292)
Total capital assets being depreciated, net	\$ 12,379,061	\$ (563,847)	\$ -	\$ 11,815,214
Governmental activities capital assets, net	\$ 17,022,768	\$ 428,791	\$ -	\$ 17,451,559

Note 10-Risk Management:

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

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 11-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 12-Surety Bonds:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
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
<u>Hartford Company - Surety:</u>	
Tammy Gilbert - Clerk of the School Board	\$ 10,000
All school employees: blanket bond	10,000
<u>USF&G Insurance Co. - Surety:</u>	
All Social Services employees-blanket bond	\$ 100,000

Note 13-Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$271,663 is the total estimated closure and postclosure care liability at June 30, 2014. 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 2014. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs.

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

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 14-Unavailable Revenue:

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

	<u>Gov't-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
2nd half taxes due December 2014	\$ 5,206,169	\$ 5,206,169
Delinquent taxes due prior to June 30, 2014	-	2,644,301
Prepaid taxes	80,418	80,418
Total unavailable revenue for governmental funds	\$ 5,286,587	\$ 7,930,888

Note 15-Self Health Insurance:

The County of Russell, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2014, a total of \$4,826,551 was paid in benefits and administrative costs. The risk assumed by the County and School Board is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type. As of June 30, 2014, 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 \$772,252 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 2014 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>
2013-14	\$ 454,373	\$ 5,695,026	\$ (5,377,147)	\$ 772,252

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Note 16-Other Postemployment Benefits-Health Insurance:

A. Plan Description

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

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

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 757 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:

County:

	Medical & Rx		
	Retiree	Spouse	Ret./Family
PPO	\$ 421	\$ 421	\$ 1,180
Medicare	135	135	N/A

Schools:

	Medical & Rx		
	Retiree	Spouse	Ret./Family
PPO	\$ 505	\$ 505	\$ 1,416
Medicare	135	135	N/A

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 16-Other Postemployment Benefits-Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation during fiscal year 2014.

Annual required contribution	\$ 38,400
Interest on net OPEB obligation	1,661
Adjustment to annual required contribution	<u>(2,209)</u>
Annual OPEB cost (expense)	37,852
Contributions made	<u>(2,700)</u>
Increase (decrease) in net OPEB obligation	35,152
Net OPEB obligation - beginning of year	41,521
Net OPEB obligation - end of year	\$ <u>76,673</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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>
6/30/2012 \$	42,754	101.27% \$	6,609
6/30/2013	35,812	2.51%	41,521
6/30/2014	37,852	7.13%	76,673

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 16-Other Postemployment Benefits-Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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

Annual required contribution	\$ 916,100
Interest on net OPEB obligation	17,101
Adjustment to annual required contribution	<u>(22,744)</u>
Annual OPEB cost (expense)	910,457
Contributions made	<u>(631,300)</u>
Increase (decrease) in net OPEB obligation	279,157
Net OPEB obligation - beginning of year	<u>427,536</u>
Net OPEB obligation - end of year	\$ 706,693

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 278,829	101.27%	\$ 44,828
6/30/2013	885,708	56.79%	427,536
6/30/2014	910,457	69.34%	706,693

D. Funded Status and Funding Progress

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

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

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 16-Other Postemployment Benefits-Health Insurance: (continued)

D. Funded Status and Funding Progress (continued)

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

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

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

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

E. Actuarial Methods and Assumptions

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

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

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

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

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 8.

B. Funding Policy

Primary Government:

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was 0.0143% of annual covered payroll.

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

As a participating local political subdivision, the Covington School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was 0.51% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

Primary Government:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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

C. OPEB Cost and Net OPEB Obligation (continued)

Primary Government: (continued)

For 2014, the County's contribution of \$778 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 2014 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	6/30/2012	\$ 3,289	100.00%	\$ -
	6/30/2013	1,764	100.00%	-
	6/30/2014	778	100.00%	-

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

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

For 2014, the School Board's contribution of \$13,320 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and 2013 are shown below:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Discretely Presented Component Unit				
School Board	6/30/2013	\$ 15,780	100.00%	\$ -
	6/30/2014	13,320	100.00%	-

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

D. Funded Status and Funding Progress

Primary Government:

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	118,770
Actuarial value of plan assets	\$	81,083
Unfunded actuarial accrued liability (UAAL)	\$	37,687
Funded ratio (actuarial value of plan assets/AAL)		68.27%
Covered payroll (active plan members)	\$	1,110,563
UAAL as a percentage of covered payroll		3.39%

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

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

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

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	376,778
Actuarial value of plan assets	\$	379
Unfunded actuarial accrued liability (UAAL)	\$	376,399
Funded ratio (actuarial value of plan assets/AAL)		0.10%
Covered payroll (active plan members)	\$	2,666,329
UAAL as a percentage of covered payroll		14.12%

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

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

D. Funded Status and Funding Progress (continued)

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

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

E. Actuarial Methods and Assumptions

Primary Government:

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2013 was 30 years.

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

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2013 was 30 years.

F. Professional Employees - Discretely Presented Component Unit School Board

Plan Description

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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

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

Funding Policy

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 \$189,624, \$193,975, and \$110,342 for the fiscal years ended 2014, 2013, and 2012, respectively. The School Board's contributions represented 1.11%, 1.11%, and 0.60% of covered payroll for the fiscal years ended 2014, 2013, and 2012, respectively.

Note 18-Moral Obligation:

The County has signed a support agreement that backs certain debt obligations of the Russell County Public Service Authority (a component unit of the County). In the agreement, the Board of Supervisors has a moral obligation to fund the Russell County Public Service Authority in amounts sufficient to cover debt service issued during fiscal year 2014 in the amount of \$700,843. To date, the County of Russell, Virginia has provided funds sufficient to cover such debt service. During fiscal year 2014, the County paid \$320,913 in debt service for the Russell County Public Service Authority.

Note 19-Operating Lease:

The County has signed a lease agreement with The Industrial Development Authority of Russell County to pay rent equivalent to the required debt service as it relates to the Russell County Government Center. To date, the County of Russell, Virginia has provided funds sufficient to cover such debt service. As of June 30, 2014, the outstanding balance of the loan was \$4,862,800. Future required rent payments are as follows:

Year Ending June 30,	Operating Lease	
	Principal	Interest
2015	\$ 355,100	\$ 109,767
2016	363,300	101,621
2017	372,100	92,744
2018	381,000	83,925
2019	390,000	74,898
2020-2024	2,092,900	231,648
2025-2026	908,400	21,487
Totals	\$ 4,862,800	\$ 716,090

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 20-Upcoming Pronouncements:

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

Note 21-Litigation:

As of June 30, 2014, there was one claim before the Virginia Tax Commissioner regarding the Commissioner of Revenue's determination of machinery and tools tax. The case has been before the Virginia Tax Commissioner twice before. The appellant is seeking approximately \$251,000 in tax refund and interest. The County's attorney has assessed the risk of loss as moderate.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 14,608,611	\$ 14,608,611	\$ 16,011,500	\$ 1,402,889
Other local taxes	4,632,832	4,632,832	3,912,444	(720,388)
Permits, privilege fees, and regulatory licenses	18,500	18,500	40,292	21,792
Fines and forfeitures	45,000	45,000	31,151	(13,849)
Revenue from the use of money and property	207,240	207,240	350,010	142,770
Charges for services	433,400	433,400	291,074	(142,326)
Miscellaneous	86,200	86,200	86,115	(85)
Recovered costs	708,000	708,000	472,761	(235,239)
Intergovernmental:				
Commonwealth	8,582,798	8,626,857	7,648,185	(978,672)
Federal	2,699,589	2,741,358	2,448,161	(293,197)
Total revenues	\$ 32,022,170	\$ 32,107,998	\$ 31,291,693	\$ (816,305)
EXPENDITURES				
Current:				
General government administration	\$ 1,630,404	\$ 1,678,118	\$ 1,651,589	\$ 26,529
Judicial administration	2,093,488	2,024,088	2,039,720	(15,632)
Public safety	5,086,789	5,857,145	5,955,754	(98,609)
Public works	3,416,446	3,144,777	3,220,849	(76,072)
Health and welfare	7,674,728	7,674,728	5,634,949	2,039,779
Education	7,576,138	7,576,138	7,776,917	(200,779)
Parks, recreation, and cultural	466,207	506,207	507,694	(1,487)
Community development	1,503,825	1,679,825	1,701,241	(21,416)
Nondepartmental	234,000	214,400	112,027	102,373
Capital projects	-	-	-	-
Debt service:				
Principal retirement	1,579,643	1,579,643	1,316,096	263,547
Interest and other fiscal charges	352,481	352,481	493,927	(141,446)
Total expenditures	\$ 31,614,149	\$ 32,287,550	\$ 30,410,763	\$ 1,876,787
Excess (deficiency) of revenues over (under) expenditures	\$ 408,021	\$ (179,552)	\$ 880,930	\$ 1,060,482
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(200,000)	(150,000)	(212,781)	(62,781)
Issuance of capital leases	-	-	334,164	334,164
Total other financing sources (uses)	\$ (200,000)	\$ (150,000)	\$ 121,383	\$ 271,383
Net change in fund balances	\$ 208,021	\$ (329,552)	\$ 1,002,313	\$ 1,331,865
Fund balances - beginning	(123,021)	324,734	5,092,135	4,767,401
Fund balances - ending	\$ 85,000	\$ (4,818)	\$ 6,094,448	\$ 6,099,266

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 900,000	\$ 900,000	\$ 961,413	\$ 61,413
Revenue from the use of money and property	-	-	2,079	2,079
Total revenues	\$ 900,000	\$ 900,000	\$ 963,492	\$ 63,492
EXPENDITURES				
Current:				
Public works	\$ 900,000	\$ 900,000	\$ 1,280,045	\$ (380,045)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (316,553)	\$ (316,553)
Net change in fund balances	\$ -	\$ -	\$ (316,553)	\$ (316,553)
Fund balances - beginning	-	-	889,767	889,767
Fund balances - ending	\$ -	\$ -	\$ 573,214	\$ 573,214

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal	\$ 2,746,846	\$ 2,746,846	\$ 1,777,312	\$ (969,534)
Total revenues	\$ 2,746,846	\$ 2,746,846	\$ 1,777,312	\$ (969,534)
EXPENDITURES				
Current:				
Health and welfare	\$ 2,746,846	\$ 2,746,846	\$ 1,777,312	\$ 969,534
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	43,399	43,399
Fund balances - ending	\$ -	\$ -	\$ 43,399	\$ 43,399

County of Russell, Virginia
 Schedule of Pension and OPEB Funding Progress
 For the Year Ended June 30, 2014

Primary Government

County Retirement Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2013	\$ 20,247,742	\$ 28,873,471	\$ 8,625,729	70.13%	\$ 5,434,051	158.73%
June 30, 2012	19,894,452	28,359,443	8,464,991	70.15%	5,481,683	154.42%
June 30, 2011	20,084,643	27,499,897	7,415,254	73.04%	5,413,452	136.98%

County Other Postemployment Benefits-Health Insurance:

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

County Other Postemployment Benefits-VRS Health Insurance Credit:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2013	\$ 81,083	\$ 118,770	\$ 37,687	68.27%	\$ 1,110,563	3.39%
June 30, 2012	78,231	101,849	23,618	76.81%	1,769,420	1.33%
June 30, 2011	82,852	100,667	17,815	82.30%	1,523,173	1.17%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2013	\$ 10,112,448	\$ 16,485,081	\$ 6,372,633	61.34%	\$ 2,666,329	239.00%
June 30, 2012	10,068,998	16,469,710	6,400,712	61.14%	2,689,457	237.99%
June 30, 2011	10,328,276	16,067,146	5,738,870	64.28%	2,693,695	213.05%

School Board Other Postemployment Benefits-Health Insurance:

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

School Board Other Postemployment Benefits-VRS Health Insurance Credit:

Actuarial Valuation as of (*) (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2013	\$ 379	\$ 376,778	\$ 376,399	0.10%	\$ 2,666,329	14.12%
June 30, 2012		161,463	161,463	0.00%	2,689,457	6.00%

(*) - June 30, 2012 was the initial valuation as the School Board recently joined this plan.

Other Supplementary Information

FIDUCIARY FUNDS

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

County of Russell, Virginia
 Combined Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 60,387	\$ 80,952	\$ (72,407)	\$ 68,932
VASAP Fund	(9,717)	291,766	(265,860)	16,189
Total Assets	<u>\$ 50,670</u>	<u>\$ 372,718</u>	<u>\$ (338,267)</u>	<u>\$ 85,121</u>
Liabilities				
Amounts held for social services clients	\$ 60,387	\$ 80,952	\$ (72,407)	\$ 68,932
Amounts held for VASAP	(9,717)	291,766	(265,860)	16,189
Total Liabilities	<u>\$ 50,670</u>	<u>\$ 372,718</u>	<u>\$ (338,267)</u>	<u>\$ 85,121</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

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, 2014

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 780,728
Receivables (net of allowance for uncollectibles):	
Accounts receivable	3,460
Due from other governmental units	1,165,330
Prepaid items	748,910
Total assets	<u>2,698,428</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	104,016
Salaries payable	888,935
Due to primary government	1,148,626
Total liabilities	<u>2,141,577</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 748,910
Committed:	
Textbook purchases	12,924
Regional Adult Education	224,583
Unassigned:	
Total fund balances	<u>\$ 556,851</u>
Total liabilities and fund balances	<u>\$ 2,698,428</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 556,851
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	5,636,345	
Buildings and improvements	10,378,724	
Machinery and equipment	<u>1,436,490</u>	17,451,559

Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(758,422)	
Early retirement incentive	(70,800)	
Net OPEB obligation	<u>(706,693)</u>	(1,535,915)

Net position of governmental activities	<u>\$ 16,472,495</u>
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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, 2014

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 763
Charges for services	512,396
Miscellaneous	221,283
Recovered costs	648,730
Intergovernmental:	
Local government	7,358,020
Commonwealth	25,867,216
Federal	4,237,040
Total revenues	<u>\$ 38,845,448</u>
EXPENDITURES	
Current:	
Education	<u>\$ 38,526,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 319,344</u>
Net change in fund balances	\$ 319,344
Fund balances - beginning	237,507
Fund balances - ending	<u>\$ 556,851</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	\$ 319,344
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlays	374,031
Reversion of assets back to the School Board (net)	992,638
Depreciation expense	<u>(937,878)</u> 428,791
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	(7,342)
(Increase) decrease in early retirement incentive	107,880
(Increase) decrease in net OPEB obligation	<u>(279,157)</u> (178,619)
Change in net position of governmental activities	<u>\$ 569,516</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, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ 763	\$ (737)
Charges for services	850,768	850,768	512,396	(338,372)
Miscellaneous	170,000	170,000	221,283	51,283
Recovered costs	557,402	557,402	648,730	91,328
Intergovernmental:				
Local government	7,491,405	7,491,405	7,358,020	(133,385)
Commonwealth	26,888,497	26,888,497	25,867,216	(1,021,281)
Federal	4,700,655	4,700,655	4,237,040	(463,615)
Total revenues	<u>\$ 40,660,227</u>	<u>\$ 40,660,227</u>	<u>\$ 38,845,448</u>	<u>\$ (1,814,779)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 40,660,227</u>	<u>\$ 40,660,227</u>	<u>\$ 38,526,104</u>	<u>\$ 2,134,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,344</u>	<u>\$ 319,344</u>
Net change in fund balances	\$ -	\$ -	\$ 319,344	\$ 319,344
Fund balances - beginning	-	-	237,507	237,507
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,851</u>	<u>\$ 556,851</u>

Supporting Schedules

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

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>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 8,100,000	\$ 8,100,000	\$ 7,146,411	\$ (953,589)
Real and Personal PSC Tax	1,184,500	1,184,500	1,885,239	700,739
Personal Property Tax	2,722,000	2,722,000	3,444,163	722,163
Mobile Home Tax	110,000	110,000	114,574	4,574
Machinery and Tools Tax	1,202,111	1,202,111	1,509,054	306,943
Merchants Capital	25,000	25,000	34,415	9,415
Mineral Tax	940,000	940,000	1,346,745	406,745
Penalties	100,000	100,000	153,016	53,016
Interest	225,000	225,000	377,883	152,883
Total general property taxes	<u>\$ 14,608,611</u>	<u>\$ 14,608,611</u>	<u>\$ 16,011,500</u>	<u>\$ 1,402,889</u>
Other local taxes:				
Local Sales and Use Tax	\$ 1,925,517	\$ 1,925,517	\$ 1,736,895	\$ (188,622)
Consumers' Utility Tax	600,000	600,000	547,137	(52,863)
Consumption Taxes	90,000	90,000	83,841	(6,159)
Franchise License Tax	15,000	15,000	2,617	(12,383)
Coal Severance Tax	1,500,000	1,500,000	961,413	(538,587)
Bank Stock Tax	-	-	9,489	9,489
Grantee tax	60,000	60,000	94,797	34,797
Motor Vehicle Licenses	417,315	417,315	476,255	58,940
Taxes on Recordation and Wills	25,000	25,000	-	(25,000)
Total other local taxes	<u>\$ 4,632,832</u>	<u>\$ 4,632,832</u>	<u>\$ 3,912,444</u>	<u>\$ (720,388)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,700	\$ 1,700	\$ 3,057	\$ 1,357
Building permits	15,000	15,000	34,431	19,431
Other permits and other licenses	1,800	1,800	2,804	1,004
Total permits, privilege fees, and regulatory licenses	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 40,292</u>	<u>\$ 21,792</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 45,000	\$ 45,000	\$ 31,151	\$ (13,849)
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 33,643	\$ (1,357)
Revenue from use of property	172,240	172,240	316,367	144,127
Total revenue from use of money and property	<u>\$ 207,240</u>	<u>\$ 207,240</u>	<u>\$ 350,010</u>	<u>\$ 142,770</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 360,000	\$ 360,000	\$ 166,185	\$ (193,815)
Charges for courthouse security	40,000	40,000	54,495	14,495
Charges for cannery operations	-	-	31,225	31,225
Charges for commonwealth attorney	2,000	2,000	9,174	7,174
Charges for courthouse maintenance	7,000	7,000	10,255	3,255
Charges for jail and inmate fees	6,000	6,000	4,840	(1,160)
Charges for district court	-	-	2,301	2,301
Charges for library	14,500	14,500	2,922	(11,578)
Other charges for services	3,900	3,900	9,677	5,777
Total charges for services	<u>\$ 433,400</u>	<u>\$ 433,400</u>	<u>\$ 291,074</u>	<u>\$ (142,326)</u>

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ 76,200	\$ 76,200	\$ 76,306	\$ 106
Sale of property/surplus	10,000	10,000	9,809	(191)
Total miscellaneous revenue	<u>\$ 86,200</u>	<u>\$ 86,200</u>	<u>\$ 86,115</u>	<u>\$ (85)</u>
Recovered costs:				
Social services	\$ -	\$ -	\$ 80,195	\$ 80,195
Health department	-	-	184,913	184,913
School resource officer	48,000	48,000	67,855	19,855
Insurance recoveries	-	-	15,487	15,487
Regional jail	-	-	70,767	70,767
Industrial development	-	-	21,627	21,627
Other Recovered Costs	660,000	660,000	31,917	(628,083)
Total recovered costs	<u>\$ 708,000</u>	<u>\$ 708,000</u>	<u>\$ 472,761</u>	<u>\$ (235,239)</u>
Total revenue from local sources	<u>\$ 20,739,783</u>	<u>\$ 20,739,783</u>	<u>\$ 21,195,347</u>	<u>\$ 455,564</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 150,000	\$ 150,000	\$ 147,463	\$ (2,537)
Mobile home titling tax	100,000	100,000	80,293	(19,707)
Motor vehicle rental tax	2,500	2,500	2,244	(256)
State budget reduction	(282,317)	(282,317)	-	282,317
Communications tax	900,000	900,000	866,078	(33,922)
State recordation tax	20,000	20,000	29,035	9,035
Personal property tax relief act funds	1,437,003	1,437,003	1,437,003	-
Total noncategorical aid	<u>\$ 2,327,186</u>	<u>\$ 2,327,186</u>	<u>\$ 2,562,116</u>	<u>\$ 234,930</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 333,441	\$ 333,441	\$ 351,123	\$ 17,682
Sheriff	1,352,618	1,352,618	1,366,051	13,433
Commissioner of revenue	184,329	184,329	172,919	(11,410)
Treasurer	107,314	107,314	108,969	1,655
Medical examiner	400	400	-	(400)
Registrar/electoral board	43,439	43,439	41,018	(2,421)
Clerk of the Circuit Court	253,161	253,161	269,322	16,161
Total Shared Expenses	<u>\$ 2,274,702</u>	<u>\$ 2,274,702</u>	<u>\$ 2,309,402</u>	<u>\$ 34,700</u>
Other categorical aid:				
Victim witness grant	\$ 40,000	\$ 40,000	\$ 30,859	\$ (9,141)
GIS	-	-	450	450
E911 state funds	50,000	50,000	45,140	(4,860)
Law enforcement grants	105,000	135,680	31,467	(104,213)
Asset forfeiture funds	-	-	8,546	8,546

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
 Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
EMS grants	\$ -	\$ -	\$ 29,245	\$ 29,245
Fire Program Funds	60,000	60,000	71,545	11,545
Library grants	97,677	97,677	100,690	3,013
Litter control grants	-	13,379	13,379	-
Clerk of the circuit court grants	-	-	7,812	7,812
Public assistance	2,220,198	2,220,198	1,715,991	(504,207)
Comprehensive services act	1,408,035	1,408,035	571,006	(837,029)
School resource officer grants	-	-	70,537	70,537
VDOT revenue sharing	-	-	80,000	80,000
Total other categorical aid	\$ 3,980,910	\$ 4,024,969	\$ 2,776,667	\$ (1,248,302)
Total categorical aid	\$ 6,255,612	\$ 6,299,671	\$ 5,086,069	\$ (1,213,602)
Total revenue from the Commonwealth	\$ 8,582,798	\$ 8,626,857	\$ 7,648,185	\$ (978,672)
Revenue from the federal government:				
Categorical aid:				
Forfeited Assets	\$ -	\$ -	\$ 296,061	\$ 296,061
Emergency management grants	-	41,769	6,769	(35,000)
Violence against women	-	-	20,860	20,860
ARRA - Watershed protection grant	-	-	24,250	24,250
DMV ground transportation safety grant	-	-	13,708	13,708
Public assistance	2,699,589	2,699,589	2,086,513	(613,076)
Total categorical aid	\$ 2,699,589	\$ 2,741,358	\$ 2,448,161	\$ (293,197)
Total revenue from the federal government	\$ 2,699,589	\$ 2,741,358	\$ 2,448,161	\$ (293,197)
Total General Fund	\$ 32,022,170	\$ 32,107,998	\$ 31,291,693	\$ (816,305)
Special Revenue Funds:				
Coal Road Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 900,000	\$ 900,000	\$ 961,413	\$ 61,413
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,079	\$ 2,079
Total revenue from local sources	\$ 900,000	\$ 900,000	\$ 963,492	\$ 63,492
Total Coal Road Fund	\$ 900,000	\$ 900,000	\$ 963,492	\$ 63,492

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
 Page 4 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>
Special Revenue Funds: (Continued)				
Workforce Investment Board Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Workforce Investment	\$ 2,746,846	\$ 2,746,846	\$ 1,777,312	\$ (969,534)
Total revenue from the federal government	\$ 2,746,846	\$ 2,746,846	\$ 1,777,312	\$ (969,534)
Total Workforce Investment Board Fund	\$ 2,746,846	\$ 2,746,846	\$ 1,777,312	\$ (969,534)
Total Primary Government	\$ 35,669,016	\$ 35,754,844	\$ 34,032,497	\$ (1,722,347)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$	\$	\$ 13	\$ 13
Revenue from the use of property	1,500	1,500	750	(750)
Total revenue from use of money and property	\$ 1,500	\$ 1,500	\$ 763	\$ (737)
Charges for services:				
Cafeteria sales	\$ 682,214	\$ 682,214	\$ 412,238	\$ (269,976)
Tuition payments	5,000	5,000	4,216	(784)
Drivers Ed fees	14,000	14,000	11,640	(2,360)
Other charges for services	1,000	1,000	1,431	431
Regional Adult Education	138,554	138,554	78,775	(59,779)
GED Testing fees	10,000	10,000	4,096	(5,904)
Total charges for services	\$ 850,768	\$ 850,768	\$ 512,396	\$ (338,372)
Miscellaneous revenue:				
Other miscellaneous	\$ 170,000	\$ 170,000	\$ 221,283	\$ 51,283
Recovered costs:				
Insurance recoveries	\$	\$	\$ 27,825	\$ 27,825
Extra duties revenue	23,000	23,000	14,704	(8,296)
Dual Enrollment	350,000	350,000	280,877	(69,123)
Consortium Clerical	-	-	1,725	1,725
Sale of Equipment and Supplies	20,000	20,000	-	(20,000)
Reimburse Health Services	80,000	80,000	249,000	169,000
Other recovered costs	84,402	84,402	74,599	(9,803)
Total recovered costs	\$ 557,402	\$ 557,402	\$ 648,730	\$ 91,328
Total revenue from local sources	\$ 1,579,670	\$ 1,579,670	\$ 1,383,172	\$ (196,498)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Russell, Virginia	\$ 7,491,405	\$ 7,491,405	\$ 7,358,020	\$ (133,385)
Total revenues from local governments	\$ 7,491,405	\$ 7,491,405	\$ 7,358,020	\$ (133,385)

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
 Page 5 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>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
 Categorical aid:				
Share of state sales tax	\$ 4,127,666	\$ 4,127,666	\$ 3,979,798	\$ (147,868)
Basic Aid	13,206,829	13,206,829	12,350,501	(856,328)
Remedial summer education	185,118	185,118	160,411	(24,707)
Regular foster care	1,836	1,836	-	(1,836)
Gifted and talented	142,525	142,525	134,267	(8,258)
Remedial education	495,738	495,738	467,017	(28,721)
Special education	1,697,903	1,697,903	1,599,533	(98,370)
Textbook payment	278,016	278,016	261,909	(16,107)
Career and Technical Education	77,404	77,404	33,281	(44,123)
Alternative education	814,785	814,785	838,759	23,974
Algebra readiness	72,814	72,814	89,657	16,843
Mentor teacher program	2,943	2,943	1,590	(1,353)
Social security fringe benefits	855,148	855,148	805,604	(49,544)
Group life	52,672	52,672	49,621	(3,051)
Retirement fringe benefits	1,431,444	1,431,444	1,348,511	(82,933)
Supplemental support	323,984	323,984	305,155	(18,829)
Early reading intervention	82,720	82,720	96,901	14,181
Adult Education	6,338	6,338	31,563	25,225
Homebound education	16,411	16,411	32,224	15,813
Vocation education	399,689	399,689	432,624	32,935
At risk payments	541,270	541,270	509,853	(31,417)
Primary class size	659,938	659,938	658,961	(977)
Technology	414,000	414,000	552,217	138,217
Jobs for Virginia Graduates	21,000	21,000	21,000	-
Industry Certification Costs	-	-	4,502	4,502
At risk four-year olds	485,994	485,994	485,994	-
School Food	40,620	40,620	34,084	(6,536)
English as a second language	18,957	18,957	3,160	(15,797)
Security equipment	60,555	60,555	60,555	-
Project graduation	-	-	21,597	21,597
GED prep programs	17,217	17,217	80,737	63,520
Lottery payments	214,436	214,436	-	(214,436)
Tobacco Commission	30,000	30,000	77,705	47,705
Adult literacy	99,595	99,595	99,595	-
Additional assistance preschool	0	0	214,436	214,436
Plugged in Virginia	0	0	10,000	10,000
Other state funds	12,932	12,932	13,894	962
Total categorical aid	\$ 26,888,497	\$ 26,888,497	\$ 25,867,216	\$ (1,021,281)
Total revenue from the Commonwealth	\$ 26,888,497	\$ 26,888,497	\$ 25,867,216	\$ (1,021,281)

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
 Page 6 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>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Basic Adult Education	\$ 325,848	\$ 325,848	\$ 342,762	\$ 16,914
Title I	1,161,222	1,161,222	1,141,451	(19,771)
Special Education	932,668	932,668	780,818	(151,850)
Title VI-B, preschool	34,297	34,297	34,297	.
Vocational education	82,578	82,578	82,578	.
School Food Program	1,295,000	1,295,000	1,278,520	(16,480)
Improving teacher quality	252,379	252,379	194,022	(58,357)
21st century grant	322,384	322,384	350,561	28,177
Learn and serve America	25,000	25,000	.	(25,000)
Rural and low income schools	75,465	75,465	32,031	(43,434)
Other federal funds	193,814	193,814	-	(193,814)
Total categorical aid	<u>\$ 4,700,655</u>	<u>\$ 4,700,655</u>	<u>\$ 4,237,040</u>	<u>\$ (463,615)</u>
 Total revenue from the federal government	 <u>\$ 4,700,655</u>	 <u>\$ 4,700,655</u>	 <u>\$ 4,237,040</u>	 <u>\$ (463,615)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 40,660,227</u>	 <u>\$ 40,660,227</u>	 <u>\$ 38,845,448</u>	 <u>\$ (1,814,779)</u>

County of Russell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 1 of 4

<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>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 184,956	\$ 209,170	\$ 201,542	\$ 7,628
General and financial administration:				
County administrator	\$ 297,817	\$ 327,817	\$ 320,326	\$ 7,491
Independent auditor	65,000	65,000	67,150	(2,150)
Commissioner of the revenue	288,342	288,342	298,445	(10,103)
Real estate assessor	109,336	109,336	107,821	1,515
Treasurer	374,525	374,525	404,816	(30,291)
Data processing	56,000	56,000	39,668	16,332
Procurement	65,371	58,871	61,175	(2,304)
Total general and financial administration	\$ 1,256,391	\$ 1,279,891	\$ 1,299,401	\$ (19,510)
Board of elections:				
Electoral Board	\$ 82,668	\$ 82,668	\$ 43,212	\$ 39,456
General Registrar	106,389	106,389	107,434	(1,045)
Total board of elections	\$ 189,057	\$ 189,057	\$ 150,646	\$ 38,411
Total general government administration	\$ 1,630,404	\$ 1,678,118	\$ 1,651,589	\$ 26,529
Judicial administration:				
Courts:				
Circuit Court	\$ 115,598	\$ 125,198	\$ 120,457	\$ 4,741
General District Court	9,300	9,300	8,471	829
Special Magistrates	8,850	8,850	8,118	732
Clerk's Office	363,996	372,996	390,319	(17,323)
Sheriff Courts	1,016,701	965,701	965,710	(9)
Victim and Witness Assistance	33,003	33,003	34,403	(1,400)
Law Library	-	-	6,819	(6,819)
Total courts	\$ 1,547,448	\$ 1,515,048	\$ 1,534,297	\$ (19,249)
Commonwealth's attorney:				
Commonwealth's Attorney	\$ 546,040	\$ 509,040	\$ 505,423	\$ 3,617
Total judicial administration	\$ 2,093,488	\$ 2,024,088	\$ 2,039,720	\$ (15,632)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,549,404	\$ 1,836,672	\$ 2,040,502	\$ (203,830)
Dare program	3,000	3,000	85,073	(82,073)
Total law enforcement and traffic control	\$ 1,552,404	\$ 1,839,672	\$ 2,125,575	\$ (285,903)
Fire and rescue services:				
Volunteer Fire Departments	\$ 266,891	\$ 266,891	\$ 281,653	\$ (14,762)
Ambulance Rescue Squad	187,075	187,075	187,115	(40)
Total fire and rescue services	\$ 453,966	\$ 453,966	\$ 468,768	\$ (14,802)
Correction and detention:				
Operation of Jail	\$ 2,013,904	\$ 2,339,904	\$ 2,198,223	\$ 141,681
Probation Office	193,693	193,693	199,415	(5,722)
Total correction and detention	\$ 2,207,597	\$ 2,533,597	\$ 2,397,638	\$ 135,959

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 2
 Page 2 of 4

<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>
General Fund; (Continued)				
Public safety: (Continued)				
Inspections:				
Building Inspector	\$ 107,483	\$ 101,583	\$ 100,904	\$ 679
Other protection:				
Forestry Service	\$ 12,098	\$ 12,098	\$ 11,804	\$ 294
Enhanced 911	469,423	589,842	597,171	(7,329)
Medical Examiner	400	400	480	(80)
Emergency Services	83,314	120,083	73,372	46,711
Animal Control	200,104	205,904	180,042	25,862
Total other protection	\$ 765,339	\$ 928,327	\$ 862,869	\$ 65,458
Total public safety	\$ 5,086,789	\$ 5,857,145	\$ 5,955,754	\$ (98,609)
Public works:				
Sanitation and waste removal:				
Landfill	\$ 2,417,610	\$ 1,982,221	\$ 2,079,015	\$ (96,794)
Refuse collection	220,000	166,937	160,542	6,395
Total sanitation and waste removal	\$ 2,637,610	\$ 2,149,158	\$ 2,246,656	\$ (97,498)
Maintenance of general buildings and grounds:				
General properties	\$ 778,836	\$ 995,619	\$ 974,193	\$ 21,426
Total public works	\$ 3,416,446	\$ 3,144,777	\$ 3,220,849	\$ (76,072)
Health and welfare:				
Health:				
Health Department	\$ 353,211	\$ 353,211	\$ 353,211	\$ -
Mental health and mental retardation:				
Cumberland Mountain Community Services Board	\$ 52,000	\$ 52,000	\$ 50,000	\$ 2,000
Welfare/Social Services:				
Social services	\$ 4,919,787	\$ 4,919,787	\$ 4,234,532	\$ 685,255
Comprehensive Services Act	1,727,339	1,727,339	893,738	833,601
Appalachian Agency for Senior Citizens	87,263	87,263	91,998	(4,735)
Lebanon Speech and Hearing	9,870	9,870	9,870	-
Other health and welfare	525,258	525,258	1,600	523,658
Total welfare	\$ 7,269,517	\$ 7,269,517	\$ 5,231,738	\$ 2,037,779
Total health and welfare	\$ 7,674,728	\$ 7,674,728	\$ 5,634,949	\$ 2,039,779
Education:				
Contributions to County School Board	\$ 7,491,405	\$ 7,491,405	\$ 7,692,184	\$ (200,779)
SVCC Contribution	84,733	84,733	84,733	-
Total education	\$ 7,576,138	\$ 7,576,138	\$ 7,776,917	\$ (200,779)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Park	\$ 157,059	\$ 187,059	\$ 176,323	\$ 10,736

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 2
 Page 3 of 4

<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>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Public Library	\$ 309,148	\$ 319,148	\$ 331,371	\$ (12,223)
Total parks, recreation, and cultural	\$ 466,207	\$ 506,207	\$ 507,694	\$ (1,487)
Community development:				
Planning and community development:				
Planning Commisston	\$ 12,900	\$ 12,900	\$ 5,200	\$ 7,700
Community Development	38,000	38,000	49,946	(11,946)
Industrial Development	938,210	1,046,210	1,053,696	(7,486)
PSA Contributions	381,011	449,011	320,913	128,098
Cumberland Plateau	35,000	35,000	40,427	(5,427)
Highway Safety Commission	-	-	(160)	160
Canneries	-	-	118,824	(118,824)
Total planning and community development	\$ 1,405,121	\$ 1,581,121	\$ 1,588,846	\$ (7,725)
Environmental management:				
Soil and Water Conservation	\$ 34,236	\$ 34,236	\$ 34,236	-
Cooperative extension program:				
VPI Extension	\$ 64,468	\$ 64,468	\$ 78,159	\$ (13,691)
Total community development	\$ 1,503,825	\$ 1,679,825	\$ 1,701,241	\$ (21,416)
Nondepartmental:				
Nondepartmental	\$ 234,000	\$ 214,400	\$ 112,027	\$ 102,373
Capital projects:				
Other capital projects	\$ -	\$ -	\$ -	-
Debt service:				
Principal payments	\$ 1,579,643	\$ 1,579,643	\$ 1,316,096	\$ 263,547
Interest Expense	352,481	352,481	493,927	(141,446)
Total debt service	\$ 1,932,124	\$ 1,932,124	\$ 1,810,023	\$ 122,101
Total General Fund	\$ 31,614,149	\$ 32,287,550	\$ 30,410,763	\$ 1,876,787
Special Revenue Funds:				
Coal Road Fund:				
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Maintenance of highways, streets, bridges and sidewalks	\$ 750,000	\$ 750,000	\$ 894,783	\$ (144,783)
Virginia coalfield	150,000	150,000	385,262	(235,262)
Total Public Works	\$ 900,000	\$ 900,000	\$ 1,280,045	\$ (380,045)
Total Coal Road Fund	\$ 900,000	\$ 900,000	\$ 1,280,045	\$ (380,045)

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 2
 Page 4 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Workforce Investment Board Fund:				
Health and Welfare				
Welfare				
Workforce Investment	\$ 2,746,846	\$ 2,746,846	\$ 1,777,312	\$ 969,534
Total Primary Government	\$ 35,260,995	\$ 35,934,396	\$ 33,468,120	\$ 2,466,276
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,697,266	\$ 1,697,266	\$ 1,853,061	\$ (155,795)
Instruction costs:				
Instructional costs	\$ 28,728,713	\$ 28,728,713	\$ 26,971,511	\$ 1,757,202
Technology	742,775	742,775	655,347	87,428
Total instruction costs	\$ 29,471,488	\$ 29,471,488	\$ 27,626,858	\$ 1,844,630
Operating costs:				
Pupil transportation	\$ 3,058,955	\$ 3,058,955	\$ 2,599,193	\$ 459,762
Operation and maintenance of school plant	4,517,281	4,517,281	4,589,832	(72,551)
Food service and non-instructional	1,915,237	1,915,237	1,857,160	58,077
Total operating costs	\$ 9,491,473	\$ 9,491,473	\$ 9,046,185	\$ 445,288
Total education	\$ 40,660,227	\$ 40,660,227	\$ 38,526,104	\$ 2,134,123
Total School Operating Fund	\$ 40,660,227	\$ 40,660,227	\$ 38,526,104	\$ 2,134,123
Total Discretely Presented Component Unit - School Board	\$ 40,660,227	\$ 40,660,227	\$ 38,526,104	\$ 2,134,123

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	Interest on Long-Term Debt	Service Authority	Total
2013-14	\$ 1,702,984	\$ 2,039,186	\$ 6,005,354	\$ 4,381,728	\$ 7,169,883	\$ 8,943,324	\$ 546,171	\$ 1,687,428	\$ 457,095	\$ 403,848	\$ 33,337,001
2012-13	1,269,473	2,097,469	5,908,601	4,592,807	8,285,584	7,484,972	529,959	2,173,719	498,401	441,349	33,282,334
2011-12	2,267,145	2,119,900	5,296,188	6,060,973	8,397,896	4,589,631	539,126	3,493,655	522,300	410,664	33,697,478
2010-11	1,691,031	2,112,758	5,091,612	4,003,987	8,592,042	5,681,243	563,123	3,191,256	756,064	423,945	32,107,061
2009-10	1,828,631	2,219,866	4,234,145	5,549,934	6,070,091	5,897,486	560,735	1,491,257	728,202	434,552	29,014,899
2008-09	1,706,342	2,243,005	4,013,947	6,055,397	5,982,456	5,471,573	541,087	4,826,721	758,753	407,145	32,006,426
2007-08	1,411,595	2,070,008	4,025,383	5,386,506	5,395,294	4,508,131	433,946	5,549,375	827,965	388,949	29,997,152
2006-07	1,465,480	1,710,751	3,667,580	2,867,007	4,880,408	3,884,301	477,515	3,246,100	852,493	422,425	23,474,060

(1) Information has only been available for 8 years.

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

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)		
2013-14	\$ 445,727	\$ 8,991,231	\$ 320,311	\$ 15,749,617	\$ 4,873,857	\$ 359,952	\$ 86,115	\$ 2,562,116	\$ 33,388,926	
2012-13	398,711	9,822,073	-	14,686,993	5,079,612	45,865	60,479	2,580,839	32,674,572	
2011-12	488,408	9,677,480	761,738	13,142,777	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 8 years.

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

Table 3

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
2013-14	\$ 1,651,589	\$ 2,039,720	\$ 5,955,754	\$ 4,500,894	\$ 7,412,261	\$ 38,945,001	\$ 507,694	\$ 1,701,241	\$ 112,027	\$ 1,810,023	\$ 64,636,204
2012-13	1,797,929	2,096,382	5,742,101	4,744,331	8,334,736	40,161,416	488,706	2,283,910	423,737	2,869,820	68,943,068
2011-12	2,060,380	2,114,097	5,509,998	6,515,152	8,518,725	40,540,127	484,891	2,442,356	305,904	2,526,021	71,017,651
2010-11	1,712,850	2,106,641	5,226,797	4,102,279	8,662,052	40,273,694	556,723	2,311,048	103,820	2,537,376	67,593,280
2009-10	1,837,926	2,213,724	4,100,376	5,491,432	6,906,934	41,066,362	497,417	1,557,445	9,095	2,504,631	66,185,342
2008-09	1,702,193	2,236,691	4,383,789	6,093,232	6,672,387	42,452,183	547,104	3,925,736	56,093	2,547,424	70,616,832
2007-08	1,745,817	2,070,455	4,057,495	5,083,514	5,398,035	39,724,130	433,946	5,549,375	45,503	2,669,081	66,777,351
2006-07	1,547,966	1,805,418	3,863,960	3,205,718	5,126,034	41,346,518	493,366	5,699,361	-	2,429,487	65,517,828
2005-06	1,810,230	1,814,649	4,022,185	3,605,915	5,003,511	39,574,345	438,198	7,653,814	-	2,546,073	66,468,920
2004-05	1,471,043	1,059,566	3,977,841	3,434,569	4,948,270	33,030,292	339,244	5,186,187	-	2,704,665	56,151,677

(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
2013-14	\$ 16,011,500	\$ 4,873,857	\$ 40,292	\$ 31,151	\$ 352,852	\$ 803,470	\$ 307,398	\$ 1,121,491	\$ 41,977,914	\$ 65,519,925
2012-13	14,696,587	5,079,612	34,152	14,955	39,878	951,229	352,993	1,588,307	44,418,919	67,176,632
2011-12	12,813,407	6,881,302	28,272	24,567	65,238	1,162,800	394,657	1,139,070	46,119,628	68,628,941
2010-11	13,548,896	6,340,919	22,834	1,206	73,514	1,101,993	416,883	898,399	47,717,709	70,122,353
2009-10	12,841,457	6,123,807	45,877	1,049	74,279	998,548	293,467	1,732,861	43,856,378	65,967,723
2008-09	12,540,392	7,779,265	39,662	1,168	117,983	1,148,414	643,861	1,884,165	45,438,632	69,593,542
2007-08	11,826,325	7,976,046	44,933	321	501,144	1,023,848	510,972	796,913	43,519,497	66,199,999
2006-07	11,566,874	6,869,060	144,452	7,547	794,365	1,122,223	289,980	276,806	48,149,588	69,220,895
2005-06	12,337,123	6,713,063	52,707	8,181	660,142	878,017	310,534	187,855	42,906,554	64,054,176
2004-05	12,204,466	5,981,937	35,700	9,430	231,701	755,446	192,958	266,232	38,060,020	57,737,890

(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
2013-14	\$ 17,616,878	\$ 16,022,072	90.95%	\$ 895,532	\$ 16,917,604	96.03%	\$ 3,914,585	22.22%
2012-13	16,328,495	14,812,738	90.72%	953,671	15,766,409	96.56%	4,786,523	29.31%
2011-12	14,681,089	13,185,991	89.82%	723,190	13,909,181	94.74%	4,693,121	31.97%
2010-11	14,682,949	13,329,182	90.78%	1,330,697	14,659,879	99.84%	3,847,456	26.20%
2009-10	14,169,807	13,038,906	92.02%	886,480	13,925,386	98.28%	3,624,318	25.58%
2008-09	14,091,178	13,212,582	93.76%	496,787	13,709,369	97.29%	3,506,132	24.88%
2007-08	13,784,900	12,618,969	91.54%	411,887	13,030,856	94.53%	3,234,367	23.46%
2006-07	12,104,262	8,435,607	69.69%	863,735	9,299,342	76.83%	1,628,182	13.45%
2005-06	11,360,623	11,118,399	97.87%	797,364	11,915,763	104.89%	1,854,243	16.32%
2004-05	10,576,870	9,740,619	92.09%	537,362	10,277,981	97.17%	1,849,194	17.48%

(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
2013-14	\$ 1,420,301,334	\$ 297,609,286	\$ 92,212,643	\$ 6,061,014	\$ 21,820,581	\$ 315,700,293	\$ 2,153,705,151
2012-13	1,323,141,655	292,809,049	86,317,454	5,631,601	23,486,868	230,027,520	1,961,414,147
2011-12	1,214,673,535	251,383,699	60,747,073	5,340,902	23,401,571	269,503,982	1,825,050,762
2010-11	1,197,720,260	235,114,151	82,948,411	5,136,529	23,320,148	326,871,285	1,871,110,784
2009-10	1,181,352,276	224,871,200	96,552,183	5,402,115	22,864,821	253,750,196	1,784,792,791
2008-09	1,153,488,246	239,254,757	93,960,621	5,501,882	23,139,220	234,196,018	1,749,540,744
2007-08	1,130,643,127	243,837,948	107,205,468	5,742,600	23,608,064	231,981,492	1,743,018,699
2006-07	931,095,586	152,418,744	99,124,678	4,954,226	23,802,666	199,922,460	1,411,318,360
2005-06	927,558,386	241,849,424	92,859,770	5,113,134	26,020,997	206,306,945	1,499,708,656
2004-05	905,496,746	220,786,936	102,287,891	4,160,621	24,774,536	222,627,640	1,480,134,370

(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 (2)	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes
2013-14	\$ 0.56/0.63	\$ 1.65	\$ 2.00	\$ 0.65	0.56
2012-13	0.70/0.56	1.65	1.65	0.65	0.70
2011-12	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	0.56/0.61	1.65	1.65	0.65	0.56
2006-07	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

(1) Per \$100 of assessed value.

(2) 2nd half due December/1st half due June of fiscal year.

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
2013-14	28,897	\$ 2,153,705	\$ 9,955,282	\$ 9,955,282	0.46%	\$ 345
2012-13	28,897	1,961,414	10,865,788	10,865,788	0.55%	376
2011-12	28,897	1,825,051	12,666,629	12,666,629	0.69%	438
2010-11	28,897	1,871,111	14,066,729	14,066,729	0.75%	487
2009-10	28,790	1,784,793	15,315,245	15,315,245	0.86%	532
2008-09	28,790	1,749,541	14,878,819	14,878,819	0.85%	517
2007-08	28,790	1,743,019	14,584,265	14,584,265	0.84%	507
2006-07	28,790	1,411,318	14,836,861	14,836,861	1.05%	515
2005-06	28,790	1,499,709	12,594,094	12,594,094	0.84%	437
2004-05	28,830	1,480,134	13,633,304	13,633,304	0.92%	473

(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
2013-14	\$ 1,810,023	\$ 64,636,204	2.80%
2012-13	2,869,820	68,943,068	4.16%
2011-12	2,526,021	71,017,651	3.56%
2010-11	2,537,376	67,593,280	3.75%
2009-10	2,504,631	66,185,342	3.78%
2008-09	2,547,424	70,616,832	3.61%
2007-08	2,669,081	66,777,351	4.00%
2006-07	2,429,487	65,517,828	3.71%
2005-06	2,546,073	66,468,920	3.83%
2004-05	1,775,036	56,151,677	3.16%

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Russell, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Russell, Virginia's basic financial statements and have issued our report thereon dated January 8, 2015. Our report includes a reference to other auditors who audited the financial statements of Russell County Public Service Authority and The Industrial Development Authority of Russell County, as described in our report on County of Russell, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2014-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Russell, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2014-002.

County of Russell, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Fauser, & Associates

Blacksburg, Virginia
January 8, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Russell, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Russell, Virginia, Virginia's major federal programs for the year ended June 30, 2014. County of Russell, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Russell, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, & Associates

Blacksburg, Virginia
January 8, 2015

County of Russell, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

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	950,113	\$ 20,892
Temporary Assistance for Needy Families	93.558	0400113, 0400114	368,518
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113, 0500114	1,924
Low-Income Home Energy Assistance	93.568	0600413, 0600414	38,834
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113, 0760114	52,255
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113, 0900114	2,566
Foster Care - Title IV-E	93.658	1100113, 1100114	251,553
Adoption Assistance	93.659	1120113, 1120114	391,421
Social Services Block Grant	93.667	1000113, 1000114	336,363
Chafee Foster Care Independence Program	93.674	9150113, 9150114	12,150
Children's Health Insurance Program	93.767	0540113, 0540114	9,845
Medical Assistance Program	93.778	1200113, 1200114	281,936
Total Department of Health and Human Services			\$ 1,767,957
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	Not applicable	\$ 24,250
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution-Schools (Note 3)	10.555	Not available	\$ 107,336
Department of Education:			
National School Lunch Program	10.555	40623	877,635
Department of Education:			
School Breakfast Program	10.553	40591	298,549
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113, 0010114 0040113, 0040114	318,556
Total Department of Agriculture			\$ 1,621,326
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	56500, 66500	\$ 20,860
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-13-53020, 154AL-14-54261	\$ 13,708

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County of Russell, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 342,762
Title I: Grants to Local Educational Agencies	84.010	42901	1,141,451
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	780,818
Special Education - Preschool Grants	84.173	62521	34,297
Career and Technical Education: Basic Grants to States	84.048	61095	82,578
Twenty-First Century Community Learning Centers	84.287	60565	350,561
Rural Education	84.358	43481	32,031
Improving Teacher Quality State Grants	84.367	61480	<u>194,022</u>
Total Department of Education			\$ 2,958,520
Department of Labor:			
Pass Through Payments:			
Virginia Community College System:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	LWA 1-12-04, 1-13-03	\$ 769,545
WIA Youth Activities	17.259	LWA 1-12-04, 1-13-03	751,198
WIA Dislocated Worker Formula Grants	17.278	LWA 1-12-04, 1-13-03	<u>256,569</u>
Total Department of Labor			\$ 1,777,312
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	52742	<u>\$ 6,769</u>
Department of Treasury:			
Direct Payments:			
Equitable Sharing Program	21.000	Not applicable	<u>\$ 296,061</u>
Total Expenditures of Federal Awards			\$ 8,462,513

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County of Russell, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Russell, Virginia under programs of the federal government for the year ended June 30, 2014. 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 County of Russell, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Russell, 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, 2014, 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:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount</u>
17.258, 17.259, 17.278	Workforce Investment Act Cluster	1,777,312

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	\$ 2,448,161
Workforce Investment Board Fund	<u>1,777,312</u>
Total primary government:	<u>\$ 4,225,473</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 4,237,040</u>
Total expenditures of federal awards per the basic financial statements	<u>\$ 8,462,513</u>

County of Russell, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over financial reporting:
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I: Grants to Local Educational Agencies
10.553/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
17.258/17.259/17.278	Workforce Investment Act Cluster

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

Auditee qualified as low-risk auditee? No

County of Russell, Virginia

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section II - Financial Statement Findings

2014-001

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 2014 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 2014 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2014-002

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

County of Russell, Virginia

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Findings 2013-1 and 2013-3 were recurring during fiscal year 2014. Financial Statement Finding 2013-2 was corrected during the current year.