

COUNTY OF RUSSELL, VIRGINIA

**ANNUAL FINANCIAL REPORT**

FOR THE **YEAR ENDED JUNE 30, 2015**

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COUNTY OF RUSSELL, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015

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## INTRODUCTORY SECTION

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# COUNTY OF RUSSELL, VIRGINIA

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## BOARD OF SUPERVISORS

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

## COUNTY SCHOOL BOARD

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Charlie Collins, Chairman	Roger Glover
Linda Cross, Vice Chairman	Carl Jackson
Wayne Bostic	Linda Garrett
Tom Griffith	

## SOCIAL SERVICES BOARD

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

## OTHER OFFICIALS

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

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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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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 the County of Russell, Virginia, as of and for the year ended June 30, 2015, 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 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Russell, Virginia, as of June 30, 2015, 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.

### ***Change in Accounting Principle***

As described in Note 20 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 76-78 and 79-83 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 and other auditors 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 the County of Russell, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

*Other Information (continued)*

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information and the 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the County of Russell, Virginia, 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 the County of Russell, Virginia's internal control over financial reporting and compliance.

*Robinson, Turner, Co. Associates*

Blacksburg, Virginia  
December 31, 2015

## Basic Financial Statements

County of Russell, Virginia  
Statement of Net Position  
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,653,659	\$ -	\$ 6,653,659
Receivables (net of allowance for uncollectibles):			
Taxes receivable	8,235,451	-	8,235,451
Accounts receivable	619,286	7,582	626,868
Grants receivable	-	-	-
Due from component unit	2,699,074	-	2,699,074
Due from other governmental units	2,096,050	-	2,096,050
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	422,555	49,575	472,130
Noncurrent assets:			
Net pension asset	-	-	-
Capital assets (net of accumulated depreciation):			
Land	568,695	-	568,695
Land rights	-	-	-
Land improvements	-	-	-
Buildings and improvements	13,873,734	-	13,873,734
Machinery and equipment	1,545,201	-	1,545,201
Utility plant in service	-	2,992,576	2,992,576
Construction in progress	-	-	-
Accumulated Depreciation	-	-	-
Total assets	\$ 36,713,705	\$ 3,049,733	\$ 39,763,438
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to measurement date	\$ 791,055	\$ 5,581	\$ 796,636
<b>LIABILITIES</b>			
Accounts payable	\$ 1,692,939	\$ 27,054	\$ 1,719,993
Accrued liabilities	1,805	-	1,805
Customer deposits	-	-	-
Accrued interest payable	172,502	1,527	174,029
Line of credit	-	-	-
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	1,835,753	21,894	1,857,647
Due in more than one year	18,706,855	691,021	19,397,876
Total liabilities	\$ 22,409,854	\$ 741,496	\$ 23,151,350
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 5,276,245	\$ -	\$ 5,276,245
Items related to measurement of net pension liability	1,453,063	10,252	1,463,315
Total deferred inflows of resources	\$ 6,729,308	\$ 10,252	\$ 6,739,560
<b>NET POSITION</b>			
Net investment in capital assets	\$ 6,926,011	\$ 2,320,175	\$ 9,246,186
Restricted:			
Coal Road	487,541	-	487,541
Construction	-	-	-
Debt service and bond covenants	-	49,575	49,575
Other	-	-	-
Unrestricted (deficit)	952,046	(66,184)	885,862
Total net position	\$ 8,365,598	\$ 2,303,566	\$ 10,669,164

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

County of Russell, Virginia  
Statement of Net Position  
June 30, 2015

	Component Units			
	School Board	Industrial Development Authority	Russell County Public Service Authority	Castlewood Water and Sewage Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,839,676	\$ 606,465	\$ 105,798	\$ 284,013
Receivables (net of allowance for uncollectibles):				
Taxes receivable	-	-	-	-
Accounts receivable	16,548	28,418	202,780	409,305
Grants receivable	-	-	-	69,830
Due from component unit	-	-	-	-
Due from other governmental units	1,501,315	-	33,368	19,520
Inventories	-	-	27,430	-
Prepaid items	760,243	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	109,426	120,182
Noncurrent assets:				
Net pension asset	-	-	65,009	-
Capital assets (net of accumulated depreciation):				
Land	5,636,345	2,303,397	106,332	130,080
Land rights	-	-	-	13,360
Land improvements	-	394,784	-	-
Buildings and improvements	10,583,275	14,788,750	107,097	204,810
Machinery and equipment	1,632,997	758,649	-	121,158
Utility plant in service	-	-	20,315,280	12,284,434
Construction in progress	-	3,185,364	2,227,390	86,641
Accumulated Depreciation	-	(2,421,086)	(5,788,145)	-
<b>Total assets</b>	<b>\$ 21,970,399</b>	<b>\$ 19,644,741</b>	<b>\$ 17,511,765</b>	<b>\$ 13,743,333</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to measurement date	\$ 2,936,268	\$ -	\$ 26,342	\$ 21,243
<b>LIABILITIES</b>				
Accounts payable	\$ 94,242	\$ 542,653	\$ 226,320	\$ 92,738
Accrued liabilities	890,850	693	58,990	25,701
Customer deposits	-	-	10,345	59,309
Accrued interest payable	-	44,363	2,458	42,491
Line of credit	-	-	-	235,242
Due to primary government	2,499,074	200,000	-	-
Long-term liabilities:				
Due within one year	602,451	478,879	180,385	199,452
Due in more than one year	34,455,558	12,152,168	6,495,048	5,756,071
<b>Total liabilities</b>	<b>\$ 38,542,175</b>	<b>\$ 13,418,756</b>	<b>\$ 6,973,546</b>	<b>\$ 6,411,004</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ -	\$ -	\$ -	\$ -
0	6,030,289	-	19,395	34,214
<b>Total deferred inflows of resources</b>	<b>\$ 6,030,289</b>	<b>\$ -</b>	<b>\$ 19,395</b>	<b>\$ 34,214</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 17,852,617	\$ 5,836,158	\$ 10,292,521	\$ 6,881,008
Restricted:				
Coal Road	-	-	-	-
Construction	-	-	1,439	-
Debt service and bond covenants	-	-	99,938	120,182
Other	-	-	8,049	-
Unrestricted (deficit)	(37,518,414)	389,827	143,219	318,168
<b>Total net position</b>	<b>\$ (19,665,797)</b>	<b>\$ 6,225,985</b>	<b>\$ 10,545,166</b>	<b>\$ 7,319,358</b>

County of Russell, Virginia  
**Statement of Activities**  
 For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	School Board	Industrial Development Authority	Russell County Public Service Authority	Castlewood Water and Sewerage Authority
<b>PRIMARY GOVERNMENT:</b>											
Governmental activities:											
General government administration	\$ 1,772,163	\$ -	\$ 308,310	\$ -	\$ (1,463,853)	\$ -	\$ (1,463,853)				
Judicial administration	1,945,227	11,782	657,911	-	(1,275,534)	-	(1,275,534)				
Public safety	6,352,397	74,813	1,728,384	-	(4,549,200)	-	(4,549,200)				
Public works	3,725,640	253,436	13,579	-	(3,458,625)	-	(3,458,625)				
Health and welfare	8,115,359	-	6,860,815	-	(1,254,544)	-	(1,254,544)				
Education	7,596,324	-	-	-	(7,596,324)	-	(7,596,324)				
Parks, recreation, and cultural	514,678	4,451	79,229	-	(430,998)	-	(430,998)				
Community development	1,023,371	32,757	-	-	(990,614)	-	(990,614)				
Interest on long-term debt	385,445	-	-	-	(385,445)	-	(385,445)				
Total governmental activities	\$ 31,430,604	\$ 377,239	\$ 9,648,228	\$ -	\$ (21,405,137)	\$ -	\$ (21,405,137)				
Business-type activities:											
Service Authority	\$ 430,426	\$ 90,878	\$ -	\$ -	\$ -	\$ (339,548)	\$ (339,548)				
Total primary government	\$ 31,861,030	\$ 468,117	\$ 9,648,228	\$ -	\$ (21,405,137)	\$ (339,548)	\$ (21,744,685)				
<b>COMPONENT UNITS:</b>											
School Board	\$ 38,564,822	\$ 442,194	\$ 32,224,354	\$ -			\$ (5,898,274)	\$ -	\$ -	\$ -	\$ -
Industrial Development Authority	2,748,747	-	126,021	1,534,456			-	(1,088,270)	-	-	-
Russell County Public Service Authority	2,402,872	1,189,375	-	469,747			-	-	(743,750)	-	-
Castlewood Water and Sewer Authority	1,459,528	1,464,638	-	1,016,947			-	-	-	-	1,022,057
Total component units	\$ 45,175,969	\$ 3,096,207	\$ 32,350,375	\$ 3,021,150			\$ (5,898,274)	\$ (1,088,270)	\$ (743,750)	\$ -	\$ 1,022,057
General revenues:											
General property taxes					\$ 15,762,013	\$ -	\$ 15,762,013	\$ -	\$ -	\$ -	\$ -
Other local taxes:											
Local sales and use taxes					1,876,308	-	1,876,308	-	-	-	-
Coal road and severance taxes					1,515,788	-	1,515,788	-	-	-	-
Consumers' utility taxes					530,273	-	530,273	-	-	-	-
Motor vehicle licenses					507,262	-	507,262	-	-	-	-
Other local taxes					205,796	-	205,796	-	-	-	-
Unrestricted revenues from use of money and property					257,108	-	257,108	3,095	725,842	2,354	-
Miscellaneous					226,621	-	226,621	245,718	41,572	60,223	-
Payments from the County of Russell, Virginia					-	-	-	6,486,880	560,779	569,839	-
Grants and contributions not restricted to specific programs					2,553,497	-	2,553,497	-	-	-	-
Gain on disposal of capital assets					-	-	-	-	-	-	-
Transfers					(222,404)	222,404	-	-	-	-	-
Total general revenues and transfers					\$ 23,212,262	\$ 222,404	\$ 23,434,666	\$ 6,735,693	\$ 1,328,193	\$ 632,416	\$ -
Change in net position					\$ 1,807,125	\$ (117,144)	\$ 1,689,981	\$ 837,419	\$ 239,923	\$ (111,334)	\$ 1,022,057
Net position - beginning, as restated					6,558,473	2,420,710	8,979,183	(20,503,216)	5,986,062	10,656,500	6,297,301
Net position - ending					\$ 8,365,598	\$ 2,303,566	\$ 10,669,164	\$ (19,665,797)	\$ 6,225,985	\$ 10,545,166	\$ 7,319,358

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

County of Russell, Virginia  
**Balance Sheet**  
**Governmental Funds**  
 June 30, 2015

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,290,467	\$ -	\$ -	\$ 3,290,467
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,235,451	-	-	8,235,451
Accounts receivable	136,076	20,932	-	157,008
Due from other funds	111,220	65,105	-	176,325
Due from component unit	2,699,074	-	-	2,699,074
Due from other governmental units	1,766,384	-	329,666	2,096,050
Restricted assets:				
Cash and cash equivalents	-	422,555	-	422,555
Total assets	<u>\$ 16,238,672</u>	<u>\$ 508,592</u>	<u>\$ 329,666</u>	<u>\$ 17,076,930</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 617,839	\$ 21,051	\$ 165,799	\$ 804,689
Reconciled overdraft	-	-	70,296	70,296
Accrued liabilities	1,805	-	-	1,805
Due to other funds	65,105	-	111,220	176,325
Total liabilities	<u>\$ 684,749</u>	<u>\$ 21,051</u>	<u>\$ 347,315</u>	<u>\$ 1,053,115</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 7,935,924	\$ -	\$ -	\$ 7,935,924
<b>FUND BALANCES</b>				
Restricted:				
Coal Road	\$ -	\$ 487,541	\$ -	\$ 487,541
Committed:				
Unassigned:	7,617,999	-	(17,649)	7,600,350
Total fund balances	<u>\$ 7,617,999</u>	<u>\$ 487,541</u>	<u>\$ (17,649)</u>	<u>\$ 8,087,891</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,238,672</u>	<u>\$ 508,592</u>	<u>\$ 329,666</u>	<u>\$ 17,076,930</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, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,087,891	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	568,695	
Buildings and improvements	13,873,734	
Machinery and equipment	<u>1,545,201</u>	15,987,630
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	2,659,679	
Items related to measurement of net pension liability	<u>(1,453,063)</u>	1,206,616
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		791,055
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.		
		3,007,516
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	(13,355,747)	
Capital leases	(224,844)	
Unamortized premium	(232,903)	
Accrued interest payable	(172,502)	
Landfill accrued closure and postclosure liability	(275,738)	
Net OPEB obligation	(111,461)	
Compensated absences	(599,590)	
Net pension liability	<u>(5,742,325)</u>	(20,715,110)
Net position of governmental activities		<u>\$ 8,365,598</u>

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



County of Russell, Virginia  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2015

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 15,746,635	\$ -	\$ -	\$ 15,746,635
Other local taxes	3,877,533	757,894	-	4,635,427
Permits, privilege fees, and regulatory licenses	40,342	-	-	40,342
Fines and forfeitures	2,334	-	-	2,334
Revenue from the use of money and property	246,592	2,275	-	248,867
Charges for services	334,563	-	-	334,563
Miscellaneous	226,621	-	-	226,621
Recovered costs	710,585	-	1,893	712,478
Intergovernmental:				
Commonwealth	7,798,472	-	-	7,798,472
Federal	2,433,534	-	1,969,719	4,403,253
<b>Total revenues</b>	<b>\$ 31,417,211</b>	<b>\$ 760,169</b>	<b>\$ 1,971,612</b>	<b>\$ 34,148,992</b>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,717,342	\$ -	\$ -	\$ 1,717,342
Judicial administration	2,011,601	-	-	2,011,601
Public safety	6,839,477	-	-	6,839,477
Public works	3,116,473	845,842	-	3,962,315
Health and welfare	6,321,358	-	2,032,660	8,354,018
Education	5,854,433	-	-	5,854,433
Parks, recreation, and cultural	480,741	-	-	480,741
Community development	1,046,895	-	-	1,046,895
Nondepartmental	112,482	-	-	112,482
Debt service:				
Principal retirement	1,522,447	-	-	1,522,447
Interest and other fiscal charges	424,130	-	-	424,130
<b>Total expenditures</b>	<b>\$ 29,447,379</b>	<b>\$ 845,842</b>	<b>\$ 2,032,660</b>	<b>\$ 32,325,881</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 1,969,832</b>	<b>\$ (85,673)</b>	<b>\$ (61,048)</b>	<b>\$ 1,823,111</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (446,281)	\$ -	\$ -	\$ (446,281)
Total other financing sources (uses)	\$ (446,281)	\$ -	\$ -	\$ (446,281)
<b>Net change in fund balances</b>	<b>\$ 1,523,551</b>	<b>\$ (85,673)</b>	<b>\$ (61,048)</b>	<b>\$ 1,376,830</b>
Fund balances - beginning	6,094,448	573,214	43,399	6,711,061
Fund balances - ending	<b>\$ 7,617,999</b>	<b>\$ 487,541</b>	<b>\$ (17,649)</b>	<b>\$ 8,087,891</b>

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, 2015

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

Net change in fund balances - total governmental funds \$ 1,376,830

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	560,878	
Reversion of assets back to the School Board (net)	(721,700)	
Removal of capital asset (net)	(106,280)	
Depreciation expense	(894,155)	(1,161,257)

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

Property taxes	15,378	
Change in deferred inflows of resources related to the measurement of the net pension liability	(1,453,063)	(1,437,685)

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:		
Landfill closure and postclosure liability	(4,075)	
Principal Payments:		
Bonds, literary loans, and notes	1,240,602	
Capital leases	281,845	1,518,372

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	21,087	
(Increase) decrease in accrued interest payable	21,881	
(Increase) decrease in net OPEB obligation	(34,788)	
Amortization of bond premiums	16,804	
Change in net pension liability	1,715,784	
Change in deferred outflows of resources related to pension payments subsequent to the measurement date	22,259	1,763,027

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.

(252,162)

Change in net position of governmental activities

\$ 1,807,125

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, 2015

	<b>Enterprise Fund Dante Fund</b>	<b>Internal Service Fund Self Health Insurance</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,433,488
Interest receivable	48	1,260
Accounts receivable, net of allowance for uncollectibles	7,534	461,018
Total current assets	<u>\$ 7,582</u>	<u>\$ 3,895,766</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	(2,248,123)	-
Total capital assets	<u>\$ 2,992,576</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 3,042,151</u>	<u>\$ -</u>
<b>Total assets</b>	<u><b>\$ 3,049,733</b></u>	<u><b>\$ 3,895,766</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions subsequent to measurement date	5,581	\$ -
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 27,054	\$ 888,250
Accrued interest payable	1,527	-
Revenue bonds - current portion	21,894	-
Total current liabilities	<u>\$ 50,475</u>	<u>\$ 888,250</u>
Noncurrent liabilities:		
Revenue bonds - net of current portion	\$ 650,507	\$ -
Net Pension Liability	40,514	-
Total noncurrent liabilities	<u>\$ 691,021</u>	<u>\$ -</u>
Total liabilities	<u>\$ 741,496</u>	<u>\$ 888,250</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Items related to measurement of net pension liability	\$ 10,252	\$ -
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,320,175	\$ -
Restricted for debt service and bond covenants	49,575	-
Unrestricted	(66,184)	3,007,516
Total net position	<u>\$ 2,303,566</u>	<u>\$ 3,007,516</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, 2015

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Dante Fund</b>	<b>Self Health Insurance</b>
<b>OPERATING REVENUES</b>		
Charges for services:		
Sewer revenues	\$ 90,878	\$ -
Insurance premiums	-	5,239,673
Total operating revenues	<u>\$ 90,878</u>	<u>\$ 5,239,673</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	\$ 135,356	\$ -
Professional services	13,926	-
Utilities	1,562	-
Materials and supplies	48,986	-
Office expenses	58,294	-
Repairs and maintenance	11,011	-
Insurance claims and expenses	-	5,723,953
Depreciation	131,017	-
Total operating expenses	<u>\$ 400,152</u>	<u>\$ 5,723,953</u>
Operating income (loss)	<u>\$ (309,274)</u>	<u>\$ (484,280)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	\$ -	\$ 8,241
Interest expense	(30,274)	-
Total nonoperating revenues (expenses)	<u>\$ (30,274)</u>	<u>\$ 8,241</u>
Income before transfers	<u>\$ (339,548)</u>	<u>\$ (476,039)</u>
Transfers in	<u>\$ 222,404</u>	<u>223,877</u>
Change in net position	<u>\$ (117,144)</u>	<u>\$ (252,162)</u>
Total net position - beginning, as restated	<u>2,420,710</u>	<u>3,259,678</u>
Total net position - ending	<u>\$ 2,303,566</u>	<u>\$ 3,007,516</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, 2015

	<b>Enterprise Fund Dante Fund</b>	<b>Internal Service Fund Self Health Insurance</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 91,102	\$ -
Receipts for insurance premiums	-	5,164,700
Payments to suppliers	(124,693)	-
Payments to employees	(137,365)	-
Payments for premiums	-	(5,607,955)
Net cash provided by (used for) operating activities	<u>\$ (170,956)</u>	<u>\$ (443,255)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	<u>\$ 222,404</u>	<u>\$ 223,877</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on bonds	\$ (21,013)	\$ -
Interest payments	(30,435)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (51,448)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>\$ -</u>	<u>\$ 8,238</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ (211,140)
Cash and cash equivalents - beginning	49,575	3,644,628
Cash and cash equivalents - ending	<u>\$ 49,575</u>	<u>\$ 3,433,488</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	<u>\$ (309,274)</u>	<u>\$ (484,280)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	\$ 131,017	\$ -
(Increase) decrease in accounts receivable	224	(74,973)
(Increase) decrease in Pension contributions subsequent to measurement date	(157)	-
Increase (decrease) in accounts payable	9,086	115,998
Increase (decrease) in items related to measurement of net pension liability	10,252	-
Increase (decrease) net pension liability	(12,104)	-
Total adjustments	<u>\$ 138,318</u>	<u>\$ 41,025</u>
Net cash provided by (used for) operating activities	<u>\$ (170,956)</u>	<u>\$ (443,255)</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, 2015

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 58,432
Total assets	\$ 58,432
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 57,383
Amounts held for VASAP	1,049
Total liabilities	\$ 58,432

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, 2015

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

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

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

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

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail and the Cumberland Mountain Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$2,832,224 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 (governmental 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 nonoperating 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). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). 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 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible on December 5<sup>th</sup>. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$723,965 at June 30, 2015 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 (expenditure/expense) until then. The County only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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 two types of items that qualify 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 30th, 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. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

*The remainder of this page left blank intentionally.*

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

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

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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Retirement Plan and the additions to/deductions from the County's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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.

12. 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);

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

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

12. Fund Equity (Continued)

- 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.

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.

13. 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.

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

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

14. 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.

**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.



**Note 2-Stewardship, Compliance, and Accountability:** (Continued)

B. Excess of expenditures over appropriations

Numerous departments in the General Fund and the Coal Road Fund, Social Services Fund, CSA Fund, Cannery Fund, Litter Fund, and Law Library Fund had excess expenditures over appropriations in the current year.

C. Deficit fund equity

At June 30, 2015, there were no funds which had deficit fund equity.

**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, 2015, the County had no investments.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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**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>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 229,197	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	414,514	-
State sales tax	-	723,222
Non-categorical aid	319,534	-
Categorical aid-shared expenses	203,680	-
Categorical aid-Virginia Public Assistance funds	145,448	-
Categorical aid-other	79,317	-
Categorical aid-Comprehensive Services Act funds	210,471	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	158,002	-
Categorical aid-Workforce Investment funds	329,666	-
Categorical aid-Other	6,221	-
School federal programs	-	778,093
Total Amount Due from Other Governmental Units	<u>\$ 2,096,050</u>	<u>\$ 1,501,315</u>

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**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>2,699,074</u>
Component Unit:		
School Board	\$ 2,499,074	\$ -
IDA	<u>200,000</u>	<u>-</u>
Total	<u>\$ 2,699,074</u>	<u>\$ 2,699,074</u>

Interfund transfers and remaining balances for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 446,281
Dante Fund	222,404	-
Internal Service Fund - Health Insurance	223,877	-
Total	<u>\$ 446,281</u>	<u>\$ 446,281</u>
Primary Government:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 111,220	\$ 65,105
Coal Road Fund	65,105	-
Workforce Investment Board Fund	-	111,220
Total	<u>\$ 176,325</u>	<u>\$ 176,325</u>

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**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, 2015:

	Balance July 1, 2014, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
<b>General obligation bonds</b>	\$ 8,142,651	\$ -	\$ (627,696)	\$ <b>7,514,955</b>
Literary loans	1,812,631	-	(375,977)	1,436,654
Revenue bonds	4,641,067	-	(236,929)	4,404,138
Deferred Amounts:				
Bond premiums	249,707	-	(16,804)	232,903
Capital leases	506,689	-	(281,845)	224,844
Landfill closure/ postclosure liability	271,663	4,075	-	275,738
Net OPEB obligation	76,673	39,988	(5,200)	111,461
Compensated absences	620,677	444,421	(465,508)	599,590
Net pension liability	7,458,109	2,590,801	(4,306,585)	5,742,325
<b>Total</b>	<b>\$ 23,779,867</b>	<b>\$ 3,079,285</b>	<b>\$ (6,316,544)</b>	<b>\$ 20,542,608</b>

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

Year Ending June 30,	<b>General Obligation Bonds</b>		<b>Literary Loans</b>		<b>Revenue Bonds</b>	
	Principal	Interest	Principal	Interest	Principal	Interest
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	702,345	212,615	102,646	3,453	236,928	-
2021-2025	2,625,335	635,243	70,016	2,150	1,184,643	-
2026-2030	1,424,948	177,869	-	-	1,098,522	-
2031-2035	120,000	3,030	-	-	797,883	-
2036-2037	-	-	-	-	138,450	-
<b>Totals</b>	<b>\$ 7,514,955</b>	<b>\$ 2,200,993</b>	<b>\$ 1,436,654</b>	<b>\$ 83,143</b>	<b>\$ 4,404,138</b>	<b>\$ -</b>

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**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
<b>General Obligation Bonds:</b>							
General obligation bond	5.10%-6.10%	1995	2016	\$15,000 a+	\$ 325,000	\$ 15,000	\$ 15,000
General obligation bond	5.10%-6.10%	1997	2016	\$5,000 a+	140,000	15,000	5,000
General obligation bond	4.10%-5.23%	1999	2019	\$25,000 a+	510,000	125,000	25,000
General obligation bond	4.98%-5.10%	2000	2021	\$94,999-115,952 a+	1,802,210	646,994	100,244
General obligation bond	2.35%-5.10%	2002	2023	\$213,799-272,702 a+	4,382,954	1,986,149	225,115
General obligation bond	4.60%-5.10%	2006	2027	\$147,228-197,458 a+	3,205,190	2,096,812	154,617
General obligation bond	4.60%-5.10%	2009	2030	\$55,000-110,000 a+	1,485,000	1,230,000	55,000
General obligation bond	3.05%-5.05%	2010	2031	\$55,000-120,000 a+	1,620,000	1,400,000	65,000
<b>Total General Obligation Bonds</b>						<b>\$ 7,514,955</b>	<b>\$ 644,976</b>
<b>Revenue Bonds:</b>							
Revenue bond	0.00%	11/28/2001	2033	\$15,595 sa	\$ 935,690	\$ 530,224	\$ 31,190
Revenue bond	0.00%	11/28/2001	2033	\$27,708 sa	1,678,400	969,780	55,416
Revenue bond	0.00%	11/28/2001	2025	\$8,612 sa	344,477	172,239	17,224
Revenue bond	0.00%	11/1/2002	2033	\$13,707 sa	822,366	479,713	27,412
Revenue bond	0.00%	3/10/2005	2036	\$9,276 sa	556,538	380,301	18,551
Revenue bond	0.00%	10/14/2005	2036	\$1,524 sa	91,439	64,007	3,048
Revenue bond	0.00%	10/14/2005	2037	\$31,779 sa	1,906,717	1,366,481	63,557
Revenue bond	0.00%	4/28/2006	2037	\$6,925 sa	415,513	297,783	13,851
Revenue bond	0.00%	3/30/2007	2037	\$3,340 sa	197,179	143,610	6,679
<b>Total Revenue Bonds</b>						<b>\$ 4,404,138</b>	<b>\$ 236,928</b>
Plus:							
Unamortized Premium						\$ 232,903	\$ 16,804
<b>Total General Obligation and Revenue Bonds</b>						<b>\$ 12,151,996</b>	<b>\$ 898,708</b>

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

**Primary Government - Governmental Activities Indebtedness (Continued)**

Details of long-term indebtedness: (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>Literary loans:</b>							
Literary loan	3.00%	7/15/1986	2017	\$30,222 a+	\$ 960,000	\$ 60,444	\$ 30,222
Literary loan	3.00%	7/15/1986	2017	\$62,693 a+	2,000,000	125,926	62,963
Literary loan	3.00%	2/1/1988	2018	\$18,522 a+	530,999	55,566	18,522
Literary loan	3.00%	2/1/1988	2018	\$12,581 a+	358,151	37,743	12,581
Literary loan	3.00%	2/1/1988	2018	\$3,005 a+	84,805	9,015	3,005
Literary loan	3.00%	2/1/1988	2018	\$9,995 a+	281,079	29,985	9,995
Literary loan	3.00%	2/1/1988	2018	\$6,989 a+	196,873	20,967	6,989
Literary loan	2.00%	1/1/2000	2020	\$57,757 a+	1,155,140	288,785	57,757
Literary loan	2.00%	3/15/1999	2019	\$55,700 a+	1,114,086	222,886	55,700
Literary loan	2.00%	3/15/1999	2019	\$8,200 a+	161,449	30,249	8,200
Literary loan	2.00%	6/15/1999	2019	\$21,134 a+	422,680	84,536	21,134
Literary loan	2.00%	6/15/1999	2019	\$44,020 a+	880,411	176,091	44,020
Literary loan	2.00%	11/15/2000	2021	\$24,689 a+	493,789	148,143	24,689
Literary loan	3.00%	12/15/2000	2021	\$7,700 a+	154,118	46,318	7,700
Literary loan	2.00%	7/1/2003	2023	\$12,500 a+	250,000	100,000	12,500
Total Literary Loans						\$ 1,436,654	\$ 375,977
<b>Other Obligations:</b>							
Capital Leases (Note 7)						\$ 224,844	\$ 111,375
Landfill Closure and Postclosure Liability						275,738	-
Net OPEB Obligation						111,461	-
Compensated Absences						599,590	449,693
Net Pension Liability						5,742,325	-
Total Other Obligations						\$ 6,953,958	\$ 561,068
<b>Total Long-term Obligations</b>						<b>\$ 20,542,608</b>	<b>\$ 1,835,753</b>

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**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, 2015:

	Balance July 1, 2014, as restated	Issuances	Retirements	Balance June 30, 2015
Revenue bonds	\$ 693,414	\$ -	\$ (21,013)	\$ 672,401
Net pension liability	52,618	18,279	(30,383)	40,514
<b>Total</b>	<b>\$ 746,032</b>	<b>\$ 18,279</b>	<b>\$ (51,396)</b>	<b>\$ 712,915</b>

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2016	\$ 21,894	\$ 29,553
2017	22,814	28,633
2018	23,776	27,671
2019	23,845	26,665
2020	23,960	25,612
2021-2025	137,360	110,505
2026-2030	171,941	75,919
2031-2035	215,235	32,625
2036-2037	31,576	511
<b>Totals</b>	<b>\$ 672,401</b>	<b>\$ 357,694</b>

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
<u>Revenue Bonds:</u>						
Revenue bond	0.00%	3/24/1999	2019	\$ 37,500	\$ 6,562	\$ 1,875
Revenue bond	4.50%	4/10/1996	2036	900,000	665,839	20,019
Total Revenue Bonds					\$ 672,401	\$ 21,894
<u>Other Obligations:</u>						
Net pension liability					\$ 40,514	\$ -
Total Long-term Obligations					\$ 712,915	\$ 21,894

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**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, 2015:

	Balance July 1, 2014, as restated	Increases	Decreases	Balance June 30, 2015
Net OPEB obligation	\$ 706,693	\$ 920,856	\$ (660,600)	\$ 966,949
Early retirement incentive	70,800	-	(51,300)	19,500
Compensated absences	758,422	598,330	(568,817)	787,935
Net pension liability	39,393,146	3,375,146	(9,484,667)	33,283,625
<b>Total</b>	<b>\$ 40,929,061</b>	<b>\$ 4,894,332</b>	<b>\$ (10,765,384)</b>	<b>\$ 35,058,009</b>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Early retirement incentive	\$ 19,500	\$ 11,500
Net OPEB Obligation	966,949	-
Compensated Absences	787,935	590,951
Net pension liability	33,283,625	-
<b>Total Other Obligations</b>	<b>\$ 35,058,009</b>	<b>\$ 602,451</b>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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**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>
Machinery and equipment	\$ 434,164
Less: Accumulated depreciation	<u>(75,979)</u>
Net capital asset	<u>\$ 358,185</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2016	\$ 115,602
2017	<u>115,602</u>
Subtotal	\$ 231,204
Less, amount representing interest	<u>(6,360)</u>
Present Value of Lease Agreement	<u>\$ 224,844</u>

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**Note 8-Pension Plan:**

**Plan Description**

All full-time, salaried permanent employees of the County are automatically covered by the Russell County Retirement Plan upon employment. The Plan includes employees of entities whose financial information is not included in the primary government report, and is therefore a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

All full-time, salaried permanent (nonprofessional) employees of the public school divisions are automatically covered by the Russell County School Board Retirement Plan upon employment. This is an agent multiple-employer plan administered by the System along with plans for other employer groups in the Commonwealth of Virginia.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b>                      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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b>                      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 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.</p>	<p><b>About the Hybrid Retirement Plan</b>                      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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> </ul>

**Note 8-Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b>                      Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>                      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.</p>	<p><b>Eligible Members</b>                      Employees are in 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.</p> <p><b>Hybrid Opt-In Election</b>                      Eligible 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.</p>	<p><b>Eligible Members</b>                      Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or 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.</li> </ul>

**Note 8-Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b>                      The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b>                      The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members</b>                      Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <p>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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but 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.</p>	<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b>                      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.</p>

**Note 8-Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b>                      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.</p>	<p><b>Creditable Service</b>                      Same as Plan 1.</p>	<p><b>Creditable Service</b>  <b><u>Defined Benefit Component:</u></b>                      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.</p> <p><b><u>Defined Contributions Component:</u></b>                      Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**Note 8-Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b>                      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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>                      Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>                      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. Plan 1 or 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.</p> <p><u><b>Defined Contributions Component:</b></u>                      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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

**Note 8-Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b>  <u><b>Defined Contributions Component: (Cont.)</b></u>                      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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      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.</p>	<p><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>                      See definition under Plan 1</p>

**Note 8-Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b>                      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.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b>  <b>Defined Contribution Component:</b>                      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.</p>
<p><b>Average Final Compensation</b>                      A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>                      A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>                      Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> 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 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> Same as Plan 1 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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>                      Not applicable.</p>



**Note 8-Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b>                      VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60.</p>	<p><b>Normal Retirement Age</b>                      VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Same as Plan 1.</p>	<p><b>Normal Retirement Age</b>  <u><b>Defined Benefit Component:</b></u>                      VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>                      VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>                      VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>                      VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>                      VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>                      VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>                      VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

**Note 8-Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><b>Defined Contribution Component:</b>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      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%.</p> <p><b>Eligibility:</b>                      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.</p> <p>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.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      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%.</p> <p><b>Eligibility:</b>                      Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b>Defined Benefit Component:</b>                      Same as Plan 2.</p> <p><b>Defined Contribution Component:</b>                      Not applicable.</p> <p><b>Eligibility:</b>                      Same as Plan 1 and Plan 2.</p>

**Note 8-Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>                      Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>                      Same as Plan 1 and Plan 2.</p>

**Note 8-Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b>                      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.                      VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b>                      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.                      VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>                      Employees of political subdivisions and School divisions (including Plan 1 and 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.                      Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b>                      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.</p>	<p><b>Purchase of Prior Service</b>                      Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u>Defined Benefit Component:</u>                      Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>•Hybrid Retirement Plan members are ineligible for ported service.</li> <li>•The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>•Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u>                      Not applicable.</p>

**Note 8-Pension Plan: (Continued)**

***Plan Description (Continued)***

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2015 was 14.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$796,636 and \$774,220 for the years ended June 30, 2015 and June 30, 2014, respectively.

***Net Pension Liability***

At June 30, 2015, the County reported a liability of \$5,782,839 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Credible compensation as of June 30, 2014 and 2013 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2014 and 2013, the County's proportion was 99.1179%.

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**Note 8-Pension Plan: (Continued)**

**Actuarial Assumptions - General Employees**

The total pension liability for General Employees in Russell County's Retirement Plan and the Russell County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

**Note 8-Pension Plan: (Continued)**

***Actuarial Assumptions - General Employees (Continued)***

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

***Actuarial Assumptions - Public Safety Employees***

The total pension liability for Public Safety employees in Russell County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Note 8-Pension Plan: (Continued)**

**Actuarial Assumptions - Public Safety Employees (Continued)**

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability



**Note 8-Pension Plan: (Continued)**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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**Note 8-Pension Plan: (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Russell County Retirement Plan, Russell County School Board Retirement Plan, and the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents County's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>Rate</b>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
County's proportionate share of the County Retirement Plan Net Pension Liability	\$ 9,599,012	\$ 5,782,838	\$ 2,618,256

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 8-Pension Plan: (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2015, the County recognized pension expense of \$509,647. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,463,315
Employer contributions subsequent to the measurement date	<u>796,636</u>	<u>-</u>
Total	<u>\$ 796,636</u>	<u>\$ 1,463,315</u>

\$796,636 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2016	\$ (365,829)
2017	(365,829)
2018	(365,829)
2019	(365,828)
Thereafter	-

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**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional)**

***Plan Description***

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

***Employees Covered by Benefit Terms***

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Component Unit School Board Nonprofessional</u></b>
Inactive members or their beneficiaries currently receiving benefits	137
Inactive members:	
Vested inactive members	7
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	31
Active members	<u>130</u>
Total covered employees	<u><u>298</u></u>

***Contributions***

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 17.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$427,268 and \$423,435 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional) (Continued)**

***Net Pension Liability***

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

***Changes in Net Pension Liability***

	<b>Component Unit-School Board (nonprofessional)</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2013	\$ 16,485,081	\$ 10,635,935	\$ 5,849,146
Changes for the year:			
Service cost	\$ 263,958	\$ -	\$ 263,958
Interest	1,116,022	-	1,116,022
Differences between expected and actual experience	-	-	-
Contributions - employer	-	423,435	(423,435)
Contributions - employee	-	130,388	(130,388)
Net investment income	-	1,629,758	(1,629,758)
Benefit payments, including refunds of employee contributions	(1,083,833)	(1,083,833)	-
Administrative expenses	-	(9,166)	9,166
Other changes	-	86	(86)
Net changes	<u>\$ 296,147</u>	<u>\$ 1,090,668</u>	<u>\$ (794,521)</u>
Balances at June 30, 2014	<u>\$ 16,781,228</u>	<u>\$ 11,726,603</u>	<u>\$ 5,054,625</u>

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**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional) (Continued)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	6,902,490	5,054,625	3,493,014

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2015, the Component Unit School Board (nonprofessional) recognized pension expense of \$352,203. At June 30, 2015, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 723,289
Employer contributions subsequent to the measurement date	427,268	-
Total	\$ 427,268	\$ 723,289

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**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional) (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$427,268 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2016	\$ (180,822)
2017	(180,822)
2018	(180,822)
2019	(180,823)
Thereafter	-

**Component Unit School Board (professional)**

***Plan Description***

Additional information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

***Contributions***

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$2,509,000 and \$1,991,484 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the school division reported a liability of \$28,229,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.23360% as compared to 0.24350% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$1,986,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 1,117,000
Net difference between projected and actual earnings on pension plan investments	-	4,190,000
Employer contributions subsequent to the measurement date	<u>2,509,000</u>	<u>-</u>
Total	<u>\$ 2,509,000</u>	<u>\$ 5,307,000</u>

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**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

\$2,509,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2016	\$	(1,294,000)
2017		(1,294,000)
2018		(1,294,000)
2019		(1,294,000)
Thereafter		(131,000)

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

***Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	41,453,000	28,229,000	17,343,000

**Note 8-Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 568,695	\$ -	\$ -	\$ 568,695
Capital assets, being depreciated:				
Buildings and improvements	\$ 26,814,300	\$ 102,316	\$ (2,035,501)	\$ 24,881,115
Machinery and equipment	4,114,985	458,562	(295,845)	4,277,702
Total capital assets being depreciated	\$ 30,929,285	\$ 560,878	\$ (2,331,346)	\$ 29,158,817
Accumulated depreciation:				
Buildings and improvements	\$ (11,726,337)	\$ (594,845)	\$ 1,313,801	\$ (11,007,381)
Machinery and equipment	(2,622,756)	(299,310)	189,565	(2,732,501)
Total accumulated depreciation	\$ (14,349,093)	\$ (894,155)	\$ 1,503,366	\$ (13,739,882)
Total capital assets being depreciated, net	\$ 16,580,192	\$ (333,277)	\$ (827,980)	\$ 15,418,935
Governmental activities capital assets, net	\$ 17,148,887	\$ (333,277)	\$ (827,980)	\$ 15,987,630

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 9-Capital Assets: (Continued)**

Primary Government: (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, being depreciated:				
Utility plant	\$ 5,240,699	\$ -	\$ -	\$ 5,240,699
Accumulated depreciation:				
Utility plant	\$ (2,117,106)	\$ (131,017)	\$ -	\$ (2,248,123)
Total capital assets being depreciated, net	\$ 3,123,593	\$ (131,017)	\$ -	\$ 2,992,576
Business-type activities capital assets, net	\$ 3,123,593	\$ (131,017)	\$ -	\$ 2,992,576

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

Governmental activities:	
General government administration	\$ 15,458
Public safety	176,204
Public works	44,731
Health and welfare	10,987
Education	608,553
Parks, recreation, and cultural	<u>38,222</u>
Total depreciation expense-governmental activities	<u>\$ 894,155</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, 2015

**Note 9-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 5,636,345	\$ -	\$ -	\$ 5,636,345
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,294,656	\$ 2,177,298	\$ -	\$ 24,471,954
Machinery and equipment	6,735,850	536,749	(620,054)	6,652,545
Total capital assets being depreciated	<u>\$ 29,030,506</u>	<u>\$ 2,714,047</u>	<u>\$ (620,054)</u>	<u>\$ 31,124,499</u>
Accumulated depreciation:				
Buildings and improvements	\$ (11,915,932)	\$ (1,972,747)	\$ -	\$ (13,888,679)
Machinery and equipment	(5,299,360)	(340,242)	620,054	(5,019,548)
Total accumulated depreciation	<u>\$ (17,215,292)</u>	<u>\$ (2,312,989)</u>	<u>\$ 620,054</u>	<u>\$ (18,908,227)</u>
Total capital assets being depreciated, net	<u>\$ 11,815,214</u>	<u>\$ 401,058</u>	<u>\$ -</u>	<u>\$ 12,216,272</u>
Governmental activities capital assets, net	<u>\$ 17,451,559</u>	<u>\$ 401,058</u>	<u>\$ -</u>	<u>\$ 17,852,617</u>

**Note 10-Risk Management:**

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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**Note 11-Contingent Liabilities:**

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

**Note 12-Surety Bonds:**

<u>Fidelity &amp; 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 Caldwell - Clerk of the School Board	\$ 10,000
All school employees: blanket bond	10,000
 <u>USF&amp;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. \$275,738 is the total estimated closure and postclosure care liability at June 30, 2015. 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 2015. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 14-Deferred/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>Governmental Activities</u>	<u>Balance Sheet</u> <u>Governmental Funds</u>
2nd half taxes due December 2015	\$ 5,136,011	\$ 5,136,011
Delinquent taxes due prior to June 30, 2015	-	2,659,679
Prepaid taxes	140,234	140,234
Total deferred/unavailable revenue for governmental funds	<u>\$ 5,276,245</u>	<u>\$ 7,935,924</u>

**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 2015, a total of \$5,723,953 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, 2015, 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 \$888,250 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 2015 were as follows:

<u>Fiscal Year</u>	<u>Balance at</u> <u>Beginning of</u> <u>Fiscal Year</u>	<u>Current Year</u> <u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of</u> <u>Fiscal Year</u>
2014-15	\$ <u>772,252</u>	\$ <u>5,839,951</u>	\$ <u>(5,723,953)</u>	\$ <u>888,250</u>

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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 Board:

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

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**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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation during fiscal year 2015.

Annual required contribution	\$	41,000
Interest on net OPEB obligation		3,067
Adjustment to annual required contribution		<u>(4,079)</u>
Annual OPEB cost (expense)		39,988
Contributions made		<u>(5,200)</u>
Increase (decrease) in net OPEB obligation		34,788
Net OPEB obligation - beginning of year		<u>76,673</u>
Net OPEB obligation - end of year	\$	111,461

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 35,812	2.51%	\$ 41,521
6/30/2014	37,852	7.13%	76,673
6/30/2015	39,988	13.00%	111,461

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**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	\$ 934,400
Interest on net OPEB obligation	24,734
Adjustment to annual required contribution	<u>(38,278)</u>
Annual OPEB cost (expense)	920,856
Contributions made	<u>(660,600)</u>
Increase (decrease) in net OPEB obligation	260,256
Net OPEB obligation - beginning of year	<u>706,693</u>
Net OPEB obligation - end of year	\$ 966,949

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 885,708	56.79%	\$ 427,536
6/30/2014	910,457	69.34%	706,693
6/30/2015	920,856	71.74%	966,949

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%

**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, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	9,357,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	9,357,000
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	18,961,700
UAAL as a percentage of covered payroll		49.35%

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.

Primary Government

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: 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 16-Other Postemployment Benefits-Health Insurance: (Continued)**

E. Actuarial Methods and Assumptions (Continued)

Discretely Presented Component Unit - School Board:

As of July 1, 2014, 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: investment rate of return at 3.50 percent and a health care trend rate of 5.60 percent graded to 4.50 percent over 80 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014 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 2015 was 0.30% 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 2015 was 0.95% of annual covered payroll.

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

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.

For 2015, the County's contribution of \$3,321 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 2015 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	6/30/2013	\$ 1,764	100.00%	\$ -
	6/30/2014	778	100.00%	-
	6/30/2015	3,321	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 2015, the School Board's contribution of \$23,128 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 2015 and the two preceding years 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%	-
	6/30/2015	23,128	100.00%	-

**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, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	123,274
Actuarial value of plan assets	\$	84,614
Unfunded actuarial accrued liability (UAAL)	\$	38,660
Funded ratio (actuarial value of plan assets/AAL)		68.64%
Covered payroll (active plan members)	\$	1,182,479
UAAL as a percentage of covered payroll		3.27%

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, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	382,648
Actuarial value of plan assets	\$	(15,285)
Unfunded actuarial accrued liability (UAAL)	\$	397,933
Funded ratio (actuarial value of plan assets/AAL)		-3.99%
Covered payroll (active plan members)	\$	2,639,711
UAAL as a percentage of covered payroll		15.07%

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, 2014 was 20-29 years.

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

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2014 was 20-29 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.

**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 \$184,055, \$189,624, and \$193,975 for the fiscal years ended 2015, 2014, and 2013, respectively. The School Board's contributions represented 1.06%, 1.11%, and 1.11%, of covered payroll for the fiscal years ended 2015, 2014, and 2013, 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 2015, the County paid \$199,127 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, 2015, the outstanding balance of the loan was \$4,507,700. Future required rent payments are as follows:

Year Ending June 30,	Operating Lease	
	Principal	Interest
2016	\$ 363,300	\$ 101,621
2017	372,100	92,744
2018	381,000	83,925
2019	390,000	74,898
2020	399,100	65,825
2021-2025	2,142,700	181,885
2026	459,500	5,425
Totals	<u>\$ 4,507,700</u>	<u>\$ 606,323</u>



**Note 20-Adoption of Accounting Principle:**

**Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:**

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	Primary Government		Component Unit
	Net Position		Net Position
	Governmental Activities	Business-type Activities	School Board
July 1 2014, as previously stated	\$ 13,247,786	2,467,904	\$ 16,472,495
Net pension liability	(7,458,109)	(52,618)	(39,393,146)
Deferred outflows	768,796	5,424	2,417,435
July 1 2014, as restated	<u>\$ 6,558,473</u>	<u>\$ 2,420,710</u>	<u>\$ (20,503,216)</u>

**Note 21 - Upcoming Pronouncements:**

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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**Note 21— Upcoming Pronouncements: (Continued)**

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

**Note 21— Upcoming Pronouncements: (Continued)**

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

**Note 22-Litigation:**

As of June 30, 2015, there were no matters of litigation involving the County which would materially affect the County's financial position should court decisions on pending matters not be favorable.

## 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 15,867,387	\$ 15,867,387	\$ 15,746,635	\$ (120,752)
Other local taxes	3,747,517	3,747,517	3,877,533	130,016
Permits, privilege fees, and regulatory licenses	50,600	50,600	40,342	(10,258)
Fines and forfeitures	27,000	27,000	2,334	(24,666)
Revenue from the use of money and property	335,000	335,000	246,592	(88,408)
Charges for services	293,300	293,300	334,563	41,263
Miscellaneous	216,600	216,600	226,621	10,021
Recovered costs	398,500	545,253	710,585	165,332
Intergovernmental:				
Commonwealth	8,008,760	8,041,335	7,798,472	(242,863)
Federal	2,577,166	2,577,166	2,433,534	(143,632)
<b>Total revenues</b>	<b>\$ 31,521,830</b>	<b>\$ 31,701,158</b>	<b>\$ 31,417,211</b>	<b>\$ (283,947)</b>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,689,988	\$ 1,697,188	\$ 1,717,342	\$ (20,154)
Judicial administration	2,035,763	2,046,691	2,011,601	35,090
<b>Public safety</b>	<b>6,323,356</b>	<b>6,502,684</b>	<b>6,839,477</b>	<b>(336,793)</b>
Public works	3,479,798	3,483,998	3,116,473	367,525
Health and welfare	6,448,531	6,448,531	6,321,358	127,173
Education	7,712,756	7,712,756	5,854,433	1,858,323
Parks, recreation, and cultural	492,368	492,368	480,741	11,627
Community development	705,401	705,401	1,046,895	(341,494)
Nondepartmental	475,847	453,519	112,482	341,037
Debt service:				
Principal retirement	1,527,257	1,527,257	1,522,447	4,810
Interest and other fiscal charges	430,765	430,765	424,130	6,635
<b>Total expenditures</b>	<b>\$ 31,321,830</b>	<b>\$ 31,501,158</b>	<b>\$ 29,447,379</b>	<b>\$ 2,053,779</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 1,969,832</b>	<b>\$ 1,769,832</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (200,000)	\$ (200,000)	\$ (446,281)	\$ (246,281)
<b>Total other financing sources (uses)</b>	<b>\$ (200,000)</b>	<b>\$ (200,000)</b>	<b>\$ (446,281)</b>	<b>\$ (246,281)</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,523,551</b>	<b>\$ 1,523,551</b>
Fund balances - beginning	-	-	6,094,448	6,094,448
Fund balances - ending	\$ -	\$ -	\$ 7,617,999	\$ 7,617,999

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ 900,000	\$ 900,000	\$ 757,894	\$ (142,106)
Revenue from the use of money and property	-	-	2,275	2,275
Total revenues	\$ 900,000	\$ 900,000	\$ 760,169	\$ (139,831)
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 900,000	\$ 900,000	\$ 845,842	\$ 54,158
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ -	\$ -	\$ (85,673)	\$ (85,673)
Net change in fund balances	\$ -	\$ -	\$ (85,673)	\$ (85,673)
Fund balances - beginning	-	-	573,214	573,214
Fund balances - ending	\$ -	\$ -	\$ 487,541	\$ 487,541

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Recovered costs	\$ -	\$ -	\$ 1,893	\$ 1,893
Intergovernmental:				
Federal	2,746,846	2,746,846	1,969,719	(777,127)
Total revenues	\$ 2,746,846	\$ 2,746,846	\$ 1,971,612	\$ (775,234)
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 2,746,846	\$ 2,746,846	\$ 2,032,660	\$ 714,186
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (61,048)	\$ (61,048)
Net change in fund balances	\$ -	\$ -	\$ (61,048)	\$ (61,048)
Fund balances - beginning	-	-	43,399	43,399
Fund balances - ending	\$ -	\$ -	\$ (17,649)	\$ (17,649)

County of Russell, Virginia  
Schedule of OPEB Funding Progress  
For the Year Ended June 30, 2015

**Primary Government**

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, 2014	\$ 84,614	\$ 123,274	\$ 38,660	68.64%	\$ 1,182,479	3.27%
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%

**Discretely Presented Component Unit:**

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, 2014	\$ -	\$ 9,357,000	\$ 9,357,000	0.00%	\$ 18,961,700	49.35%
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%

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, 2014	\$ (15,285)	\$ 382,648	\$ 397,933	-3.99%	\$ 2,639,711	15.07%
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.



County of Russell, Virginia  
 Schedule of Employer's Proportionate Share of the Net Pension Liability  
 June 30, 2015

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Employee Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
<b>Primary Government - County Retirement Plan</b>					
2014	99.1179%	\$ 5,782,839	\$ 5,440,419	106.29%	80.53%
<b>Component Unit School Board (professional)</b>					
2014	0.23360%	\$ 28,229,000	\$ 17,083,236	165.24%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However,  
 \* The amounts presented have a measurement date of the previous fiscal year end.

County of Russell, Virginia  
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Year Ended June 30, 2015

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 263,958
Interest	1,116,022
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(1,083,833)
<b>Net change in total pension liability</b>	<b>\$ 296,147</b>
<b>Total pension liability - beginning</b>	<b>16,485,081</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 16,781,228</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 423,435
Contributions - employee	130,388
Net investment income	1,629,758
Benefit payments, including refunds of employee contributions	(1,083,833)
Administrative expense	(9,166)
Other	86
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,090,668</b>
<b>Plan fiduciary net position - beginning</b>	<b>10,635,935</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 11,726,603</b>
 School Division's net pension liability - ending (a) - (b)	 \$ 5,054,625
 Plan fiduciary net position as a percentage of the total pension liability	 69.88%
 Covered-employee payroll	 \$ 2,612,301
 School Division's net pension liability as a percentage of covered-employee payroll	 193.49%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Russell, Virginia  
 Schedule of Employer Contributions  
 For the Year Ended June 30, 2015

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
<b>Primary Government</b>					
2015	\$ 796,636	\$ 796,636	\$ -	\$ 5,368,165	14.61%
<b>Component Unit School Board (nonprofessional)</b>					
2015	\$ 427,268	\$ 427,268	\$ -	\$ 2,434,577	17.55%
<b>Component Unit School Board (professional)</b>					
2015	\$ 2,509,000	\$ 2,509,000	\$ -	\$ 17,363,701	14.45%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Russell, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2015

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**Changes of benefit terms** - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

## Other Supplementary Information

## FIDUCIARY FUNDS

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

County of Russell, Virginia  
 Combined Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2015

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	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 68,932	\$ 98,891	\$ (110,440)	\$ 57,383
VASAP Fund	16,189	216,897	(232,037)	1,049
Total Assets	<u>\$ 85,121</u>	<u>\$ 315,788</u>	<u>\$ (342,477)</u>	<u>\$ 58,432</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 68,932	\$ 98,891	\$ (110,440)	\$ 57,383
Amounts held for VASAP	16,189	216,897	(232,037)	1,049
Total Liabilities	<u>\$ 85,121</u>	<u>\$ 315,788</u>	<u>\$ (342,477)</u>	<u>\$ 58,432</u>

## DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

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### MAJOR GOVERNMENTAL FUNDS

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



County of Russell, Virginia  
Balance Sheet  
**Discretely Presented Component Unit - School Board**  
June 30, 2015

		<u>School Operating Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,839,676
Receivables (net of allowance for uncollectibles):		
Accounts receivable		16,548
Due from other governmental units		1,501,315
Prepaid items		760,243
Total assets		<u>4,117,782</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable		94,242
Salaries payable		890,850
Due to primary government		2,499,074
Total liabilities		<u>3,484,166</u>
Fund balances:		
Nonspendable:		
Prepaid items	\$	760,243
Committed:		
Textbook purchases		345,940
Regional Adult Education		287,676
Unassigned:		
Total fund balances	\$	<u>633,616</u>
Total liabilities and fund balances	\$	<u>4,117,782</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	633,616
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	10,583,275	
Machinery and equipment	<u>1,632,997</u>	17,852,617
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Items related to measurement of net pension liability		(6,030,289)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		2,936,268
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	(787,935)	
Early retirement incentive	(19,500)	
Net OPEB obligation	(966,949)	
Net pension liability	<u>(33,283,625)</u>	(35,058,009)
<b>Net position of governmental activities</b>		<u>\$ (19,665,797)</u>

County of Russell, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2015

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 3,095
Charges for services	442,194
Miscellaneous	245,718
Recovered costs	627,694
Intergovernmental:	
Local government	5,765,180
Commonwealth	27,931,541
Federal	4,292,813
Total revenues	<u>\$ 39,308,235</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 39,231,470</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 76,765</u>
Net change in fund balances	\$ 76,765
Fund balances - beginning	556,851
Fund balances - ending	<u>\$ 633,616</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	\$ 76,765
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	678,546	
Reversion of assets back to the School Board (net)	721,700	
Depreciation expense	<u>(999,188)</u>	401,058

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

Change in deferred inflows of resources related to the measurement of the net pension liability	(6,030,289)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase) decrease in compensated absences	(29,513)	
(Increase) decrease in early retirement incentive	51,300	
(Increase) decrease in net OPEB obligation	(260,256)	
Change in net pension liability	6,109,521	
Change in deferred outflows of resources related to pension payments subsequent to the measurement date	<u>518,833</u>	6,389,885

Change in net position of governmental activities	<u>\$ 837,419</u>
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County of Russell, Virginia  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
 Discretely Presented Component Unit - **School Board**  
 For the Year Ended June 30, 2015

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ 3,095	\$ 1,595
Charges for services	721,813	721,813	442,194	(279,619)
Miscellaneous	170,000	164,558	245,718	81,160
Recovered costs	533,500	533,500	627,694	94,194
Intergovernmental:				
Local government	7,623,503	7,623,503	5,765,180	(1,858,323)
Commonwealth	26,998,851	27,710,165	27,931,541	221,376
Federal	4,499,020	5,082,784	4,292,813	(789,971)
Total revenues	<u>\$ 40,548,187</u>	<u>\$ 41,837,823</u>	<u>\$ 39,308,235</u>	<u>\$ (2,529,588)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>\$ 40,548,187</u>	<u>\$ 41,837,823</u>	<u>\$ 39,231,470</u>	<u>\$ 2,606,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,765</u>	<u>\$ 76,765</u>
Net change in fund balances	\$ -	\$ -	\$ 76,765	\$ 76,765
Fund balances - beginning	-	-	556,851	556,851
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,616</u>	<u>\$ 633,616</u>

## Supporting Schedules

County of Russell, Virginia  
**Schedule of Revenues - Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

Schedule 1  
Page 1 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 8,400,000	\$ 8,400,000	\$ 7,876,874	\$ (523,126)
Real and Personal PSC Tax	1,386,387	1,386,387	1,537,854	151,467
Personal Property Tax	2,791,000	2,791,000	3,523,969	732,969
Mobile Home Tax	112,000	112,000	115,011	3,011
Machinery and Tools Tax	1,800,000	1,800,000	1,191,281	(608,719)
Merchants Capital	30,000	30,000	34,996	4,996
Mineral Tax	940,000	940,000	993,732	53,732
Penalties	120,000	120,000	148,441	28,441
Interest	288,000	288,000	324,477	36,477
Total general property taxes	<u>\$ 15,867,387</u>	<u>\$ 15,867,387</u>	<u>\$ 15,746,635</u>	<u>\$ (120,752)</u>
Other local taxes:				
Local Sales and Use Tax	\$ 1,893,517	\$ 1,893,517	\$ 1,876,308	\$ (17,209)
Consumers' Utility Tax	550,000	550,000	530,273	(19,727)
Consumption Taxes	70,000	70,000	85,941	15,941
Franchise License Tax	-	-	3,230	3,230
Coal Severance Tax	700,000	700,000	757,894	57,894
Bank Stock Tax	-	-	10,915	10,915
Grantee tax	94,000	94,000	86,598	(7,402)
Motor Vehicle Licenses	410,000	410,000	507,262	97,262
Taxes on Recordation and Wills	30,000	30,000	19,112	(10,888)
Total other local taxes	<u>\$ 3,747,517</u>	<u>\$ 3,747,517</u>	<u>\$ 3,877,533</u>	<u>\$ 130,016</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,300	\$ 2,300	\$ 2,264	\$ (36)
Building permits	45,000	45,000	34,851	(10,149)
Other permits and other licenses	3,300	3,300	3,227	(73)
Total permits, privilege fees, and regulatory licenses	<u>\$ 50,600</u>	<u>\$ 50,600</u>	<u>\$ 40,342</u>	<u>\$ (10,258)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 27,000	\$ 27,000	\$ 2,334	\$ (24,666)
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 27,986	\$ 7,986
Revenue from use of property	315,000	315,000	218,606	(96,394)
Total revenue from use of money and property	<u>\$ 335,000</u>	<u>\$ 335,000</u>	<u>\$ 246,592</u>	<u>\$ (88,408)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 185,000	\$ 185,000	\$ 244,198	\$ 59,198
Charges for courthouse security	51,000	51,000	29,603	(21,397)
Charges for cannery operations	30,000	30,000	29,530	(470)
Charges for commonwealth attorney	5,600	5,600	5,978	378
Charges for courthouse maintenance	10,000	10,000	9,238	(762)
Charges for jail and inmate fees	4,000	4,000	4,655	655
Charges for district court	-	-	2,646	2,646
Charges for library	2,200	2,200	4,451	2,251
Other charges for services	5,500	5,500	4,264	(1,236)
Total charges for services	<u>\$ 293,300</u>	<u>\$ 293,300</u>	<u>\$ 334,563</u>	<u>\$ 41,263</u>
Miscellaneous:				
Other miscellaneous revenue	\$ 206,600	\$ 206,600	\$ 180,278	\$ (26,322)
Sale of property/surplus	10,000	10,000	46,343	36,343
Total miscellaneous	<u>\$ 216,600</u>	<u>\$ 216,600</u>	<u>\$ 226,621</u>	<u>\$ 10,021</u>

County of Russell, Virginia  
**Schedule of Revenues - Budget and Actual**  
 Governmental Funds  
 For the Year Ended June 30, 2015

Schedule 1  
 Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Recovered costs:				
Social services	\$ 246,000	\$ 246,000	\$ 87,064	\$ (158,936)
Health department	50,000	50,000	33,001	(16,999)
School resource officer	48,000	48,000	54,895	6,895
Insurance recoveries	-	146,753	153,133	6,380
Regional jail	-	-	229,197	229,197
Industrial development	20,000	20,000	24,714	4,714
Other Recovered Costs	34,500	34,500	128,581	94,081
Total recovered costs	<u>\$ 398,500</u>	<u>\$ 545,253</u>	<u>\$ 710,585</u>	<u>\$ 165,332</u>
<b>Total revenue from local sources</b>	<b>\$ 20,935,904</b>	<b>\$ 21,082,657</b>	<b>\$ 21,185,205</b>	<b>\$ 102,548</b>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 300,000	\$ 300,000	\$ 150,459	\$ (149,541)
Mobile home titling tax	60,000	60,000	81,587	21,587
Motor vehicle rental tax	10,500	10,500	3,086	(7,414)
Communications tax	900,000	900,000	858,511	(41,489)
State recordation tax	25,000	25,000	22,851	(2,149)
Personal property tax relief act funds	1,437,003	1,437,003	1,437,003	-
Total noncategorical aid	<u>\$ 2,732,503</u>	<u>\$ 2,732,503</u>	<u>\$ 2,553,497</u>	<u>\$ (179,006)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 349,000	\$ 349,000	\$ 344,787	\$ (4,213)
Sheriff	1,376,000	1,376,000	1,365,158	(10,842)
Commissioner of revenue	179,650	179,650	159,716	(19,934)
Treasurer	111,000	111,000	107,935	(3,065)
Medical examiner	400	400	-	(400)
Registrar/electoral board	43,000	43,000	39,309	(3,691)
Clerk of the Circuit Court	265,300	265,300	287,747	22,447
Total Shared Expenses	<u>\$ 2,324,350</u>	<u>\$ 2,324,350</u>	<u>\$ 2,304,652</u>	<u>\$ (19,698)</u>
Other categorical aid:				
Victim witness grant	\$ 35,000	\$ 35,000	\$ 25,377	\$ (9,623)
E911 Grant	-	-	12,680	12,680
GIS	-	-	1,350	1,350
E911 state funds	45,000	45,000	42,745	(2,255)
Law enforcement grants	-	-	1,585	1,585
Asset forfeiture funds	-	-	243	243
EMS grants	-	32,575	73,953	41,378
Fire Program Funds	71,000	71,000	76,471	5,471
Library grants	98,000	98,000	79,229	(18,771)
Litter control grants	30,000	30,000	13,579	(16,421)
Public assistance	1,903,480	1,903,480	1,833,767	(69,713)
Comprehensive services act	769,427	769,427	725,109	(44,318)
School resource officer grants	-	-	54,235	54,235
Total other categorical aid	<u>\$ 2,951,907</u>	<u>\$ 2,984,482</u>	<u>\$ 2,940,323</u>	<u>\$ (44,159)</u>
Total categorical aid	<u>\$ 5,276,257</u>	<u>\$ 5,308,832</u>	<u>\$ 5,244,975</u>	<u>\$ (63,857)</u>
<b>Total revenue from the Commonwealth</b>	<b>\$ 8,008,760</b>	<b>\$ 8,041,335</b>	<b>\$ 7,798,472</b>	<b>\$ (242,863)</b>

County of Russell, Virginia  
**Schedule of Revenues - Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

Schedule 1  
Page 3 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Forfeited Assets	\$ -	\$ -	\$ 13,683	\$ 13,683
Emergency management grants	90,000	90,000	47,659	(42,341)
Violence against women	-	-	24,884	24,884
DMV ground transportation safety grant	64,554	64,554	15,088	(49,466)
Public assistance	2,422,612	2,422,612	2,332,220	(90,392)
Total categorical aid	<u>\$ 2,577,166</u>	<u>\$ 2,577,166</u>	<u>\$ 2,433,534</u>	<u>\$ (143,632)</u>
Total revenue from the federal government	<u>\$ 2,577,166</u>	<u>\$ 2,577,166</u>	<u>\$ 2,433,534</u>	<u>\$ (143,632)</u>
<b>Total General Fund</b>	<b><u>\$ 31,521,830</u></b>	<b><u>\$ 31,701,158</u></b>	<b><u>\$ 31,417,211</u></b>	<b><u>\$ (283,947)</u></b>
<b>Special Revenue Funds:</b>				
<b>Coal Road Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 900,000	\$ 900,000	\$ 757,894	\$ (142,106)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,275	\$ 2,275
Total revenue from local sources	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 760,169</u>	<u>\$ (139,831)</u>
Total Coal Road Fund	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 760,169</u>	<u>\$ (139,831)</u>
<b>Workforce Investment Board Fund:</b>				
Revenue from local sources:				
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 1,893	\$ 1,893
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,893</u>	<u>\$ 1,893</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Workforce Investment	\$ 2,746,846	\$ 2,746,846	\$ 1,969,719	\$ (777,127)
Total revenue from the federal government	<u>\$ 2,746,846</u>	<u>\$ 2,746,846</u>	<u>\$ 1,969,719</u>	<u>\$ (777,127)</u>
Total Workforce Investment Board Fund	<u>\$ 2,746,846</u>	<u>\$ 2,746,846</u>	<u>\$ 1,971,612</u>	<u>\$ (775,234)</u>
Total Primary Government	<u>\$ 35,168,676</u>	<u>\$ 35,348,004</u>	<u>\$ 34,148,992</u>	<u>\$ (1,199,012)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 175	\$ 175
Revenue from the use of property	1,500	1,500	2,920	1,420
Total revenue from use of money and property	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 3,095</u>	<u>\$ 1,595</u>
Charges for services:				
Cafeteria sales	\$ 562,259	\$ 562,259	\$ 367,961	\$ (194,298)
Drivers Ed fees	14,000	14,000	13,055	(945)
Other charges for services	-	-	744	744
Regional Adult Education	138,554	138,554	59,981	(78,573)
GED Testing fees	2,000	2,000	453	(1,547)
Total charges for services	<u>\$ 721,813</u>	<u>\$ 721,813</u>	<u>\$ 442,194</u>	<u>\$ (279,619)</u>

County of Russell, Virginia  
**Schedule of Revenues - Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

Schedule 1  
Page 4 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Miscellaneous:				
Other miscellaneous	\$ 170,000	\$ 164,558	\$ 245,718	\$ 81,160
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 9,956	\$ 9,956
Extra duties revenue	23,000	23,000	22,470	(530)
Dual Enrollment	350,000	350,000	319,763	(30,237)
Sale of Equipment and Supplies	10,000	10,000	18,867	8,867
Reimburse Health Services	100,000	100,000	187,728	87,728
Other recovered costs	50,500	50,500	68,910	18,410
Total recovered costs	<u>\$ 533,500</u>	<u>\$ 533,500</u>	<u>\$ 627,694</u>	<u>\$ 94,194</u>
Total revenue from local sources	<u>\$ 1,426,813</u>	<u>\$ 1,421,371</u>	<u>\$ 1,318,701</u>	<u>\$ (102,670)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Russell, Virginia	\$ 7,623,503	\$ 7,623,503	\$ 5,765,180	\$ (1,858,323)
Total revenues from local governments	<u>\$ 7,623,503</u>	<u>\$ 7,623,503</u>	<u>\$ 5,765,180</u>	<u>\$ (1,858,323)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,066,846	\$ 4,066,846	\$ 4,090,908	\$ 24,062
Basic Aid	13,200,054	13,200,054	13,489,557	289,503
Remedial summer education	151,340	151,340	87,828	(63,512)
Gifted and talented	136,849	136,849	139,363	2,514
Remedial education	524,102	524,102	533,731	9,629
Special education	2,009,056	2,009,056	2,045,971	36,915
Textbook payment	280,161	280,161	285,309	5,148
Career and Technical Education	82,452	82,452	34,939	(47,513)
Alternative education	830,868	830,868	830,868	-
Algebra readiness	66,002	66,002	68,385	2,383
Mentor teacher program	2,943	2,943	1,581	(1,362)
Social security fringe benefits	853,121	853,121	868,796	15,675
Group life	52,410	52,410	53,373	963
Retirement fringe benefits	1,738,270	1,738,270	1,770,209	31,939
Early reading intervention	97,681	97,681	90,534	(7,147)
Adult Education	6,338	6,338	31,563	25,225
Homebound education	33,073	33,073	26,127	(6,946)
Vocation education	358,136	363,833	418,978	55,145
At risk payments	578,864	578,864	589,500	10,636
Primary class size	661,194	661,194	649,474	(11,720)
Technology	475,200	475,200	304,263	(170,937)
Jobs for Virginia Graduates	21,000	21,000	21,000	-
Industry Certification Costs	-	3,344	3,344	-
At risk four-year olds	559,042	559,042	559,042	-
School Food	38,711	38,711	28,828	(9,883)
English as a second language	3,276	3,276	3,276	-
Project graduation	-	-	18,146	18,146
GED prep programs	15,717	17,717	81,817	64,100
Tobacco Commission	56,550	56,550	14,047	(42,503)
Adult literacy	99,595	99,595	99,595	-
Plugged in Virginia	-	-	70,999	70,999
Special education-foster care	-	-	7,305	7,305
Fiscal year 2014 School Division Payment	-	603,144	603,144	-
Other state funds	-	17,159	9,741	(7,418)
Total categorical aid	<u>\$ 26,998,851</u>	<u>\$ 27,710,165</u>	<u>\$ 27,931,541</u>	<u>\$ 221,376</u>
Total revenue from the Commonwealth	<u>\$ 26,998,851</u>	<u>\$ 27,710,165</u>	<u>\$ 27,931,541</u>	<u>\$ 221,376</u>



County of Russell, Virginia  
**Schedule of Revenues - Budget and Actual**  
 Governmental Funds  
 For the Year Ended June 30, 2015

<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	\$ 166,450	\$ (159,398)
Title I	1,335,404	1,215,226	1,079,377	(135,849)
Special Education	900,668	928,218	819,305	(108,913)
Title VI-B, preschool	34,297	34,335	34,335	-
Vocational education	82,577	76,191	76,192	1
School Food Program	1,295,000	1,295,000	1,297,595	2,595
Improving teacher quality	252,378	250,276	216,497	(33,779)
21st century grant	197,384	880,062	510,861	(369,201)
Rural and low income schools	75,464	77,628	92,201	14,573
Total categorical aid	<u>\$ 4,499,020</u>	<u>\$ 5,082,784</u>	<u>\$ 4,292,813</u>	<u>\$ (789,971)</u>
Total revenue from the federal government	<u>\$ 4,499,020</u>	<u>\$ 5,082,784</u>	<u>\$ 4,292,813</u>	<u>\$ (789,971)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 40,548,187</u>	<u>\$ 41,837,823</u>	<u>\$ 39,308,235</u>	<u>\$ (2,529,588)</u>

County of Russell, Virginia  
**Schedule of Expenditures - Budget and Actual**  
**Governmental Funds**  
For the Year Ended June 30, 2015

Schedule 2  
Page 1 of 3

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 197,051	\$ 197,051	\$ 185,481	\$ 11,570
General and financial administration:				
County administrator	\$ 315,098	\$ 322,298	\$ 324,643	\$ (2,345)
Independent auditor	65,000	65,000	64,800	200
Commissioner of the revenue	280,762	280,762	292,147	(11,385)
Real estate assessor	141,424	141,424	134,671	6,753
Treasurer	377,398	377,398	407,767	(30,369)
Data processing	-	-	5,842	(5,842)
Procurement	122,869	122,869	125,256	(2,387)
Total general and financial administration	\$ 1,302,551	\$ 1,309,751	\$ 1,355,126	\$ (45,375)
Board of elections:				
Electoral Board	\$ 80,108	\$ 80,108	\$ 68,432	\$ 11,676
General Registrar	110,278	110,278	108,303	1,975
Total board of elections	\$ 190,386	\$ 190,386	\$ 176,735	\$ 13,651
Total general government administration	\$ 1,689,988	\$ 1,697,188	\$ 1,717,342	\$ (20,154)
Judicial administration:				
Courts:				
Circuit Court	\$ 125,534	\$ 125,534	\$ 121,024	\$ 4,510
General District Court	9,800	9,800	6,581	3,219
Special Magistrates	9,400	9,400	8,458	942
Clerk's Office	377,295	377,295	411,415	(34,120)
Sheriff Courts	959,386	970,314	909,912	60,402
Victim and Witness Assistance	33,206	33,206	34,218	(1,012)
Law Library	-	-	815	(815)
Total courts	\$ 1,514,621	\$ 1,525,549	\$ 1,492,423	\$ 33,126
Commonwealth's attorney:				
Commonwealth's Attorney	\$ 521,142	\$ 521,142	\$ 519,178	\$ 1,964
Total judicial administration	\$ 2,035,763	\$ 2,046,691	\$ 2,011,601	\$ 35,090
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,767,684	\$ 1,767,684	\$ 2,087,274	\$ (319,590)
Dare program	3,000	3,000	3,209	(209)
Total law enforcement and traffic control	\$ 1,770,684	\$ 1,770,684	\$ 2,090,483	\$ (319,799)
Fire and rescue services:				
Volunteer Fire Departments	\$ 274,200	\$ 274,200	\$ 283,802	\$ (9,602)
Ambulance Rescue Squad	186,875	186,875	184,954	1,921
Total fire and rescue services	\$ 461,075	\$ 461,075	\$ 468,756	\$ (7,681)
Correction and detention:				
Operation of Jail	\$ 2,752,735	\$ 2,752,735	\$ 2,832,224	\$ (79,489)
Probation Office	281,293	281,293	286,791	(5,498)
Total correction and detention	\$ 3,034,028	\$ 3,034,028	\$ 3,119,015	\$ (84,987)
Inspections:				
Building inspector	\$ 104,509	\$ 104,509	\$ 98,911	\$ 5,598
Other protection:				
Forestry Service	\$ 12,098	\$ 12,098	\$ 11,804	\$ 294
Enhanced 911	574,198	753,526	760,558	(7,032)
Medical Examiner	400	400	460	(60)

County of Russell, Virginia  
**Schedule of Expenditures - Budget and Actual**  
**Governmental Funds**  
For the Year Ended June 30, 2015

Schedule 2  
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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>General Fund: (Continued)</b>				
<b>Public safety: (Continued)</b>				
<b>Other protection: (Continued)</b>				
Emergency Services	\$ 146,615	\$ 146,615	\$ 109,575	\$ 37,040
Animal Control	219,749	219,749	179,915	39,834
Total other protection	<u>\$ 953,060</u>	<u>\$ 1,132,388</u>	<u>\$ 1,062,312</u>	<u>\$ 70,076</u>
<b>Total public safety</b>	<b>\$ 6,323,356</b>	<b>\$ 6,502,684</b>	<b>\$ 6,839,477</b>	<b>\$ (336,793)</b>
<b>Public works:</b>				
<b>Sanitation and waste removal:</b>				
Landfill	\$ 2,326,244	\$ 2,326,244	\$ 1,924,624	\$ 401,620
Refuse collection	210,000	210,000	222,903	(12,903)
Litter Coordinator	-	-	68,894	(68,894)
Total sanitation and waste removal	<u>\$ 2,536,244</u>	<u>\$ 2,536,244</u>	<u>\$ 2,216,421</u>	<u>\$ 319,823</u>
<b>Maintenance of general buildings and grounds:</b>				
General properties	\$ 943,554	\$ 947,754	\$ 900,052	\$ 47,702
<b>Total public works</b>	<b>\$ 3,479,798</b>	<b>\$ 3,483,998</b>	<b>\$ 3,116,473</b>	<b>\$ 367,525</b>
<b>Health and welfare:</b>				
<b>Health:</b>				
Health Department	\$ 357,456	\$ 357,456	\$ 357,456	\$ -
<b>Mental health and mental retardation:</b>				
Cumberland Mountain Community Services Board	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
<b>Welfare:</b>				
Social services	\$ 4,326,092	\$ 4,326,092	\$ 4,547,419	\$ (221,327)
Comprehensive Services Act	1,088,731	1,088,731	1,272,785	(184,054)
Appalachian Agency for Senior Citizens	85,025	85,025	87,165	(2,140)
Lebanon Speech and Hearing	5,000	5,000	3,333	1,667
Other health and welfare	536,227	536,227	3,200	533,027
Total welfare	<u>\$ 6,041,075</u>	<u>\$ 6,041,075</u>	<u>\$ 5,913,902</u>	<u>\$ 127,173</u>
<b>Total health and welfare</b>	<b>\$ 6,448,531</b>	<b>\$ 6,448,531</b>	<b>\$ 6,321,358</b>	<b>\$ 127,173</b>
<b>Education:</b>				
Contributions to County School Board	\$ 7,623,503	\$ 7,623,503	\$ 5,765,180	\$ 1,858,323
SVCC Contribution	89,253	89,253	89,253	-
Total education	<u>\$ 7,712,756</u>	<u>\$ 7,712,756</u>	<u>\$ 5,854,433</u>	<u>\$ 1,858,323</u>
<b>Parks, recreation, and cultural:</b>				
<b>Parks and recreation:</b>				
Recreation Park	\$ 179,059	\$ 179,059	\$ 186,189	\$ (7,130)
<b>Library:</b>				
Public Library	\$ 313,309	\$ 313,309	\$ 294,552	\$ 18,757
<b>Total parks, recreation, and cultural</b>	<b>\$ 492,368</b>	<b>\$ 492,368</b>	<b>\$ 480,741</b>	<b>\$ 11,627</b>
<b>Community development:</b>				
<b>Planning and community development:</b>				
Planning Commission	\$ 21,800	\$ 21,800	\$ 14,250	\$ 7,550
Community Development	24,467	24,467	24,140	327
Industrial Development	504,930	504,930	561,963	(57,033)
PSA Contributions	-	-	199,127	(199,127)
Cumberland Plateau	17,500	17,500	35,000	(17,500)
Highway Safety Commission	2,000	2,000	2,025	(25)
Canneries	30,000	30,000	108,468	(78,468)
Tourism	6,000	6,000	200	5,800
Total planning and community development	<u>\$ 606,697</u>	<u>\$ 606,697</u>	<u>\$ 945,173</u>	<u>\$ (338,476)</u>

County of Russell, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2015

Schedule 2  
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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>General Fund: (Continued)</b>				
Environmental management:				
Soil and Water Conservation	\$ 34,236	\$ 34,236	\$ 35,236	\$ (1,000)
Cooperative extension program:				
VPI Extension	\$ 64,468	\$ 64,468	\$ 66,486	\$ (2,018)
Total community development	\$ 705,401	\$ 705,401	\$ 1,046,895	\$ (341,494)
Nondepartmental:				
Nondepartmental	\$ 475,847	\$ 453,519	\$ 112,482	\$ 341,037
Debt service:				
Principal payments	\$ 1,527,257	\$ 1,527,257	\$ 1,522,447	\$ 4,810
Interest Expense	430,765	430,765	424,130	6,635
Total debt service	\$ 1,958,022	\$ 1,958,022	\$ 1,946,577	\$ 11,445
<b>Total General Fund</b>	<b>\$ 31,321,830</b>	<b>\$ 31,501,158</b>	<b>\$ 29,447,379</b>	<b>\$ 2,053,779</b>
<b>Special Revenue Funds:</b>				
<b>Coal Road Fund:</b>				
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Maintenance of highways, streets, bridges and sidewalks	\$ 750,000	\$ 750,000	\$ 501,725	\$ 248,275
Virginia coalfield	150,000	150,000	344,117	(194,117)
Total Public Works	\$ 900,000	\$ 900,000	\$ 845,842	\$ 54,158
<b>Total Coal Road Fund</b>	<b>\$ 900,000</b>	<b>\$ 900,000</b>	<b>\$ 845,842</b>	<b>\$ 54,158</b>
<b>Workforce Investment Board Fund:</b>				
Health and Welfare:				
Welfare:				
Workforce Investment	\$ 2,746,846	\$ 2,746,846	\$ 2,032,660	\$ 714,186
<b>Total Primary Government</b>	<b>\$ 34,968,676</b>	<b>\$ 35,148,004</b>	<b>\$ 32,325,881</b>	<b>\$ 2,822,123</b>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration and health services	\$ 1,801,138	\$ 1,801,138	\$ 1,701,612	\$ 99,526
Instruction costs:				
Instructional costs	\$ 28,299,638	\$ 29,562,494	\$ 27,583,079	\$ 1,979,415
Technology	763,193	763,193	978,612	(215,419)
Total instruction costs	\$ 29,062,831	\$ 30,325,687	\$ 28,561,691	\$ 1,763,996
Operating costs:				
Pupil transportation	\$ 3,303,102	\$ 3,271,912	\$ 2,781,734	\$ 490,178
Operation and maintenance of school plant	4,510,700	4,568,670	4,373,205	195,465
Food service and non-instructional	1,870,416	1,870,416	1,813,228	57,188
Total operating costs	\$ 9,684,218	\$ 9,710,998	\$ 8,968,167	\$ 742,831
Total education	\$ 40,548,187	\$ 41,837,823	\$ 39,231,470	\$ 2,606,353
Total School Operating Fund	\$ 40,548,187	\$ 41,837,823	\$ 39,231,470	\$ 2,606,353
<b>Total Discretely Presented Component Unit - School Board</b>	<b>\$ 40,548,187</b>	<b>\$ 41,837,823</b>	<b>\$ 39,231,470</b>	<b>\$ 2,606,353</b>

## 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
2014-15	\$ 1,772,163	\$ 1,945,227	\$ 6,352,397	\$ 3,725,640	\$ 8,115,359	\$ 7,596,324	\$ 514,678	\$ 1,023,371	\$ 385,445	\$ 430,426	\$ 31,861,030
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 9 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)		
2014-15	\$ 468,117	\$ 9,648,228	\$ -	\$ 15,762,013	\$ 4,635,427	\$ 257,108	\$ 226,621	\$ 2,553,497	\$ 33,551,011	
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	

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(1) Information has only been available for 9 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
2014-15	\$ 1,717,342	\$ 2,011,601	\$ 6,839,477	\$ 3,962,315	\$ 8,354,018	\$ 39,320,723	\$ 480,741	\$ 1,046,895	\$ 112,482	\$ 1,946,577	\$ 65,792,171
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

(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
2014-15	\$ 15,746,635	\$ 4,635,427	\$ 40,342	\$ 2,334	\$ 251,962	\$ 776,757	\$ 472,339	\$ 1,338,279	\$ 44,426,079	\$ 67,690,154
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

(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
2014-15	\$ 17,704,326	\$ 15,716,165	88.77%	\$ 994,555	\$ 16,710,720	94.39%	\$ 3,823,404	21.60%
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%

(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
2014-15	\$ 1,426,948,990	\$ 300,976,802	\$ 71,451,300	\$ 6,084,205	\$ 21,500,580	\$ 240,244,298	\$ 2,067,206,175
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

(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
2014-15	\$ 0.63	\$ 1.65	\$ 1.65	\$ 0.65	\$ 0.63
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

(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
2014-15	28,897	\$ 2,067,206	\$ 8,951,609	\$ 8,951,609	0.43%	\$ 310
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

(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
2014-15	\$ 1,946,577	\$ 65,792,171	2.96%
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%

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

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**COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the 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 the County of Russell, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County of Russell, Virginia's basic financial statements and have issued our report thereon dated December 31, 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 the 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 the 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 the County of Russell, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Russell, Virginia's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [2015-001].



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 items 2015-002.

## 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, Faimer, Co. Associates*

Blacksburg, Virginia  
December 31, 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 the County of Russell, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Russell, Virginia's major federal programs for the year ended June 30, 2015. 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 the 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 the County of Russell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, the 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, 2015.

## Report on Internal Control over Compliance

Management of the 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 the 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 the 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, Jamer, Cox Associates*

Blacksburg, Virginia  
December 31, 2015

County of Russell, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

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	0950113, 0950114	\$ 27,532
Temporary Assistance for Needy Families	93.558	0400114, 0400115	371,415
Refugee and Entrant Assistance - State Administered Programs	93.566	0500114, 0500115	540
Low-Income Home Energy Assistance	93.568	0600414, 0600415	40,719
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760114, 0760115	57,564
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114, 0900115	2,551
Foster Care - Title IV-E	93.658	1100114, 1100115	339,645
Adoption Assistance	93.659	1120114, 1120115	387,638
Social Services Block Grant	93.667	1000114, 1000115	403,851
Chafee Foster Care Independence Program	93.674	9150114, 9150115	8,513
Children's Health Insurance Program	93.767	0540114, 0540115	10,498
Medical Assistance Program	93.778	1200114, 1200115	363,616
Total Department of Health and Human Services			<u>\$ 2,014,082</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution-Schools (Note 3)	10.555	Not available	\$ 111,030
Department of Education:			
National School Lunch Program	10.555	40623	<u>902,246</u> 1,013,276
School Breakfast Program	10.553	40591	<u>284,319</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010114, 0010115 0040114, 0040115	<u>318,138</u>
Total Department of Agriculture			<u>\$ 1,615,733</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	46500, 66500	<u>\$ 24,884</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-14-54261 154AL-15-55273	<u>\$ 15,088</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 166,450
Title I: Grants to Local Educational Agencies	84.010	42901	1,079,377
Special Education Cluster:			
Special Education - Grants to States	84.027	43071, 61134	819,305
Special Education - Preschool Grants	84.173	62521	34,335
Career and Technical Education: Basic Grants to States	84.048	61095	76,192
Twenty-First Century Community Learning Centers	84.287	60565, 61111	510,861
Rural Education	84.358	43481	92,201
Improving Teacher Quality State Grants	84.367	61480	<u>216,497</u>
Total Department of Education			<u>\$ 2,995,218</u>

County of Russell, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Labor:			
Pass Through Payments:			
Virginia Community College System:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	LWA 1-13-03, 1-14-02	\$ 691,203
WIA Youth Activities	17.259	LWA 1-13-03, 1-14-02	872,927
WIA Dislocated Worker Formula Grants	17.278	LWA 1-13-03, 1-14-02	405,589
Total Department of Labor			<u>\$ 1,969,719</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	52743	\$ 7,500
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77601, 77602, 79901	40,159
Total Department of Homeland Security			<u>\$ 47,659</u>
Department of Treasury:			
Direct Payments:			
Equitable Sharing Program	21.000	Not applicable	\$ 13,683
Total Expenditures of Federal Awards			<u>\$ 8,696,066</u>

## 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, 2015. 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, 2015, Russell County, Virginia had food commodities totaling \$0 in inventory.

## Note 4 -- Subrecipients

Of the federal expenditures presented in the Schedule, County of Russell, 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	1,969,719

## 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	\$ 2,433,534
Workforce Investment Board Fund	<u>1,969,719</u>

Total primary government: \$ 4,403,253

## Component Unit School Board:

School Operating Fund	<u>\$ 4,292,813</u>
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Total expenditures of federal awards per the basic financial statements \$ 8,696,066

County of Russell, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

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

**Financial Statements**

Type of auditors' report issued: Unmodified

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

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? Yes

**Federal Awards**

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

Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I: Grants to Local Educational Agencies
10.553/10.555	Child Nutrition Cluster
93.658	Foster Care - Title IV-E
93.778	Medical Assistance Program
84.027/84.173	Special Education Cluster
84.287	Twenty-First Century Community Learning Centers

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, 2015

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Section II - Financial Statement Findings

2015-001

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Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have proper controls in place to detect and correct errors in closing their year end financial statements.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Recommendation:	The County should review the auditors' proposed audit adjustments for 2015 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 2015 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2015-002

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Criteria:	The <u>Code of Virginia</u> , (1950), as amended requires that an appropriation exists prior to the expenditure of funds.
Condition:	The 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, 2015

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

None

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

There were no Federal Fundings in the prior year.