

COUNTY OF RUSSELL, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

**COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024**

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INTRODUCTORY SECTION

COUNTY OF RUSSELL, VIRGINIA

BOARD OF SUPERVISORS

| | | |
|----------------------------|--------------------------|-----------------|
| David Eaton, Vice Chairman | Steve Breeding, Chairman | Rebecca Dye |
| Tara Dye | | Andrew Hensley |
| Nate Kiser | | Lou Ann Wallace |

COUNTY SCHOOL BOARD

| | | |
|--------------------------------|---------------------------|---------------|
| Christy Perkins, Vice Chairman | Cynthia Compton, Chairman | Tim Ball |
| Jonathan Eaton | | Linda Garrett |
| Bob Gibson | | Kip Parsons |

SOCIAL SERVICES BOARD

| | | |
|---------------------------------|----------------------|-------------|
| Scott McGlothlin, Vice Chairman | Cathy Gent, Chairman | Tara Dye |
| Sharon Owens | | Lynn Ramsey |

OTHER OFFICIALS

| | |
|-----------------------------------|--------------------------|
| Clerk of the Circuit Court | Katie Patton |
| Commonwealth's Attorney..... | Zack A. Stoots |
| Commissioner of the Revenue | Randy N. Williams |
| Treasurer..... | Alicia McGlothlin |
| Sheriff | William J. "Bill" Watson |
| Superintendent of Schools..... | Dr. Kim Hooker |
| Director of Social Services..... | Elizabeth Vance |
| County Administrator | Lonzo Lester |
| County Attorney | Will Wampler |

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the 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 and for the year ended June 30, 2024, 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.

We did not audit the financial statements of Russell County Public Service Authority (PSA), which represent 31% percent, 76% percent, and 8% percent, respectively, of the assets, positive net position, and revenues of the discretely presented component units as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the PSA are based solely on the report of the other auditors.

We did not audit the financial statements of Russell County Industrial Development Authority (IDA), which represent 32% percent, 32% percent, and 5% percent, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the PSA are based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County of Russell, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Russell, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County of Russell, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Russell, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Russell, Virginia's basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the

work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2025, on our consideration of County of Russell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Russell, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Russell, Virginia's internal control over financial reporting and compliance.

Polina, Fawcett, & Associates

Blacksburg, Virginia
June 16, 2025

Basic Financial Statements

County of Russell, Virginia
Statement of Net Position
June 30, 2024

| | Primary Government | | |
|--|--------------------|---------------|---------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 15,129,725 | \$ 4,131 | \$ 15,133,856 |
| Cash in custody of others | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 6,801,555 | - | 6,801,555 |
| Accounts receivable | 3,095,915 | 10,039 | 3,105,954 |
| Grants receivable | - | - | - |
| Notes receivable | - | - | - |
| Lease receivable | - | - | - |
| Lease-purchase receivable | - | - | - |
| Due from component unit | 1,219,651 | - | 1,219,651 |
| Due from other governmental units | 2,894,011 | - | 2,894,011 |
| Internal balances | (13,855) | 13,855 | - |
| Inventories | - | - | - |
| Prepaid items | - | - | - |
| Restricted assets: | | | |
| Cash and cash equivalents | 1,378,848 | 49,575 | 1,428,423 |
| Investments | 1,582 | - | 1,582 |
| Noncurrent assets: | | | |
| Net pension asset | - | - | - |
| Note receivable - net of current portion | - | - | - |
| Lease receivable - net of current portion | - | - | - |
| Lease-purchase receivable - net of current portion | - | - | - |
| Capital assets (net of accumulated depreciation/amortization): | | | |
| Capital assets, not being depreciated/amortized | 21,355,470 | - | 21,355,470 |
| Capital assets, net of accumulated depreciation/amortization | 12,084,141 | 1,813,421 | 13,897,562 |
| Total assets | \$ 63,947,043 | \$ 1,891,021 | \$ 65,838,064 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related items | \$ 1,164,633 | \$ - | \$ 1,164,633 |
| OPEB related items | 901,506 | - | 901,506 |
| Total deferred outflows of resources | \$ 2,066,139 | \$ - | \$ 2,066,139 |
| LIABILITIES | | | |
| Accounts payable | \$ 1,839,299 | \$ 14,875 | \$ 1,854,174 |
| Construction payables | 1,538,295 | - | 1,538,295 |
| Accrued liabilities | - | - | - |
| Customer deposits | - | - | - |
| Accrued interest payable | 206,579 | - | 206,579 |
| Due to primary government | - | - | - |
| Deposit - land option | - | - | - |
| Long-term liabilities: | | | |
| Due within one year | 2,101,921 | 29,993 | 2,131,914 |
| Due in more than one year | 33,881,723 | 418,780 | 34,300,503 |
| Total liabilities | \$ 39,567,817 | \$ 463,648 | \$ 40,031,465 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ 5,466,236 | \$ - | \$ 5,466,236 |
| Pension related items | 770,240 | - | 770,240 |
| OPEB related items | 1,128,700 | - | 1,128,700 |
| Lease receivable related items | - | - | - |
| Total deferred inflows of resources | \$ 7,365,176 | \$ - | \$ 7,365,176 |
| NET POSITION | | | |
| Net investment in capital assets | \$ 8,409,177 | \$ 1,364,648 | \$ 9,773,825 |
| Restricted: | | | |
| Coal Road | 1,269,489 | - | 1,269,489 |
| Construction | 10,904 | - | 10,904 |
| Asset forfeiture funds | 119,704 | - | 119,704 |
| Energy Lease Project | 1,582 | - | 1,582 |
| Debt service and bond covenants | - | 49,575 | 49,575 |
| Opioid settlement | 2,304,143 | - | 2,304,143 |
| Unrestricted (deficit) | 6,965,190 | 13,150 | 6,978,340 |
| Total net position (deficit) | \$ 19,080,189 | \$ 1,427,373 | \$ 20,507,562 |

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

County of Russell, Virginia
Statement of Net Position
June 30, 2024

| | Component Units | | |
|--|-----------------------|---|--|
| | <u>School Board</u> | <u>Industrial Development Authority</u> | <u>Russell County Public Service Authority</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,773,972 | \$ 718,137 | \$ 150,735 |
| Cash in custody of others | 944,887 | - | - |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | - | - | - |
| Accounts receivable | 49,002 | 7,829 | 907,254 |
| Grants receivable | - | - | 132,644 |
| Notes receivable | - | 12,217 | - |
| Lease receivable | - | 952,200 | - |
| Lease-purchase receivable | - | 382,194 | - |
| Due from primary government | - | - | - |
| Due from other governmental units | 1,596,278 | - | - |
| Internal balances | - | - | - |
| Inventories | - | - | 374,751 |
| Prepaid items | 527,005 | - | - |
| Restricted assets: | | | |
| Cash and cash equivalents | - | - | 789,331 |
| Investments | - | - | - |
| Noncurrent assets: | | | |
| Net pension asset | - | - | 207,951 |
| Note receivable - net of current portion | - | 47,431 | - |
| Lease receivable - net of current portion | - | 3,078,781 | - |
| Lease-purchase receivable - net of current portion | - | 6,783,914 | - |
| Capital assets (net of accumulated depreciation/amortization): | | | |
| Capital assets, not being depreciated/amortized | 6,128,295 | 10,297,403 | 1,794,396 |
| Capital assets, net of accumulated depreciation/amortization | 25,503,919 | 9,859,958 | 26,680,300 |
| Total assets | <u>\$ 38,523,358</u> | <u>\$ 32,140,064</u> | <u>\$ 31,037,362</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related items | \$ 7,268,590 | \$ - | \$ 170,061 |
| OPEB related items | 1,489,922 | - | 18,454 |
| Total deferred outflows of resources | <u>\$ 8,758,512</u> | <u>\$ -</u> | <u>\$ 188,515</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 231,594 | \$ 66,304 | \$ 643,619 |
| Construction payables | - | - | - |
| Accrued liabilities | - | 4,467 | 28,188 |
| Customer deposits | - | - | 118,290 |
| Accrued interest payable | - | 29,386 | 57,565 |
| Due to primary government | 1,019,651 | 200,000 | - |
| Deposit - land option | - | 70,000 | - |
| Long-term liabilities: | | | |
| Due within one year | 976,117 | 1,009,228 | 987,407 |
| Due in more than one year | 42,422,640 | 16,132,029 | 13,641,113 |
| Total liabilities | <u>\$ 44,650,002</u> | <u>\$ 17,511,414</u> | <u>\$ 15,476,182</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ - | \$ - | \$ - |
| Pension related items | 4,035,514 | - | 90,773 |
| OPEB related items | 3,616,542 | - | 16,897 |
| Lease receivable related items | - | 9,715,431 | - |
| Total deferred inflows of resources | <u>\$ 7,652,056</u> | <u>\$ 9,715,431</u> | <u>\$ 107,670</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 31,268,970 | \$ 3,016,104 | \$ 13,975,479 |
| Restricted: | | | |
| Coal Road | - | - | - |
| Construction | - | - | 33,453 |
| Asset forfeiture funds | - | - | - |
| Energy Lease Project | - | - | - |
| Debt service and bond covenants | - | - | 755,878 |
| Opioid settlement | - | - | - |
| Unrestricted (deficit) | (36,289,158) | 1,897,115 | 877,215 |
| Total net position (deficit) | <u>\$ (5,020,188)</u> | <u>\$ 4,913,219</u> | <u>\$ 15,642,025</u> |

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

County of Russell, Virginia
Statement of Activities
For the Year Ended June 30, 2024

| Functions/Programs | Expenses | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | | | |
|--|---------------|----------------------|------------------------------------|----------------------------------|-------------------------|---|-----------------|----------------|----------------------------------|---|------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | School Board | Component Units | | |
| | | | | | Governmental Activities | Business-type Activities | | | Industrial Development Authority | Russell County Public Service Authority | |
| PRIMARY GOVERNMENT: | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | |
| General government administration | \$ 3,107,448 | \$ - | \$ 452,501 | \$ - | \$ (2,654,947) | \$ - | \$ (2,654,947) | | | | |
| Judicial administration | 2,677,709 | 13,788 | 963,394 | - | (1,700,527) | - | (1,700,527) | | | | |
| Public safety | 6,791,313 | 95,923 | 3,422,358 | - | (3,273,032) | - | (3,273,032) | | | | |
| Public works | 3,455,561 | 208,033 | 25,440 | 3,508,033 | 285,945 | - | 285,945 | | | | |
| Health and welfare | 9,827,461 | - | 7,925,834 | - | (1,901,627) | - | (1,901,627) | | | | |
| Education | 9,345,017 | - | - | - | (9,345,017) | - | (9,345,017) | | | | |
| Parks, recreation, and cultural | 706,012 | 5,806 | 128,518 | - | (571,688) | - | (571,688) | | | | |
| Community development | 414,424 | 7,270 | 213,081 | 104,902 | (89,171) | - | (89,171) | | | | |
| Interest on long-term debt | 877,157 | - | - | - | (877,157) | - | (877,157) | | | | |
| Total governmental activities | \$ 37,202,102 | \$ 330,820 | \$ 13,131,126 | \$ 3,612,935 | \$ (20,127,221) | \$ - | \$ (20,127,221) | | | | |
| Business-type activities: | | | | | | | | | | | |
| Dante Sewer | \$ 381,520 | \$ 125,620 | \$ - | \$ - | \$ - | \$ (255,900) | \$ (255,900) | | | | |
| Total primary government | \$ 37,583,622 | \$ 456,440 | \$ 13,131,126 | \$ 3,612,935 | \$ (20,127,221) | \$ (255,900) | \$ (20,383,121) | | | | |
| COMPONENT UNITS: | | | | | | | | | | | |
| School Board | \$ 53,369,484 | \$ 2,449,423 | \$ 45,149,015 | \$ - | | | | \$ (5,771,046) | \$ - | \$ - | |
| Industrial Development Authority | 2,347,667 | - | - | - | | | | - | (2,347,667) | - | |
| Russell County Public Service Authority | 4,173,846 | 4,162,063 | 372,988 | 380,680 | | | | - | - | - | 741,885 |
| Total component units | \$ 59,890,997 | \$ 6,611,486 | \$ 45,522,003 | \$ 380,680 | | | | \$ (5,771,046) | \$ (2,347,667) | \$ - | 741,885 |
| General revenues: | | | | | | | | | | | |
| General property taxes | | | | | \$ 15,861,874 | \$ - | \$ 15,861,874 | \$ - | \$ - | \$ - | |
| Other local taxes: | | | | | | | | | | | |
| Local sales and use taxes | | | | | 2,468,573 | - | 2,468,573 | - | - | - | |
| Coal road and severance taxes | | | | | 400,249 | - | 400,249 | - | - | - | |
| Consumers' utility taxes | | | | | 483,056 | - | 483,056 | - | - | - | |
| Consumption taxes | | | | | 100,143 | - | 100,143 | - | - | - | |
| Grantee tax | | | | | 106,742 | - | 106,742 | - | - | - | |
| Other local taxes | | | | | 361,890 | - | 361,890 | - | - | - | |
| Unrestricted revenues from use of money and property | | | | | 856,077 | - | 856,077 | 4,031 | 1,247,543 | | 4,831 |
| Miscellaneous | | | | | 1,377,498 | - | 1,377,498 | 305,216 | 1,318,197 | | - |
| Payments from the County of Russell, Virginia | | | | | - | - | - | - | 385,147 | | - |
| Grants and contributions not restricted to specific programs | | | | | 2,958,150 | - | 2,958,150 | 8,617,993 | - | - | - |
| Gain on sale of capital assets | | | | | - | - | - | - | - | - | 135,349 |
| Transfers | | | | | (152,825) | 152,825 | - | - | - | - | - |
| Total general revenues and transfers | | | | | \$ 24,821,427 | \$ 152,825 | \$ 24,974,252 | \$ 8,927,240 | \$ 2,950,887 | \$ - | 140,180 |
| Change in net position | | | | | \$ 4,694,206 | \$ (103,075) | \$ 4,591,131 | \$ 3,156,194 | \$ 603,220 | \$ - | 882,065 |
| Net position (deficit) - beginning | | | | | 14,385,983 | 1,530,448 | 15,916,431 | (8,176,382) | 4,309,999 | | 14,759,960 |
| Net position (deficit) - ending | | | | | \$ 19,080,189 | \$ 1,427,373 | \$ 20,507,562 | \$ (5,020,188) | \$ 4,913,219 | \$ - | 15,642,025 |

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

County of Russell, Virginia
Balance Sheet
Governmental Funds
June 30, 2024

| | <u>General</u> | <u>Coal Road</u> | <u>ARPA</u> | <u>Other Governmental Fund</u> | <u>Total</u> |
|---|----------------------|----------------------|---------------------|--|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 7,563,979 | \$ - | \$ 861,836 | \$ 10,904 | \$ 8,436,719 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 6,801,555 | - | - | - | 6,801,555 |
| Accounts receivable | 1,966,675 | 13,132 | - | - | 1,979,807 |
| Due from other funds | - | - | 691,930 | - | 691,930 |
| Due from component unit | 1,219,651 | - | - | - | 1,219,651 |
| Due from other governmental units | 2,894,011 | - | - | - | 2,894,011 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 119,704 | 1,259,144 | - | - | 1,378,848 |
| Investments | 1,582 | - | - | - | 1,582 |
| Total assets | <u>\$ 20,567,157</u> | <u>\$ 1,272,276</u> | <u>\$ 1,553,766</u> | <u>\$ 10,904</u> | <u>\$ 23,404,103</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 680,088 | \$ 2,787 | \$ 15,471 | \$ - | \$ 698,346 |
| Construction payables | - | - | 1,538,295 | - | 1,538,295 |
| Due to other funds | 705,785 | - | - | - | 705,785 |
| Total liabilities | <u>\$ 1,385,873</u> | <u>\$ 2,787</u> | <u>\$ 1,553,766</u> | <u>\$ -</u> | <u>\$ 2,942,426</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | \$ 6,786,709 | \$ - | \$ - | \$ - | \$ 6,786,709 |
| Unavailable revenue - opioid settlement | 1,766,395 | - | - | - | 1,766,395 |
| Total deferred inflows of resources | <u>\$ 8,553,104</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,553,104</u> |
| FUND BALANCES | | | | | |
| Restricted: | | | | | |
| Coal Road | \$ - | \$ 1,269,489 | \$ - | \$ - | \$ 1,269,489 |
| Workforce Investment Board | - | - | - | 10,904 | 10,904 |
| Courthouse construction | 613,454 | - | - | - | 613,454 |
| Asset forfeiture funds | 119,704 | - | - | - | 119,704 |
| Energy Lease Project | 1,582 | - | - | - | 1,582 |
| Opioid Settlement | 537,748 | - | - | - | 537,748 |
| Assigned: | | | | | |
| Sheriff Funds | 130,392 | - | - | - | 130,392 |
| Library Donations | 60,677 | - | - | - | 60,677 |
| Road Improvements | 101,018 | - | - | - | 101,018 |
| Law Library | 65,375 | - | - | - | 65,375 |
| Commonwealth Attorney | 500 | - | - | - | 500 |
| Housing | 12,124 | - | - | - | 12,124 |
| Health and Fitness | 8,246 | - | - | - | 8,246 |
| Other purposes | 33,113 | - | - | - | 33,113 |
| Unassigned | 8,944,247 | - | - | - | 8,944,247 |
| Total fund balances | <u>\$ 10,628,180</u> | <u>\$ 1,269,489</u> | <u>\$ -</u> | <u>\$ 10,904</u> | <u>\$ 11,908,573</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 20,567,157</u> | <u>\$ 1,272,276</u> | <u>\$ 1,553,766</u> | <u>\$ 10,904</u> | <u>\$ 23,404,103</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, 2024

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

| | | |
|--|-----------|---------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 11,908,573 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets, not being depreciated/amortized | \$ | 21,355,470 |
| Capital assets, being depreciated/amortized | | 27,481,980 |
| Accumulated depreciation/amortization | | <u>(15,397,839)</u> |
| | | 33,439,611 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Unavailable revenue - property taxes | \$ | 1,320,473 |
| Unavailable revenue - opioid settlement | | <u>1,766,395</u> |
| | | 3,086,868 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | \$ | 1,164,633 |
| OPEB related items | | <u>901,506</u> |
| | | 2,066,139 |
| 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. | | |
| | | 6,668,161 |
| 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 | \$ | (20,363,117) |
| Lease liabilities | | (2,257,028) |
| Finance purchases | | (4,118,843) |
| Unamortized premium | | (81,667) |
| Accrued interest payable | | (206,579) |
| Landfill accrued closure and postclosure liability | | (349,578) |
| Net OPEB liabilities | | (3,054,467) |
| Compensated absences | | (655,432) |
| Net pension liability | | <u>(5,103,512)</u> |
| | | (36,190,223) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | \$ | (770,240) |
| OPEB related items | | <u>(1,128,700)</u> |
| | | (1,898,940) |
| Net position of governmental activities | <u>\$</u> | <u>19,080,189</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, 2024

| | <u>General</u> | <u>Coal Road</u> | <u>ARPA</u> | <u>Other Government Fund</u> | <u>Total</u> |
|--|----------------|----------------------|--------------|----------------------------------|----------------|
| REVENUES | | | | | |
| General property taxes | \$ 17,685,559 | \$ - | \$ - | \$ - | \$ 17,685,559 |
| Other local taxes | 3,720,529 | 200,124 | - | - | 3,920,653 |
| Permits, privilege fees, and regulatory licenses | 52,421 | - | - | - | 52,421 |
| Fines and forfeitures | 3,255 | - | - | - | 3,255 |
| Revenue from the use of money and property | 664,128 | 63,662 | - | - | 727,790 |
| Charges for services | 275,144 | - | - | - | 275,144 |
| Miscellaneous | 594,743 | - | - | - | 594,743 |
| Recovered costs | 951,057 | - | - | - | 951,057 |
| Intergovernmental | 16,019,686 | - | 3,682,525 | - | 19,702,211 |
| Total revenues | \$ 39,966,522 | \$ 263,786 | \$ 3,682,525 | \$ - | \$ 43,912,833 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 2,661,216 | \$ - | \$ 87,275 | \$ - | \$ 2,748,491 |
| Judicial administration | 3,246,218 | - | - | - | 3,246,218 |
| Public safety | 7,272,473 | - | 134,956 | - | 7,407,429 |
| Public works | 3,850,948 | 95,201 | 31,161 | - | 3,977,310 |
| Health and welfare | 9,699,555 | - | 17,302 | - | 9,716,857 |
| Education | 8,528,650 | - | - | - | 8,528,650 |
| Parks, recreation, and cultural | 685,765 | - | - | - | 685,765 |
| Community development | 283,271 | - | - | - | 283,271 |
| Nondepartmental | 448,377 | - | - | - | 448,377 |
| Capital projects | 2,941,881 | - | 3,825,264 | - | 6,767,145 |
| Debt service: | | | | | |
| Principal retirement | 1,788,565 | - | - | - | 1,788,565 |
| Interest and other fiscal charges | 904,122 | - | - | - | 904,122 |
| Total expenditures | \$ 42,311,041 | \$ 95,201 | \$ 4,095,958 | \$ - | \$ 46,502,200 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (2,344,519) | \$ 168,585 | \$ (413,433) | \$ - | \$ (2,589,367) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | \$ (621,495) | \$ - | \$ - | \$ - | \$ (621,495) |
| Transfers in | - | - | 369,833 | 98,837 | 468,670 |
| Proceeds from lease | 446,800 | - | - | - | 446,800 |
| Sale of capital assets | 627,600 | - | - | - | 627,600 |
| Total other financing sources (uses) | \$ 452,905 | \$ - | \$ 369,833 | \$ 98,837 | \$ 921,575 |
| Net change in fund balances | \$ (1,891,614) | \$ 168,585 | \$ (43,600) | \$ 98,837 | \$ (1,667,792) |
| Fund balances - beginning | 12,519,794 | 1,100,904 | 43,600 | (87,933) | 13,576,365 |
| Fund balances - ending | \$ 10,628,180 | \$ 1,269,489 | \$ - | \$ 10,904 | \$ 11,908,573 |

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

County of Russell, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2024

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

| | | |
|--|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (1,667,792) |
|--|----|-------------|

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/amortization expense. This is the detail of items supporting this adjustment:

| | | |
|-----------------------------------|--------------|-----------|
| Capital outlay | \$ 8,195,728 | |
| Depreciation/amortization expense | (1,650,149) | 6,545,579 |

| | | |
|---|--|-----------|
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets. | | (351,357) |
|---|--|-----------|

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

| | | |
|-------------------------|----------------|-------------|
| Property taxes | \$ (1,823,685) | |
| Opioid settlement funds | 782,755 | (1,040,930) |

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 are 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: | | |
| Lease liabilities | \$ (446,800) | |
| Principal Payments: | | |
| Bonds, literary loans, and notes | 719,247 | |
| Lease liabilities | 831,004 | |
| Finance purchases | 238,314 | |
| Decrease (increase) in estimated liability: | | |
| Landfill closure and postclosure liability | (11,168) | 1,330,597 |

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 | \$ (69,393) | |
| (Increase) decrease in accrued interest payable | 10,161 | |
| Change in OPEB related items | (225,181) | |
| Amortization of bond premiums | 16,804 | |
| Change in pension related items | 473,685 | 206,076 |

| | | |
|---|--|-----------|
| 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. | | (327,967) |
|---|--|-----------|

| | | |
|---|----|-----------|
| Change in net position of governmental activities | \$ | 4,694,206 |
|---|----|-----------|

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, 2024

| | Enterprise Fund Dante Fund | Internal Service Fund Self Health Insurance |
|--|-------------------------------------|--|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,131 | \$ 6,693,006 |
| Interest receivable | | - |
| Accounts receivable, net of allowance for uncollectibles | 10,039 | 1,116,108 |
| Due from other funds | 13,855 | - |
| Total current assets | <u>\$ 28,025</u> | <u>\$ 7,809,114</u> |
| Noncurrent assets: | | |
| Restricted assets: | | |
| Cash and cash equivalents (in custody of others) | \$ 49,575 | - |
| Capital assets: | | |
| Capital assets, net of accumulated depreciation | \$ 1,813,421 | - |
| Total noncurrent assets | <u>\$ 1,862,996</u> | <u>-</u> |
| Total assets | <u>\$ 1,891,021</u> | <u>\$ 7,809,114</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,875 | \$ 1,140,953 |
| Revenue bonds - current portion | 29,993 | - |
| Total current liabilities | <u>\$ 44,868</u> | <u>\$ 1,140,953</u> |
| Noncurrent liabilities: | | |
| Revenue bonds - net of current portion | \$ 418,780 | - |
| Total noncurrent liabilities | <u>\$ 418,780</u> | <u>-</u> |
| Total liabilities | <u>\$ 463,648</u> | <u>\$ 1,140,953</u> |
| NET POSITION | | |
| Net investment in capital assets | \$ 1,364,648 | - |
| Restricted for debt service and bond covenants | 49,575 | - |
| Unrestricted | 13,150 | 6,668,161 |
| Total net position | <u>\$ 1,427,373</u> | <u>\$ 6,668,161</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, 2024

| | Enterprise Fund Dante Fund | Internal Service Fund Self Health Insurance |
|---|-------------------------------------|--|
| OPERATING REVENUES | | |
| Charges for services: | | |
| Sewer revenues | \$ 125,620 | \$ - |
| Insurance premiums | - | 7,869,511 |
| Total operating revenues | \$ 125,620 | \$ 7,869,511 |
| OPERATING EXPENSES | | |
| Salaries and wages | \$ 62,877 | \$ - |
| Professional services | 32,740 | - |
| Materials and supplies | 47,034 | - |
| Office expenses | 4,729 | - |
| Repairs and maintenance | 51,106 | - |
| Insurance claims and expenses | 454 | 8,325,765 |
| Depreciation | 131,018 | - |
| Total operating expenses | \$ 329,958 | \$ 8,325,765 |
| Operating income (loss) | \$ (204,338) | \$ (456,254) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | \$ - | \$ 128,287 |
| Contribution to Castlewood PSA | (30,664) | - |
| Interest expense | (20,898) | - |
| Total nonoperating revenues (expenses) | \$ (51,562) | \$ 128,287 |
| Income (loss) before transfers | \$ (255,900) | \$ (327,967) |
| Transfers in | \$ 152,825 | \$ - |
| Change in net position | \$ (103,075) | \$ (327,967) |
| Total net position - beginning | 1,530,448 | 6,996,128 |
| Total net position - ending | \$ 1,427,373 | \$ 6,668,161 |

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, 2024

| | Enterprise Fund Dante Fund | Internal Service Fund Self Health Insurance |
|---|-------------------------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 131,749 | \$ - |
| Receipts for insurance premiums | - | 7,503,183 |
| Payments to suppliers | (138,847) | - |
| Payments to employees | (65,492) | - |
| Payments for premiums | - | (8,033,959) |
| Net cash provided by (used for) operating activities | \$ (72,590) | \$ (530,776) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | \$ 152,825 | \$ - |
| Net cash provided by (used) for noncapital financing activities | \$ 152,825 | \$ - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal payments on bonds | \$ (28,673) | \$ - |
| Contribution to Castlewood PSA | (30,664) | - |
| Interest payments | (20,898) | - |
| Net cash provided by (used for) capital and related financing activities | \$ (80,235) | \$ - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | \$ - | \$ 128,287 |
| Net increase (decrease) in cash and cash equivalents | \$ - | \$ (402,489) |
| Cash and cash equivalents - beginning (including restricted of \$49,575) | 53,706 | 7,095,495 |
| Cash and cash equivalents - ending (including restricted of \$49,575) | \$ 53,706 | \$ 6,693,006 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ (204,338) | \$ (456,254) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | \$ 131,018 | \$ - |
| (Increase) decrease in accounts receivable | 1,196 | (366,328) |
| (Increase) decrease in interest receivable | 96 | - |
| (Increase) decrease in due from other funds | 4,837 | - |
| Increase (decrease) in accounts payable | (2,784) | 291,806 |
| Increase (decrease) in deferred inflows of resources | (2,615) | - |
| Total adjustments | \$ 131,748 | \$ (74,522) |
| Net cash provided by (used for) operating activities | \$ (72,590) | \$ (530,776) |

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, 2024

| | <u>Custodial Funds</u> |
|---------------------------------|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 91,398 |
| Due from other governments | 12,317 |
| Total assets | <u>\$ 103,715</u> |
| LIABILITIES | |
| Accounts payable | 5,787 |
| Total liabilities | <u>\$ 5,787</u> |
| NET POSITION | |
| Restricted for: | |
| Held for social services client | \$ 65,979 |
| Held for VASAP | 31,949 |
| Total net position | <u><u>\$ 97,928</u></u> |

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

County of Russell, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2024

| | <u>Custodial Funds</u> |
|---|----------------------------|
| ADDITIONS | |
| Special welfare collections | \$ 42,388 |
| Interest earned | 2,633 |
| Intergovernmental | 176,855 |
| Total additions | <u>\$ 221,876</u> |
| DEDUCTIONS | |
| Special welfare payments | \$ 34,287 |
| Salaries and fringes | 112,541 |
| Professional services | 15,790 |
| Utilities | 3,346 |
| Insurance | 487 |
| Office rent | 10,000 |
| Office supplies | 3,847 |
| Miscellaneous | 4,380 |
| Travel | 2,073 |
| Total deductions | <u>\$ 186,751</u> |
| Net increase (decrease) in fiduciary net position | <u>\$ 35,125</u> |
| Net position - beginning | \$ 62,803 |
| Net position - ending | <u><u>\$ 97,928</u></u> |

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

COUNTY OF RUSSELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

Note 1-Summary of Significant Accounting Policies:

The County of Russell, Virginia is a municipal corporation governed by an elected six-member Board of Supervisors. The financial statements of the County have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

These financial statements present the County of Russell, Virginia (the primary 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, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

B. Component Unit Disclosures

Blended Component Units - None

Discretely Presented Component Units

Russell County School Board: The 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 discrete presentation of the County Financial statements. The School Board does not issue separate financial statements.

Industrial Development Authority of Russell County, Virginia (IDA): The 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.

Russell County Public Service Authority (PSA): The 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 137 Highland Drive, Lebanon, Virginia 24266.

C. Other Related Organizations

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

Jointly Governed Organizations: The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail and the Cumberland Mountain Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$1,594,482 to the Regional Jail and \$39,996 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

D. Government-Wide and Fund Financial Statements

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. All fiduciary activities are reported only in the fund financial 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. 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*.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the County of Russell, Virginia's enterprise funds. 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.

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.

The fund financial statements provide information about the County of Russell, Virginia's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and 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 principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences and claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

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

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.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds:

A. General Fund:

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 Social Services, Dog Tag, Damage Stamp, Law Library, Knox Creek, Cannery, Health and Fitness, Housing, CSA, Litter, Valley Heights Subdivision, and Road Improvements funds. The aforementioned Funds have been merged with the General Fund for financial reporting purposes.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

B. Special Revenue Funds:

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

The government reports the following major special revenue funds:

- Coal Road Fund: This 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.
- ARPA Fund: This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for American Rescue Plan Act Funds.

The government reports the following nonmajor special revenue funds:

- Workforce Investment Fund: This fund accounts for and reports financial resources to be used for workforce development benefiting the County.
- CARES Fund: This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for Coronavirus Relief Funds.

2. Proprietary Funds:

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds and Internal Service Funds.

A. Enterprise Funds:

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The County operates a water treatment system. The activities of the system are accounted for in the Dante fund which is an enterprise fund.

B. Internal Service Funds:

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.

3. Fiduciary Funds (Trust and Custodial Funds):

Fiduciary Funds (Trust and Custodial 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. Custodial 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.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

F. Program Revenues:

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.

G. Proprietary Funds Operating and Nonoperating Revenues and Expenses:

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.

H. 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, amounts in demand deposits, as well as short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At year end, investments totaling \$3,076,895 were reported as cash equivalents in the accompanying financial statements.

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

3. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "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 a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

H. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (Continued)

4. Property Taxes

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

5. 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 \$1,889,233 at June 30, 2024. The allowance consists of delinquent property taxes.

6. 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.

7. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscription and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities 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.

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible property, plant, equipment, lease assets, subscription assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------------|--------------|
| Land improvements | 40 |
| Buildings and improvements | 40 |
| Lease buildings and improvements | 40 |
| Machinery and equipment | 4-30 |
| Lease machinery and equipment | 4-30 |
| Utility plant in service | 40 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

H. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (Continued)

8. 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.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will include a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets 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 and opioid settlement 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 pension, OPEB, opioid settlements, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

10. 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. 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.

11. 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.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

H. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (Continued)

12. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, Teacher HIC, and LODA OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to the VRS related OPEB, the County and School Board allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating and implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost until the retiree is Medicare eligible.

13. 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.

14. Leases and Subscription-Based IT Arrangements

The County has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange-like transaction.

Lessor

The County recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

H. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (Continued)

14. Leases and Subscription-Based IT Arrangements (Continued)

Lessee

The County recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions

The County recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The County uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the County uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The County monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The County will remeasure the lease receivable and deferred inflows of resources (lessor), lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

H. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (Continued)

15. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance”. County’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaid expenditures) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

H. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (Continued)

16. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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 functional level for the General Fund and at the fund level for all remaining funds. Only the Board of Supervisors can revise the appropriation for each function or fund. 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 budget.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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

A. Budgetary Information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Funds. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

At June 30, 2024, expenditures in the School Fund and ARPA Fund exceeded appropriations for the fiscal year.

C. Deficit fund balance

There were no funds with deficit fund balance as of June 30, 2024.

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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, the Virginia Investment Pool, the State Non-arbitrage Pool and the State Treasurer's Local Government Investment Pool (LGIP). As of and for the year ending June 30, 2024, the County had investments in the Virginia Investment Pool totaling 3,076,895.

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk.

The County's rated debt investments total \$3,076,895 in the Virginia Investment Pool were rated "AAAm" by Standard & Poor's, as of June 30, 2024.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 3-Deposits and Investments: (Continued)

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

| Investment Maturities (in years) | | |
|---|-------------------|-----------------------|
| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less than 1 yr</u> |
| Virginia Investment Pool | \$ 3,076,895 | \$ 3,076,895 |

External Investment Pools

The primary government is a participant in the Virginia Investment Pool (VIP). VIP is a Section 115 governmental fund created under the Joint Exercise of Powers statute of the Commonwealth of Virginia to provide political subdivisions with an investment vehicle to pool surplus funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. The VIP Trust is governed by a Board of Trustees. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above VML/VACO Investment Pool investment at the net asset value (NAV). VML/VACO VIP allows the County to have the option to have access to withdrawal funds twice a month, with a five-day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, state budget cuts, and etc.).

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 | \$ 149,838 | \$ - |
| <u>Commonwealth of Virginia:</u> | | |
| Local sales tax | 419,654 | - |
| State sales tax | - | 773,091 |
| Non-categorical aid | 828,292 | - |
| Categorical aid-shared expenses | 252,394 | - |
| Categorical aid-Virginia Public Assistance funds | 193,017 | - |
| Categorical aid-other | 244,442 | - |
| Categorical aid-Comprehensive Services Act funds | 518,310 | - |
| <u>Federal Government:</u> | | |
| Categorical aid-Virginia Public Assistance funds | 230,030 | - |
| Categorical aid-other | 58,034 | - |
| School federal programs | - | 823,187 |
| Total Amount Due from Other Governmental Units | \$ 2,894,011 | \$ 1,596,278 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 5-Interfund/Component-Unit Obligations:

| <u>Fund</u> | <u>Due to Primary Government/ Component Unit</u> | <u>Due from Primary Government/ Component Unit</u> |
|---------------------|--|--|
| Primary Government: | | |
| General Fund | \$ <u>-</u> | \$ <u>1,219,651</u> |
| Component Unit: | | |
| School Board | \$ 1,019,651 | \$ - |
| IDA | 200,000 | - |
| Total | \$ <u>1,219,651</u> | \$ <u>-</u> |

Interfund transfers and remaining balances for the year ended June 30, 2024, consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------|---------------------|----------------------|
| Primary Government: | | |
| General Fund | \$ - | \$ 621,495 |
| Dante Fund | 152,825 | - |
| CARES Fund | 98,837 | - |
| ARPA Fund | 369,833 | - |
| Total | \$ <u>621,495</u> | \$ <u>621,495</u> |
| <u>Fund</u> | <u>Due From</u> | <u>Due To</u> |
| Primary Government: | | |
| General Fund | \$ - | \$ 13,855 |
| Dante Fund | 13,855 | - |
| Total | \$ <u>13,855</u> | \$ <u>13,855</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.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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, 2023:

| | Balance July 1, 2023 | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2024 |
|--|-------------------------|-------------------------|---------------------------|--------------------------|
| Direct borrowings and placements | | | | |
| General obligation bonds | \$ 2,431,164 | \$ - | \$ (518,358) | \$ 1,912,806 |
| Revenue bonds | 15,735,250 | - | - | 15,735,250 |
| Locality compensation payments | 2,915,950 | - | (200,889) | 2,715,061 |
| Finance purchase notes | 4,357,157 | - | (238,314) | 4,118,843 |
| Deferred Amounts: | | | | |
| Bond premiums | 98,471 | - | (16,804) | 81,667 |
| Total direct borrowings and placements | \$ 25,537,992 | \$ - | \$ (974,365) | \$ 24,563,627 |
| Other long-term obligations | | | | |
| Lease liabilities | \$ 2,641,232 | \$ 446,800 | \$ (831,004) | \$ 2,257,028 |
| Landfill closure/ postclosure liability | 338,410 | 11,168 | - | 349,578 |
| Net OPEB liabilities | 2,991,810 | 2,014,043 | (1,951,386) | 3,054,467 |
| Compensated absences | 586,039 | 508,922 | (439,529) | 655,432 |
| Net pension liability | 5,374,129 | 3,399,484 | (3,670,101) | 5,103,512 |
| Total other long-term obligations | \$ 11,931,620 | \$ 6,380,417 | \$ (6,892,020) | \$ 11,420,017 |
| Total | \$ 37,469,612 | \$ 6,380,417 | \$ (7,866,385) | \$ 35,983,644 |

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

| Year Ending June 30, | Director Borrowing and Placement | | Lease Liabilities | |
|-------------------------|-------------------------------------|--------------|-------------------|------------|
| | Principal | Interest | Principal | Interest |
| 2025 | \$ 826,637 | \$ 667,504 | \$ 766,906 | \$ 106,878 |
| 2026 | 1,307,301 | 627,683 | 739,407 | 71,236 |
| 2027 | 1,350,695 | 581,371 | 296,509 | 43,740 |
| 2028 | 1,109,704 | 538,517 | 285,170 | 21,096 |
| 2029 | 1,126,164 | 502,668 | 169,036 | 3,575 |
| 2030-2034 | 5,306,081 | 2,002,304 | - | - |
| 2035-2039 | 4,332,280 | 1,248,029 | - | - |
| 2040-2044 | 3,361,055 | 793,884 | - | - |
| 2045-2049 | 3,781,794 | 426,671 | - | - |
| 2050-2054 | 1,980,249 | 71,926 | - | - |
| Totals | \$ 24,481,960 | \$ 7,460,557 | \$ 2,257,028 | \$ 246,525 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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 |
|---|-------------------|----------------|---------------------------|------------------------|--------------------------------|---------------------------------------|----------------------------------|
| Direct Borrowings and Placements | | | | | | | |
| <u>General Obligation Bonds:</u> | | | | | | | |
| General obligation bond | 4.60%-5.10% | 2006 | 2027 | \$147,228-197,458 a+ | 3,205,190 | \$ 577,806 | \$ 187,859 |
| General obligation bond | 4.60%-5.10% | 2009 | 2030 | \$55,000-110,000 a+ | 1,485,000 | 600,000 | 90,000 |
| General obligation bond | 3.05%-5.05% | 2010 | 2031 | \$55,000-120,000 a+ | 1,620,000 | 735,000 | 90,000 |
| Total General Obligation Bonds | | | | | | \$ 1,912,806 | \$ 367,859 |
| <u>Revenue Bonds:</u> | | | | | | | |
| VRA Virginia HELPS Program | 1.975%-2.100% | 1/14/2022 | 2051 | \$445,000-770,000 a+ | \$ 16,015,000 | \$ 15,735,250 | \$ - |
| <u>Locality Compensation Payments:</u> | | | | | | | |
| VRA - Moral Obligation | 0.00% | 2021 | 2041 | \$25,131-174,321 a+ | \$ 3,149,548 | \$ 2,584,989 | \$ 169,152 |
| RD - Moral Obligation | 5.75% | 1988 | 2028 | \$13,063-41,261 a+ | 672,000 | 130,072 | 36,788 |
| Total Locality Compensation Payments | | | | | | \$ 2,715,061 | \$ 205,940 |
| <u>Finance Purchase Notes:</u> | | | | | | | |
| Energy Lease | 4.60% | 4/19/2017 | 2037 | \$173,771-415,639 a- | \$ 5,588,478 | \$ 4,118,843 | \$ 252,838 |
| Total Direct Borrowings and Placements | | | | | | \$ 24,481,960 | \$ 826,637 |
| Plus: | | | | | | | |
| Unamortized Premium | | | | | | \$ 81,667 | \$ 16,804 |

| | Interest Rates | Date Issued | Final Maturity Date | | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|---------------------------|-------------------|----------------|---------------------------|-----------|--------------------------------|---------------------------------------|----------------------------------|
| <u>Lease Liabilities:</u> | | | | | | | |
| Sheriff - Vehicle | 13.29% | 2024 | 2029 | \$624 (m) | \$ 27,565 | \$ 25,615 | \$ 4,346 |
| Sheriff - Vehicle | 53.68% | 2023 | 2025 | \$572 (m) | 8,684 | 4,531 | 4,531 |
| Sheriff - Vehicle | 10.77% | 2020 | 2025 | \$291 (m) | 13,558 | 856 | 856 |
| Sheriff - Vehicle | 13.34% | 2024 | 2029 | \$665 (m) | 29,333 | 25,408 | 4,884 |
| Sheriff - Vehicle | 47.65% | 2023 | 2025 | \$693 (m) | 11,020 | 4,672 | 4,672 |
| Sheriff - Vehicle | 9.91% | 2020 | 2025 | \$368 (m) | 17,521 | 1,444 | 1,444 |
| Sheriff - Vehicle | 9.54% | 2020 | 2025 | \$454 (m) | 21,754 | 1,779 | 1,779 |
| Sheriff - Vehicle | 10.06% | 2020 | 2025 | \$368 (m) | 17,464 | 1,444 | 1,444 |
| Sheriff - Vehicle | 10.06% | 2020 | 2025 | \$368 (m) | 17,464 | 1,444 | 1,444 |
| Sheriff - Vehicle | 9.91% | 2020 | 2025 | \$369 (m) | 17,564 | 2,153 | 2,153 |
| Sheriff - Vehicle | 9.91% | 2020 | 2025 | \$369 (m) | 17,563 | 2,154 | 2,154 |
| Sheriff - Vehicle | 11.72% | 2020 | 2025 | \$295 (m) | 13,477 | 1,987 | 1,987 |
| Sheriff - Vehicle | 11.72% | 2020 | 2025 | \$295 (m) | 13,477 | 1,987 | 1,987 |
| Sheriff - Vehicle | 11.72% | 2020 | 2025 | \$295 (m) | 13,477 | 1,987 | 1,987 |
| Sheriff - Vehicle | 11.72% | 2020 | 2025 | \$295 (m) | 13,477 | 1,987 | 1,987 |
| Sheriff - Vehicle | 11.72% | 2020 | 2025 | \$295 (m) | 13,477 | 1,987 | 1,987 |
| Sheriff - Vehicle | 10.06% | 2020 | 2025 | \$455 (m) | 21,547 | 3,078 | 3,078 |
| Sheriff - Vehicle | 11.72% | 2020 | 2025 | \$295 (m) | 13,477 | 1,987 | 1,987 |
| Sheriff - Vehicle | 10.57% | 2020 | 2025 | \$291 (m) | 13,644 | 1,968 | 1,968 |
| Sheriff - Vehicle | 10.57% | 2020 | 2025 | \$291 (m) | 13,644 | 1,968 | 1,968 |
| Sheriff - Vehicle | 48.68% | 2023 | 2025 | \$699 (m) | 11,020 | 5,650 | 5,650 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness (Continued)

Details of long-term indebtedness: (Continued)

| | Interest | Date | Final Maturity | | Amount of Original | Balance Governmental | Amount Due Within |
|--|--------------|---------------|-------------------|------------------|-----------------------|-------------------------|----------------------|
| <u>Lease Liabilities:</u> | <u>Rates</u> | <u>Issued</u> | <u>Date</u> | | <u>Issue</u> | <u>Activities</u> | <u>One Year</u> |
| Sheriff - Vehicle | 13.53% | 2024 | 2029 | \$632 (m) | 27,773 | 26,151 | 4,311 |
| Sheriff - Vehicle | 13.53% | 2024 | 2029 | \$632 (m) | 27,727 | 26,107 | 4,303 |
| Sheriff - Vehicle | 13.26% | 2024 | 2029 | \$624 (m) | 27,565 | 25,614 | 4,349 |
| Sheriff - Vehicle | 13.51% | 2024 | 2029 | \$631 (m) | 27,728 | 26,108 | 4,305 |
| Sheriff - Vehicle | 13.82% | 2024 | 2029 | \$643 (m) | 28,066 | 26,765 | 4,282 |
| Sheriff - Vehicle | 9.13% | 2020 | 2025 | \$309 (m) | 14,936 | 2,675 | 2,675 |
| Sheriff - Vehicle | 13.73% | 2024 | 2029 | \$637 (m) | 27,857 | 26,232 | 4,307 |
| Sheriff - Vehicle | 13.53% | 2024 | 2029 | \$633 (m) | 27,804 | 26,180 | 4,316 |
| Sheriff - Vehicle | 13.53% | 2024 | 2029 | \$633 (m) | 27,804 | 26,180 | 4,316 |
| Sheriff - Vehicle | 13.52% | 2024 | 2029 | \$628 (m) | 27,585 | 25,973 | 4,282 |
| Sheriff - Vehicle | 15.59% | 2024 | 2029 | \$792 (m) | 32,029 | 29,061 | 4,958 |
| Sheriff - Vehicle | 4.61% | 2022 | 2025 | \$547 (m) | 20,801 | 3,772 | 3,772 |
| Sheriff - Vehicle | 13.10% | 2024 | 2029 | \$799 (m) | 35,419 | 31,120 | 5,854 |
| Sheriff - Vehicle | 12.88% | 2022 | 2027 | \$634 (m) | 28,233 | 17,976 | 5,615 |
| Sheriff - Vehicle | 13.10% | 2024 | 2029 | \$799 (m) | 35,419 | 31,120 | 5,854 |
| County Admin - Vehicle | 10.77% | 2020 | 2025 | \$537 (m) | 25,052 | 1,582 | 1,582 |
| Sheriff - Vehicle | 8.65% | 2022 | 2027 | \$345 (m) | 16,859 | 7,858 | 3,596 |
| Sheriff - Vehicle | 10.77% | 2020 | 2025 | \$495 (m) | 23,097 | 1,459 | 1,459 |
| Sheriff - Vehicle | 9.91% | 2020 | 2025 | \$297 (m) | 14,118 | 1,164 | 1,164 |
| Social Services Building | 1.77% | 2019 | 2029 | \$13,382 (m) | 1,494,941 | 729,511 | 151,295 |
| County Building | 2.54% | 2013 | 2026 | \$449k-460k (a+) | 2,193,500 | 908,400 | 448,900 |
| Sheriff - Vehicle | 19.59% | 2023 | 2028 | \$680 (m) | 26,311 | 19,141 | 4,828 |
| Sheriff - Vehicle | 46.52% | 2023 | 2025 | \$788 (m) | 12,637 | 3,519 | 3,519 |
| Sheriff - Vehicle | 14.43% | 2023 | 2028 | \$768 (m) | 33,097 | 25,217 | 5,964 |
| Sheriff - Vehicle | 13.07% | 2023 | 2028 | \$783 (m) | 34,749 | 27,269 | 6,199 |
| Sheriff - Vehicle | 38.69% | 2023 | 20028 | \$287 (m) | 7,829 | 6,775 | 990 |
| Sheriff - Vehicle | 12.99% | 2023 | 2028 | \$702 (m) | 31,210 | 21,320 | 6,008 |
| Sheriff - Vehicle | 14.36% | 2023 | 2028 | \$834 (m) | 35,986 | 27,909 | 6,412 |
| Sheriff - Vehicle | 16.26% | 2024 | 2029 | \$817 (m) | 33,884 | 30,771 | 5,185 |
| Total Lease Liabilities | | | | | | 2,257,028 | 766,906 |
| | | | | | | | |
| <u>Other Long-term Obligations:</u> | | | | | | | |
| Landfill Closure and Postclosure Liability | | | | | \$ | 349,578 | \$ - |
| Net OPEB Liabilities | | | | | | 3,054,467 | - |
| Compensated Absences | | | | | | 655,432 | 491,574 |
| Net Pension Liability | | | | | | 5,103,512 | - |
| Total Other Long-term Obligations | | | | | \$ | 9,162,989 | \$ 491,574 |
| | | | | | | | |
| Total Long-term Obligations | | | | | \$ | 35,983,644 | \$ 2,101,921 |

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

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

(m) - monthly principal and interest installments shown

The County's general obligation bonds/literary loans are subject to the State Aid Intercept Program. Under terms of the program, the County state aid is redirected to bond holders to cure any event(s) of default.

If an event of default occurs with the revenue bonds, the principal of the bond(s) may be declared immediately due and payable to the registered owner of the bond(s) by written notice to the County.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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, 2024:

| | Balance July 1, 2023 | Issuances | Retirements | Balance June 30, 2024 |
|----------------------------------|-------------------------|-----------|-------------|--------------------------|
| Direct borrowings and placements | | | | |
| Revenue bonds | \$ 477,446 | \$ - | \$ (28,673) | \$ 448,773 |
| Total | \$ 477,446 | \$ - | \$ (28,673) | \$ 448,773 |

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

| Year Ending June 30, | Direct Borrowings and Placements | |
|-------------------------|----------------------------------|------------|
| | Revenue Bonds | |
| | Principal | Interest |
| 2025 | 29,993 | 19,579 |
| 2026 | 31,370 | 18,202 |
| 2027 | 32,812 | 16,760 |
| 2028 | 34,319 | 15,253 |
| 2029 | 35,895 | 13,677 |
| 2029-2033 | 205,781 | 42,079 |
| 2034-2036 | 78,603 | 3,085 |
| Totals | \$ 448,773 | \$ 128,635 |

Details of long-term indebtedness:

| | <u>Interest Rates</u> | <u>Date Issued</u> | <u>Final Maturity Date</u> | <u>Amount of Original Issue</u> | <u>Balance Business-Type Activities</u> | <u>Amount Due Within One Year</u> |
|----------------------------------|---------------------------|------------------------|------------------------------------|---|---|---|
| Direct Borrowings and Placements | | | | | | |
| Revenue Bonds: | | | | | | |
| Revenue bond | 4.50% | 4/10/1996 | 2036 | \$ 900,000 | \$ 448,773 | \$ 29,993 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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, 2024:

| | Balance July 1, 2023 | Increases | Decreases | Balance June 30, 2024 |
|-----------------------|-------------------------|----------------------|------------------------|--------------------------|
| Lease liabilities | \$ 266,660 | \$ 510,877 | \$ (414,293) | \$ 363,244 |
| Net OPEB liabilities | 16,525,464 | 2,026,815 | (4,779,442) | 13,772,837 |
| Compensated absences | 1,059,103 | 850,058 | (794,327) | 1,114,834 |
| Net pension liability | 27,194,770 | 11,941,843 | (10,988,771) | 28,147,842 |
| Total | \$ 45,045,997 | \$ 15,329,593 | \$ (16,976,833) | \$ 43,398,757 |

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

| Year Ending June 30, | Lease Liabilities | |
|-------------------------|-------------------|------------------|
| | Principal | Interest |
| 2025 | \$ 139,991 | \$ 38,478 |
| 2026 | 153,758 | 24,711 |
| 2027 | 51,028 | 8,983 |
| 2028 | 18,467 | 950 |
| Totals | \$ 363,244 | \$ 73,122 |

Details of long-term indebtedness:

| | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Total Amount | Amount Due Within One Year |
|------------------------------------|-------------------|----------------|---------------------------|--------------------------------|-------------------|----------------------------------|
| <u>Lease Liabilities:</u> | | | | | | |
| Bus Lease | 3.35% | 5/13/2022 | 9/15/2024 | \$ 402,114 | \$ 363,244 | \$ 139,991 |
| <u>Other Obligations:</u> | | | | | | |
| Net OPEB Liabilities | | | | \$ 13,772,837 | \$ - | |
| Compensated Absences | | | | 1,114,834 | 836,126 | |
| Net Pension Liability | | | | 28,147,842 | - | |
| Total Other Obligations | | | | \$ 43,035,513 | \$ 836,126 | |
| Total Long-Term Obligations | | | | \$ 43,398,757 | \$ 976,117 | |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report, participate in the VRS plan through the County of Russell, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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.

The County's contractually required contribution rate for the year ended June 30, 2024 was 15.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$1,156,089 and \$1,032,807 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability

At June 30, 2024, the County reported a liability of \$5,103,512 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 and 2022 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2023 and 2022, the County's proportion was 99.1842% and 99.0521%, respectively.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in Russell County's Retirement Plan and the Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non-10 Largest) - Non-Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates: (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (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:

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return** | 8.25% |

* The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023 the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 112% of the actuarially determined contribution rate. From July 1, 2023 on, participating employers and school divisions are assumed to continue to contribute 100% and 112%, respectively, 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|--|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County's proportionate share of the County Retirement Plan Net Pension Liability | \$ 10,309,241 | \$ 5,103,512 | \$ 876,680 |

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

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

For the year ended June 30, 2024, the County recognized pension expense of \$687,144. Since there was a change in proportionate share between measurement dates, 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, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 233,272 |
| Net difference between projected and actual earnings on pension plan investments | - | 536,968 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 8,544 | - |
| Employer contributions subsequent to the measurement date | 1,156,089 | - |
| Total | \$ 1,164,633 | \$ 770,240 |

\$1,156,089 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 fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | Primary Government |
|--------------------|--------------------|
| 2025 | \$ (575,660) |
| 2026 | (693,313) |
| 2027 | 487,935 |
| 2028 | 19,342 |
| Thereafter | - |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Nonprofessional)

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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Component Unit School Board Nonprofessional</u> |
|--|---|
| Inactive members or their beneficiaries currently receiving benefits | 151 |
| Inactive members: | |
| Vested inactive members | 20 |
| Non-vested inactive members | 28 |
| Long-term disability (LTD) | 2 |
| Inactive members active elsewhere in VRS | 17 |
| Total inactive members | <u>67</u> |
| Active members | <u>91</u> |
| Total covered employees | <u>309</u> |

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2024 was 24.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$662,802 and \$621,715 for the years ended June 30, 2024 and June 30, 2023, respectively.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (Nonprofessional) net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

Changes in Net Pension Liability

| | Component Unit-School Board (Nonprofessional) | | |
|--|---|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2022 | \$ 19,747,160 | \$ 12,925,519 | \$ 6,821,641 |
| Changes for the year: | | | |
| Service cost | \$ 185,969 | \$ - | \$ 185,969 |
| Interest | 1,295,877 | - | 1,295,877 |
| Differences between expected and actual experience | 749,998 | - | 749,998 |
| Contributions - employer | - | 621,698 | (621,698) |
| Contributions - employee | - | 116,800 | (116,800) |
| Net investment income | - | 804,025 | (804,025) |
| Benefit payments, including refunds of employee contributions | (1,469,909) | (1,469,909) | - |
| Administrative expenses | - | (8,396) | 8,396 |
| Other changes | - | 321 | (321) |
| Net changes | \$ 761,935 | \$ 64,539 | \$ 697,396 |
| Balances at June 30, 2023 | \$ 20,509,095 | \$ 12,990,058 | \$ 7,519,037 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|--------------|------------------|--------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Component Unit School Board (Nonprofessional) | | | |
| Net Pension Liability | \$ 9,755,151 | \$ 7,519,037 | \$ 5,667,592 |

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

For the year ended June 30, 2024, the Component Unit School Board (Nonprofessional) recognized pension expense of \$1,003,184. At June 30, 2024, 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 |
| Differences between expected and actual experience | \$ 450,117 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 223,751 |
| Employer contributions subsequent to the measurement date | 662,802 | - |
| Total | \$ 1,112,919 | \$ 223,751 |

\$662,802 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 fiscal year ended June 30, 2025.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | <u>Component Unit School Board (Nonprofessional)</u> |
|---------------------------|--|
| 2025 | \$ 274,248 |
| 2026 | (245,792) |
| 2027 | 189,212 |
| 2028 | 8,698 |
| Thereafter | - |

Component Unit School Board (Professional)

Plan Description

All full time, salaries 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). Additional information regarding the plan description is included in the first section of this note.

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required contribution rate for the year ended June 30, 2024 was 16.62% of covered employee compensation. This was the General Assembly approved rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined 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 School Board were \$3,341,040 and \$3,221,914 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Retirement Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The school division's proportionate share is reflected in the intergovernmental revenue line of the financial statements.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (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, 2024, the school division reported a liability of \$20,628,805 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the school division's proportion was 0.2041% as compared to 0.21399% at June 30, 2022.

For the year ended June 30, 2024, the school division recognized pension expense of \$1,530,058. Since there was a change in proportionate share between measurement dates, 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. Beginning with the June 30, 2023 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Component Unit School Board (Professional) | |
|---|---|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 1,772,032 | \$ 805,024 |
| Change of assumptions | 935,176 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,341,288 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 107,423 | 1,665,451 |
| Employer contributions subsequent to the measurement date | 3,341,040 | - |
| Total | \$ 6,155,671 | \$ 3,811,763 |

\$3,341,040 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 fiscal year ending June 30, 2025.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|--------------|
| 2025 | \$ (851,687) |
| 2026 | (1,662,007) |
| 2027 | 1,278,684 |
| 2028 | 237,878 |
| Thereafter | - |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.95% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard rates

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2023, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan | |
|---|---|------------|
| Total Pension Liability | \$ | 57,574,609 |
| Plan Fiduciary Net Position | | 47,467,405 |
| Employers' Net Pension Liability (Asset) | \$ | 10,107,204 |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 82.45% |

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|--------------------|-------------------------|--------------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan | | | |
| Net Pension Liability | \$ 36,867,513 | \$ 20,628,805 | \$ 7,525,876 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

| | Primary Government | | | | Component Unit School Board | | | |
|------------------------------|---------------------------|-------------------------|------------------------------|------------------------|------------------------------------|-------------------------|------------------------------|------------------------|
| | Deferred Outflows | Deferred Inflows | Net Pension Liability | Pension Expense | Deferred Outflows | Deferred Inflows | Net Pension Liability | Pension Expense |
| VRS Pension Plans: | | | | | | | | |
| Primary Government | \$ 1,164,633 | \$ 770,240 | \$ 5,103,512 | \$ 687,144 | \$ - | \$ - | \$ - | \$ - |
| School Board Nonprofessional | - | - | - | - | 1,112,919 | 223,751 | 7,519,037 | 1,003,184 |
| School Board Professional | - | - | - | - | 6,155,671 | 3,811,763 | 20,628,805 | 1,530,058 |
| Totals | \$ 1,164,633 | \$ 770,240 | \$ 5,103,512 | \$ 687,144 | \$ 7,268,590 | \$ 4,035,514 | \$ 28,147,842 | \$ 2,533,242 |

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 8-Primary Government Other Postemployment Benefits-Health Insurance:

Plan Description

The County administers a single-employer defined benefit healthcare plan, The Russell County OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees to include Medical, Dental, and Vision insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Benefits for both the retiree and their dependent spouse are provided for their respective lifetimes. If the retiree predeceases the spouse, the spouse is eligible to continue their health coverage.

Plan Membership

At June 30, 2024 (measurement date), the following employees were covered by the benefit terms:

| | |
|----------------------|------------|
| Active Employees | 160 |
| Retirees and Spouses | <u>1</u> |
| Total | <u>161</u> |

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board of Supervisors. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2024 was \$9,966.

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2023.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 8-Primary Government Other Postemployment Benefits-Health Insurance: (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------|--|
| Actuarial Cost Method | Entry age normal, level percentage of pay |
| Discount Rate | 3.93% as of June 30, 2024 |
| | 3.65% as of June 30, 2023 |
| Inflation | 2.50% |
| Healthcare Trend Rate | The medical trend assumption used in this valuation is based on long-term healthcare trend rates generated by the Society of Actuaries' Getzen Trend Model. The trend rate for 2024 is 15.3%, then gradually declines to 3.9% in 2073 and later. |
| Salary Increase Rates | The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% increase for 20 or more years of service. |
| Retirement Age | The average age at retirement is 58.6. |
| Mortality Rates | Mortality rates have been updated to mirror the rates used in the Virginia Retirement System by class of retiree (VRS plan 1, 2 and Hybrid) and by employee classification (public safety, general). |

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2024 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016 to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

Discount Rate

The discount rates are based on the Bond Buyer General Obligation 20-Bond Municipal Index as of their respective measurement dates.

Note 8-Primary Government Other Postemployment Benefits-Health Insurance: (Continued)

Changes in Total OPEB Liability

| | Primary Government Total OPEB Liability | |
|--|--|-----------------------|
| Balances at June 30, 2023 | \$ | <u>798,376</u> |
| Changes during Year: | | |
| Service Cost | \$ | 32,994 |
| Interest on Total OPEB Liability | | 30,165 |
| Effect of Economic/Demographic Gains or Losses | | (50,285) |
| Effect of Assumptions Changes or Inputs | | (23,542) |
| Benefit Payments | | (9,966) |
| Net Changes | \$ | <u>(20,634)</u> |
| Balances at June 30, 2024 | \$ | <u><u>777,742</u></u> |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 8-Primary Government Other Postemployment Benefits-Health Insurance: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

| Rate | | |
|------------------------|----------------------------------|------------------------|
| 1% Decrease (2.93%) | Current Discount Rate (3.93%) | 1% Increase (4.93%) |
| \$ 854,244 | \$ 777,742 | \$ 709,317 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point or one percentage point higher than the current healthcare cost trend rates:

| Rates | | |
|-------------|--------------------------|-------------|
| 1% Decrease | Healthcare Cost Trend | 1% Increase |
| \$ 688,555 | \$ 777,742 | \$ 882,068 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the County recognized OPEB expense in the amount of \$91.502. At June 30, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 18,410 | \$ 61,750 |
| Changes in assumptions | 101,262 | 76,584 |
| Total | \$ 119,672 | \$ 138,334 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 8-Primary Government Other Postemployment Benefits-Health Insurance: (Continued)

Amounts reported as deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|-----------|
| 2025 | \$ 28,168 |
| 2026 | 1,228 |
| 2027 | (25,711) |
| 2028 | (14,435) |
| 2029 | (7,912) |
| Thereafter | - |

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 9-Component Unit School Board Other Postemployment Benefits-Health Insurance:

Plan Description

The School Board administers a single-employer defined benefit healthcare plan, the Russell County Public Schools OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Schools Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees to include Medical, Dental, and Vision insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Benefits for both the retiree and their dependent spouse are provided for their respective lifetimes. If the retiree predeceases the spouse, the spouse is eligible to continue their health coverage.

Plan Membership

At June 30, 2024 (measurement date), the following employees were covered by the benefit terms:

| | |
|----------------------|------------|
| Active employees | 560 |
| Retirees and Spouses | 29 |
| Total | <u>589</u> |

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2024 was \$345,333.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 9-Component Unit School Board Other Postemployment Benefits-Health Insurance: (Continued)

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------|--|
| Actuarial Cost Method | Entry age normal, level percentage of pay |
| Discount Rate | 3.93% as of June 30, 2024 |
| | 3.65% as of June 30, 2023 |
| Inflation | 2.50% |
| Healthcare Trend Rate | The medical trend assumption used in this valuation is based on long-term healthcare trend rates generated by the Society of Actuaries' Getzen Trend Model. The trend rate for 2024 is 15.3%, then gradually declines to 3.9% in 2073 and later. |
| Salary Increase Rates | The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% increase for 20 or more years of service. |
| Retirement Age | The average age at retirement is 58.6. |
| Mortality Rates | Mortality rates have been updated to mirror the rates used in the Virginia Retirement System by class of retiree (VRS plan 1, 2 and Hybrid). |

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2024 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016 to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

Discount Rate

The discount rates are based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates.

Changes in Total OPEB Liability

| | Component Unit School Board Total OPEB Liability |
|--|---|
| Balances at June 30, 2023 | \$ 12,310,250 |
| Changes during Year: | |
| Service Cost | \$ 516,558 |
| Interest on Total OPEB Liability | 461,932 |
| Effect of Economic/Demographic Gains or Losses | (2,702,335) |
| Effect of Assumptions Changes or Inputs | (357,615) |
| Benefit Payments | (345,333) |
| Net Changes | \$ (2,426,793) |
| Balances at June 30, 2024 | \$ 9,883,457 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 9-Component Unit School Board Other Postemployment Benefits-Health Insurance: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

| Rate | | |
|------------------------|----------------------------------|------------------------|
| 1% Decrease (2.93%) | Current Discount Rate (3.93%) | 1% Increase (4.93%) |
| \$ 10,636,204 | \$ 9,883,457 | \$ 9,172,588 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| Rates | | |
|--------------|--------------------------|---------------|
| 1% Decrease | Healthcare Cost Trend | 1% Increase |
| \$ 8,787,609 | \$ 9,883,457 | \$ 11,164,203 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the School Board recognized OPEB expense in the amount of \$1,127,063. At June 30, 2024, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 2,512,798 |
| Changes in assumptions | 766,048 | 376,523 |
| Total | \$ 766,048 | \$ 2,889,321 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 9-Component Unit School Board Other Postemployment Benefits-Health Insurance: (Continued)

Amounts reported as deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|-----------|
| 2025 | \$ 85,668 |
| 2026 | (452,783) |
| 2027 | (452,783) |
| 2028 | (452,783) |
| 2029 | (451,468) |
| Thereafter | (399,124) |

Additional disclosures on changes in School Board's total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the GLI Plan from the County were \$43,394 and \$38,583 for the years ended June 30, 2024 and June 30, 2023, respectively.

Contributions to the GLI Plan from the Component Unit School Board (Nonprofessional) were \$14,913 and \$13,959 for the years ended June 30, 2024 and June 30, 2023, respectively.

Contributions to the GLI Plan from the Component Unit School Board (Professional) were \$113,231 and \$108,552 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the intergovernmental revenue line item of the financial statements.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2024, the County reported a liability of \$363,752 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2024, the Component Unit School Board (Nonprofessional) reported a liability of \$131,565 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2024, the Component Unit School Board (Professional) reported a liability of \$1,023,494 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2023, the County's proportion was 0.03030% as compared to 0.03070% at June 30, 2022.

At June 30, 2023, the Component Unit School Board (Nonprofessional) proportion was 0.0110% as compared to 0.01150% at June 30, 2022.

At June 30, 2023, the Component Unit School Board (Professional) proportion was 0.0853% as compared to 0.0906% at June 30, 2022.

For the year ended June 30, 2024, the County recognized GLI OPEB expense of \$15,386. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2024, the Component Unit School Board (Nonprofessional) recognized GLI OPEB expense of \$(2,773). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

For the year ended June 30, 2024, the Component Unit School Board (Professional) recognized GLI OPEB expense of \$14,853. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Primary Government | | Component Unit School Board (Nonprofessional) | | Component Unit School Board (Professional) | |
|---|-----------------------------------|----------------------------------|--|----------------------------------|---|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 36,330 | \$ 11,042 | \$ 13,140 | \$ 3,994 | \$ 102,222 | \$ 31,068 |
| Changes in proportion | 4,548 | 13,033 | - | 22,214 | 4,298 | 106,918 |
| Changes in assumptions | 7,775 | 25,202 | 2,812 | 9,115 | 21,878 | 70,912 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 14,618 | - | 5,287 | - | 41,130 |
| Employer contributions subsequent to the measurement date | 43,394 | - | 14,913 | - | 113,231 | - |
| Total | \$ 92,047 | \$ 63,895 | \$ 30,865 | \$ 40,610 | \$ 241,629 | \$ 250,028 |

\$43,394, \$14,913, and \$113,231 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component Unit School Board (Nonprofessional), and Component Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board (Nonprofessional) | Component Unit School Board (Professional) |
|--------------------|-----------------------|---|--|
| 2025 | \$ (6,219) | \$ (8,303) | \$ (34,211) |
| 2026 | (17,341) | (11,337) | (64,502) |
| 2027 | 4,925 | (2,717) | (4,923) |
| 2028 | 534 | (2,576) | (17,184) |
| 2029 | 2,859 | 275 | (810) |
| Thereafter | - | - | - |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Information for other groups can be referenced in the VRS Annual Report.

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Teachers | 3.50%-5.95% |
| Locality - General employees | 3.50%-5.35% |
| Locality - Hazardous Duty employees | 3.50%-4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

| | GLI OPEB Plan | |
|--|--------------------------|-----------|
| Total GLI OPEB Liability | \$ | 3,907,052 |
| Plan Fiduciary Net Position | | 2,707,739 |
| GLI Net OPEB Liability (Asset) | \$ | 1,199,313 |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 69.30% |

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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:

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--------------------------------------|--|---|--|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return** | 8.25% |

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|--|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Proportionate share of the Group Life Insurance Plan Net OPEB Liability: | | | |
| County | \$ 539,194 | \$ 363,752 | \$ 221,906 |
| Component Unit School Board (Nonprofessional) | \$ 195,020 | \$ 131,565 | \$ 80,261 |
| Component Unit School Board (Professional) | \$ 1,517,138 | \$ 1,023,494 | \$ 624,380 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | Primary Government | Component Unit School Board (Nonprofessional) |
|--|-----------------------|---|
| Inactive members or their beneficiaries currently receiving benefits | 51 | 78 |
| Inactive members: | | |
| Vested inactive members | 2 | 7 |
| Long-term disability (LTD) | - | 2 |
| Inactive members active elsewhere in VRS | 40 | 17 |
| Total inactive members | 93 | 26 |
| Active members | 31 | 91 |
| Total covered employees | 124 | 195 |

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The County's contractually required employer contribution rate for the year ended June 30, 2024 was 0.25% of covered employee compensation. The Component Unit School Board's (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2024 was 3.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 from the County to the HIC Plan were \$3,928 and \$3,610 for the years ended June 30, 2024 and June 30, 2023, respectively. Contributions from the Component Unit School Board (nonprofessional) to the Health Insurance Credit Plan were \$97,051 and \$90,930 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net HIC OPEB Liability

The County and Component Unit School Board's (nonprofessional) net HIC OPEB liability was measured as of June 30, 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Locality - General employees | 3.50%-5.35% |
| Locality - Hazardous Duty employees | 3.50%-4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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:

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return** | 8.25% |

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ended June 30, 2023, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability - Primary Government

| | Increase (Decrease) | | |
|---|---------------------------------------|--|---|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2022 | \$ 132,792 | \$ 85,813 | \$ 46,979 |
| Changes for the year: | | | |
| Service cost | \$ 1,266 | \$ - | \$ 1,266 |
| Interest | 8,649 | - | 8,649 |
| Differences between expected and actual experience | 15,756 | - | 15,756 |
| Assumption changes | - | - | - |
| Contributions - employer | - | 3,610 | (3,610) |
| Net investment income | - | 4,375 | (4,375) |
| Benefit payments | (11,848) | (11,848) | - |
| Administrative expenses | - | (89) | 89 |
| Other changes | - | 447 | (447) |
| Net changes | \$ 13,823 | \$ (3,505) | \$ 17,328 |
| Balances at June 30, 2023 | \$ 146,615 | \$ 82,308 | \$ 64,307 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Changes in Net HIC OPEB Liability - Component Unit School Board (Nonprofessional)

| | Increase (Decrease) | | |
|---|---------------------------------------|--|---|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2022 | \$ 410,617 | \$ 63,798 | \$ 346,819 |
| Changes for the year: | | | |
| Service cost | \$ 2,266 | \$ - | \$ 2,266 |
| Interest | 26,605 | - | 26,605 |
| Differences between expected and actual experience | 15,146 | - | 15,146 |
| Assumption changes | - | - | - |
| Contributions - employer | - | 90,930 | (90,930) |
| Net investment income | - | 5,951 | (5,951) |
| Benefit payments | (37,459) | (37,459) | - |
| Administrative expenses | - | (168) | 168 |
| Other changes | - | 81 | (81) |
| Net changes | \$ 6,558 | \$ 59,335 | \$ (52,777) |
| Balances at June 30, 2023 | \$ 417,175 | \$ 123,133 | \$ 294,042 |

Sensitivity of the County's and Component Unit School Board's (Nonprofessional) HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the County's and Component Unit School Board's (Nonprofessional) HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the County's and Component Unit School Board's (nonprofessional) net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County's | | | |
| Net HIC OPEB Liability | \$ 77,727 | \$ 64,307 | \$ 52,783 |
| Component Unit School Board's (Nonprofessional) | | | |
| Net HIC OPEB Liability | \$ 331,626 | \$ 294,042 | \$ 261,736 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2024, the County and Component Unit School Board (Nonprofessional) recognized Health Insurance Credit Plan OPEB expense of \$20,957 and \$(9,470), respectively. At June 30, 2024, the County and Component Unit School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the County's and Component Unit School Board's (nonprofessional) HIC Plan from the following sources:

| | Primary Government | | Component Unit School Board (Nonprofessional) | |
|---|-----------------------------------|----------------------------------|--|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 8,065 | \$ 3,145 | \$ 11,990 | \$ 79,098 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | - | 689 | 1,464 | - |
| Change in assumptions | 22,188 | - | 14,678 | - |
| Employer contributions subsequent to the measurement date | 3,928 | - | 97,051 | - |
| Total | \$ 34,181 | \$ 3,834 | \$ 125,183 | \$ 79,098 |

\$3,928 and \$97,051 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and Component Unit School Board (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board (Nonprofessional) |
|--------------------|--------------------|--|
| 2025 | \$ 14,076 | \$ (48,723) |
| 2026 | 6,625 | (4,144) |
| 2027 | 5,487 | 1,868 |
| 2028 | 231 | 33 |

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Plan is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2024 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 from the school division to the VRS Teacher Employee HIC Program were \$253,288 and \$243,042 for the years ended June 30, 2024 and June 30, 2023, respectively.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Contributions (Continued)

In June 2023, the Commonwealth made a special contribution of approximately \$4 million to the VRS Teacher HIC Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The school division's proportionate share is reflected in intergovernmental revenue

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2024, the school division reported a liability of \$2,440,279 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2023 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2023. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the school division's proportion of the VRS Teacher Employee HIC was 0.20140% as compared to 0.21134% at June 30, 2022.

For the year ended June 30, 2024, the school division recognized VRS Teacher Employee HIC OPEB expense of \$129,794. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2024, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 107,409 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | 1,225 | - |
| Change in assumptions | 56,806 | 2,459 |
| Changes in proportionate share and differences between actual and expected contributions | 14,878 | 247,617 |
| Employer contributions subsequent to the measurement date | 253,288 | - |
| Total | \$ 326,197 | \$ 357,485 |

\$253,288 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2025.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|-------------|
| 2025 | \$ (65,798) |
| 2026 | (57,499) |
| 2027 | (43,936) |
| 2028 | (49,402) |
| 2029 | (45,511) |
| Thereafter | (22,430) |

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50%-5.95% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

| | Teacher Employee HIC OPEB Plan | |
|---|---|------------------|
| | <hr/> | |
| Total Teacher Employee HIC OPEB Liability | \$ | 1,475,471 |
| Plan Fiduciary Net Position | | 264,054 |
| Teacher Employee Net HIC OPEB Liability (Asset) | \$ | <u>1,211,417</u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | | 17.90% |

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS 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>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return** | 8.25% |

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|--------------|------------------|--------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan | | | |
| Net HIC OPEB Liability | \$ 2,760,228 | \$ 2,440,279 | \$ 2,169,150 |

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 13—Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2024 was \$830 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$78,435 and \$61,195 for the years ended June 30, 2024 and June 30, 2023, respectively.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 13—Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2024, the entity reported a liability of \$1,848,666 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2023 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, the entity's proportion was 0.46110% as compared to 0.46960% at June 30, 2022.

For the year ended June 30, 2024, the entity recognized LODA OPEB expense of \$236,135. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 98,610 | \$ 348,102 |
| Net difference between projected and actual earnings on LODA OPEB program investments | - | 5,408 |
| Change in assumptions | 410,610 | 381,205 |
| Change in proportionate share | 67,951 | 187,922 |
| Employer contributions subsequent to the measurement date | 78,435 | - |
| Total | \$ 655,606 | \$ 922,637 |

\$78,435 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2025.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 13—Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|-------------|
| 2025 | \$ (20,788) |
| 2026 | (20,619) |
| 2027 | (18,214) |
| 2028 | (26,920) |
| 2029 | (55,449) |
| Thereafter | (203,476) |

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

| | |
|--|-----------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Locality employees | N/A |
| Medical cost trend rates assumption: | |
| Under age 65 | 7.00%-4.75% |
| Ages 65 and older | 5.25%-4.75% |
| Year of ultimate trend rate | |
| Under age 65 | Fiscal year ended 2028 |
| Ages 65 and older | Fiscal year ended 2023 |
| Investment rate of return | 3.86%, including inflation* |

*Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 13—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 13—Line of Duty Act (LODA) Program: (Continued)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the LODA Program is as follows (amounts expressed in thousands):

| | <u>LODA Program</u> |
|---|---------------------|
| Total LODA OPEB Liability | \$ 406,211 |
| Plan Fiduciary Net Position | 5,311 |
| LODA Net OPEB Liability (Asset) | <u>\$ 400,900</u> |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | 1.31% |

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2023.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 13—Line of Duty Act (LODA) Program: (Continued)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.86%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current rate:

| | Discount Rate | | |
|--|------------------------|--------------------|------------------------|
| | 1% Decrease (2.86%) | Current (3.86%) | 1% Increase (4.86%) |
| County's proportionate share of the LODA | | | |
| Net OPEB Liability | \$ 2,072,795 | \$ 1,848,666 | \$ 1,659,057 |

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

| | Health Care Trend Rates | | |
|--|---|---|---|
| | 1% Decrease (6.00% decreasing to 3.75%) | Current (7.00% decreasing to 4.75%) | 1% Increase (8.00% decreasing to 5.75%) |
| County's proportionate share of the LODA | | | |
| Net OPEB Liability | \$ 1,567,732 | \$ 1,848,666 | \$ 2,196,789 |

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 14-Aggregate OPEB Information:

| | Primary Government | | | | Component Unit School Board | | | |
|--|--------------------|------------------|--------------------|--------------|-----------------------------|------------------|--------------------|--------------|
| | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense |
| County Stand-Alone Plan (Note 8) | \$ 119,672 | \$ 138,334 | \$ 777,742 | \$ 91,502 | \$ 766,048 | \$ 2,889,321 | \$ 9,883,457 | \$ 1,127,063 |
| School Stand-Alone Plan (Note 9) | - | - | - | - | - | - | - | - |
| VRS OPEB Plans: | | | | | | | | |
| Group Life Insurance Plan (Note 10): | | | | | | | | |
| County | 92,047 | 63,895 | 363,752 | 15,386 | - | - | - | - |
| School Board Nonprofessional | - | - | - | - | 30,865 | 40,610 | 131,565 | (2,773) |
| School Board Professional | - | - | - | - | 241,629 | 250,028 | 1,023,494 | 14,853 |
| County Health Insurance Credit Plan (Note 11) | 34,181 | 3,834 | 64,307 | 20,957 | - | - | - | - |
| Nonprofessional Health Insurance Credit Plan (Note 11) | - | - | - | - | 125,183 | 79,098 | 294,042 | (9,470) |
| Teacher Health Insurance Credit Plan (Note 12) | - | - | - | - | 326,197 | 357,485 | 2,440,279 | 129,794 |
| Line of Duty Act (LODA) Program (Note 13) | 655,606 | 922,637 | 1,848,666 | 236,135 | - | - | - | - |
| Totals | \$ 901,506 | \$ 1,128,700 | \$ 3,054,467 | \$ 363,980 | \$ 1,489,922 | \$ 3,616,542 | \$ 13,772,837 | \$ 1,259,467 |

Note 15-Capital Assets:

Capital asset activity for the year ended June 30, 2024 was as follows:

Primary Government:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-------------------|----------------|--------------|-----------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 701,353 | \$ - | \$ - | \$ 701,353 |
| Construction in progress | 14,386,059 | 6,600,167 | (332,109) | 20,654,117 |
| Total capital assets not being depreciated/amortized | \$ 15,087,412 | \$ 6,600,167 | \$ (332,109) | \$ 21,355,470 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | \$ 16,516,957 | \$ 332,109 | \$ - | \$ 16,849,066 |
| Lease buildings and improvements | 3,361,167 | - | - | 3,361,167 |
| Machinery and equipment | 5,662,879 | 1,148,761 | (494,848) | 6,316,792 |
| Lease machinery and equipment | 697,788 | 446,800 | (189,633) | 954,955 |
| Total capital assets being depreciated/amortized | \$ 26,238,791 | \$ 1,927,670 | \$ (684,481) | \$ 27,481,980 |
| Accumulated depreciation/amortization: | | | | |
| Buildings and improvements | \$ (7,687,740) | \$ (508,180) | \$ - | \$ (8,195,920) |
| Lease buildings and improvements | (1,244,126) | (623,770) | - | (1,867,896) |
| Machinery and equipment | (4,868,380) | (338,680) | 233,670 | (4,973,390) |
| Lease machinery and equipment | (280,568) | (179,519) | 99,454 | (360,633) |
| Total accumulated depreciation/amortization | \$ (14,080,814) | \$ (1,650,149) | \$ 333,124 | \$ (15,397,839) |
| Total capital assets being depreciated/amortized, net | \$ 12,157,977 | \$ 277,521 | \$ (351,357) | \$ 12,084,141 |
| Governmental activities capital assets, net | \$ 27,245,389 | \$ 6,877,688 | \$ (683,466) | \$ 33,439,611 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 15-Capital Assets: (Continued)

Primary Government: (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|-------------|-----------------------|
| Business-type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Utility plant | \$ 5,240,699 | \$ - | \$ - | \$ 5,240,699 |
| Machinery and equipment | 8,148 | - | - | 8,148 |
| Total capital assets being depreciated | <u>\$ 5,248,847</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,248,847</u> |
| Accumulated depreciation: | | | | |
| Utility plant | \$ (3,296,260) | \$ (131,018) | \$ - | \$ (3,427,278) |
| Machinery and equipment | (8,148) | - | - | (8,148) |
| Total accumulated depreciation | <u>\$ (3,304,408)</u> | <u>\$ (131,018)</u> | <u>\$ -</u> | <u>\$ (3,435,426)</u> |
| Total capital assets being depreciated, net | <u>\$ 1,944,439</u> | <u>\$ (131,018)</u> | <u>\$ -</u> | <u>\$ 1,813,421</u> |
| Business-type activities capital assets, net | <u>\$ 1,944,439</u> | <u>\$ (131,018)</u> | <u>\$ -</u> | <u>\$ 1,813,421</u> |

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

| | |
|-----------------------------------|---------------------|
| Governmental activities: | |
| General government administration | \$ 501,799 |
| Judicial administration | 52,097 |
| Public safety | 281,568 |
| Public works | 194,824 |
| Health and welfare | 152,631 |
| Education | 428,551 |
| Parks, recreation, and cultural | 36,347 |
| Community development | <u>2,332</u> |
| Total depreciation/amortization | |
| expense-governmental activities | <u>\$ 1,650,149</u> |
| Business-type activities: | |
| Sewer Authority | <u>\$ 131,018</u> |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 15-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2024 was as follows:

Discretely Presented Component Unit - School Board:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------|-----------------------|---------------------|------------------------|
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 5,628,295 | \$ - | \$ - | \$ 5,628,295 |
| Construction in progress | 67,211 | 619,130 | (186,341) | 500,000 |
| Total capital assets not being depreciated/amortized | <u>\$ 5,695,506</u> | <u>\$ 619,130</u> | <u>\$ (186,341)</u> | <u>\$ 6,128,295</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | \$ 50,060,589 | \$ 1,400,720 | \$ - | \$ 51,461,309 |
| Machinery and equipment | 10,304,686 | 1,971,080 | (191,700) | 12,084,066 |
| Lease machinery and equipment | 402,114 | 510,877 | - | 912,991 |
| Total capital assets being depreciated/amortized | <u>\$ 60,767,389</u> | <u>\$ 3,882,677</u> | <u>\$ (191,700)</u> | <u>\$ 64,458,366</u> |
| Accumulated depreciation/amortization: | | | | |
| Buildings and improvements | \$ (28,674,665) | \$ (1,615,309) | \$ - | \$ (30,289,974) |
| Machinery and equipment | (7,799,921) | (694,271) | 191,700 | (8,302,492) |
| Lease machinery and equipment | (136,125) | (225,856) | - | (361,981) |
| Total accumulated depreciation/amortization | <u>\$ (36,610,711)</u> | <u>\$ (2,535,436)</u> | <u>\$ 191,700</u> | <u>\$ (38,954,447)</u> |
| Total capital assets being depreciated/amortized, net | <u>\$ 24,156,678</u> | <u>\$ 1,347,241</u> | <u>\$ -</u> | <u>\$ 25,503,919</u> |
| Governmental activities capital assets, net | <u>\$ 29,852,184</u> | <u>\$ 1,966,371</u> | <u>\$ (186,341)</u> | <u>\$ 31,632,214</u> |

Note 17-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.

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 17-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, would be immaterial.

Note 18-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. The total estimated closure and postclosure care liability at June 30, 2024 is \$349,578. 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 2024. 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.

Note 19-Deferred/Unavailable Revenue:

Deferred revenue/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

| | Government-wide | |
|---|---------------------------|--------------------|
| | Statement of Net Position | Balance Sheet |
| | Governmental Activities | Governmental Funds |
| 2nd half taxes due December 2024 | \$ 5,064,757 | \$ 5,064,757 |
| Delinquent taxes due prior to June 30, 2024 | - | 1,320,473 |
| Prepaid taxes | 401,479 | 401,479 |
| Total deferred/unavailable revenue | \$ 5,466,236 | \$ 6,786,709 |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 20-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 2024, a total of \$8,058,804 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, 2024, 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 \$1,116,108 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 2024 and the two preceding fiscal years were as follows:

| <u>Fiscal Year</u> | <u>Balance at Beginning of Fiscal Year</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at End of Fiscal Year</u> |
|--------------------|--|---|---------------------------|--|
| 2023-24 | \$ 849,147 | \$ 8,325,765 | \$ (8,058,804) | \$ 1,116,108 |
| 2022-23 | 833,542 | 7,375,824 | (7,360,219) | 849,147 |
| 2021-22 | 548,640 | 8,255,583 | (7,970,681) | 833,542 |

Note 21-Moral Obligation:

During 2021, all Virginia Resource Authority (VRA) bonds and certain rural development bonds were refinanced and combined into two revenue bonds. Included in the refinancing were bonds previously issued by the County of Russell, amounts issued by Castlewood Water and Sewer Authority, as well as bonds issued by the Russell County Public Service Authority (PSA). All of the bonds previously in the County's and Castlewood Water and Sewer Authority's name are now in the PSA's name.

The County signed a support agreement that requires the County to fund all debt service where revenues are not sufficient to cover the payments. The County has agreed to continue to pay the debt service for the loans originally issued in the County's name and are shown in long-term obligations as locality compensation payments.

As of June 30, 2024, the balance of those loans was \$2,715,061.

Note 22-Commitments and Contingencies:

The County and School Board have obligated funds for the projects described below as of June 30, 2024:

| | <u>Contract</u> | <u>Amount Paid as of 6/30/2024</u> | <u>Amount of Contract Outstanding</u> | <u>Accounts Payable as of 6/30/2024</u> | <u>Retainage Payable as of 6/30/2024</u> |
|--------------------------|----------------------|--|---|---|--|
| County Contracts: | | | | | |
| Courthouse Renovation | \$ 15,372,686 | \$ 14,729,279 | \$ 643,407 | \$ 1,456,637 | \$ 81,659 |
| Total Contracts | <u>\$ 15,372,686</u> | <u>\$ 14,729,279</u> | <u>\$ 643,407</u> | <u>\$ 1,456,637</u> | <u>\$ 81,659</u> |

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 23-Litigation:

As of June 30, 2024, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

Note 24-Upcoming Pronouncements:

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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, 2024

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------------|----------------|---|
| | Original | Final | Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 16,475,468 | \$ 16,475,468 | \$ 17,685,559 | \$ 1,210,091 |
| Other local taxes | 4,000,590 | 4,000,590 | 3,720,529 | (280,061) |
| Permits, privilege fees, and regulatory licenses | 57,450 | 57,450 | 52,421 | (5,029) |
| Fines and forfeitures | 11,250 | 11,250 | 3,255 | (7,995) |
| Revenue from the use of money and property | 125,000 | 125,000 | 664,128 | 539,128 |
| Charges for services | 284,400 | 284,400 | 275,144 | (9,256) |
| Miscellaneous | 74,123 | 74,123 | 594,743 | 520,620 |
| Recovered costs | 1,399,852 | 1,399,852 | 951,057 | (448,795) |
| Intergovernmental | 13,667,414 | 13,667,414 | 16,019,686 | 2,352,272 |
| Total revenues | \$ 36,095,547 | \$ 36,095,547 | \$ 39,966,522 | \$ 3,870,975 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 2,542,897 | \$ 2,785,998 | \$ 2,661,216 | \$ 124,782 |
| Judicial administration | 3,167,729 | 3,265,326 | 3,246,218 | 19,108 |
| Public safety | 6,317,525 | 7,503,493 | 7,272,473 | 231,020 |
| Public works | 3,555,142 | 4,097,181 | 3,850,948 | 246,233 |
| Health and welfare | 8,109,548 | 10,482,319 | 9,699,555 | 782,764 |
| Education | 8,447,441 | 8,569,850 | 8,528,650 | 41,200 |
| Parks, recreation, and cultural | 572,798 | 685,986 | 685,765 | 221 |
| Community development | 270,738 | 295,439 | 283,271 | 12,168 |
| Nondepartmental | 276,000 | 453,888 | 448,377 | 5,511 |
| Capital projects | - | 4,331,601 | 2,941,881 | 1,389,720 |
| Debt service: | | | | |
| Principal retirement | 1,797,238 | 1,833,746 | 1,788,565 | 45,181 |
| Interest and other fiscal charges | 908,491 | 908,491 | 904,122 | 4,369 |
| Total expenditures | \$ 35,965,547 | \$ 45,213,318 | \$ 42,311,041 | \$ 2,902,277 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 130,000 | \$ (9,117,771) | \$ (2,344,519) | \$ 6,773,252 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (130,000) | \$ (130,000) | \$ (621,495) | \$ (491,495) |
| Proceeds from lease | - | - | 446,800 | 446,800 |
| Sale of capital assets | - | - | 627,600 | 627,600 |
| Total other financing sources (uses) | \$ (130,000) | \$ (130,000) | \$ 452,905 | \$ 582,905 |
| Net change in fund balances | \$ - | \$ (9,247,771) | \$ (1,891,614) | \$ 7,356,157 |
| Fund balances - beginning | - | 9,247,771 | 12,519,794 | 3,272,023 |
| Fund balances - ending | \$ - | \$ - | \$ 10,628,180 | \$ 10,628,180 |

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, 2024

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Other local taxes | \$ 325,000 | \$ 325,000 | \$ 200,124 | \$ (124,876) |
| Revenue from the use of money and property | - | - | 63,662 | 63,662 |
| Total revenues | \$ 325,000 | \$ 325,000 | \$ 263,786 | \$ (61,214) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | \$ 325,000 | \$ 469,279 | \$ 95,201 | \$ 374,078 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ (144,279) | \$ 168,585 | \$ 312,864 |
| Net change in fund balances | \$ - | \$ (144,279) | \$ 168,585 | \$ 312,864 |
| Fund balances - beginning | - | 144,279 | 1,100,904 | 956,625 |
| Fund balances - ending | \$ - | \$ - | \$ 1,269,489 | \$ 1,269,489 |

County of Russell, Virginia
Special Revenue Fund - ARPA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|--------------|----------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 3,118,520 | \$ 3,682,525 | \$ 564,005 |
| Total revenues | \$ - | \$ 3,118,520 | \$ 3,682,525 | \$ 564,005 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ - | \$ 227,757 | \$ 87,275 | \$ 140,482 |
| Public safety | - | 134,957 | 134,956 | 1 |
| Public works | - | 31,161 | 31,161 | - |
| Community development | - | 17,302 | 17,302 | - |
| Capital projects | - | 2,707,343 | 3,825,264 | (1,117,921) |
| Total expenditures | \$ - | \$ 3,118,520 | \$ 4,095,958 | \$ (977,438) |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ (413,433) | \$ (413,433) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 369,833 | \$ 369,833 |
| Total other financing sources (uses) | \$ - | \$ - | \$ 369,833 | \$ 369,833 |
| Net change in fund balances | \$ - | \$ - | \$ (43,600) | \$ (43,600) |
| Fund balances - beginning | - | - | 43,600 | 43,600 |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

County of Russell, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2023

| Date (1) | Employer's Proportion of the Net Pension Liability (NPL) (2) | Employer's Proportionate Share of the NPL (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total Pension Liability (6) |
|--|--|--|---|--|---|
| Primary Government - County Retirement Plan | | | | | |
| 2023 | 99.1842% \$ | 5,103,512 \$ | 7,083,721 | 72.05% | 87.22% |
| 2022 | 99.0521% | 5,374,129 | 6,608,888 | 81.32% | 86.24% |
| 2021 | 99.1811% | 3,751,136 | 6,234,472 | 60.17% | 90.25% |
| 2020 | 99.1463% | 7,641,214 | 6,303,680 | 121.22% | 78.56% |
| 2019 | 99.0170% | 5,923,033 | 6,020,423 | 98.38% | 86.16% |
| 2018 | 99.2670% | 4,411,185 | 6,123,587 | 72.04% | 84.04% |
| 2017 | 99.2986% | 4,976,088 | 4,808,206 | 103.49% | 77.80% |
| 2016 | 98.6202% | 6,835,305 | 5,467,426 | 125.02% | 77.80% |
| 2015 | 99.1179% | 5,970,089 | 5,368,165 | 111.21% | 80.39% |
| 2014 | 99.1179% | 5,782,839 | 5,440,419 | 106.29% | 80.53% |
| Component Unit School Board (professional) | | | | | |
| 2023 | 0.20410% \$ | 20,628,805 \$ | 20,086,093 | 102.70% | 82.45% |
| 2022 | 0.21399% | 20,373,129 | 19,697,485 | 103.43% | 82.61% |
| 2021 | 0.22165% | 17,206,905 | 19,381,708 | 88.78% | 85.46% |
| 2020 | 0.22620% | 32,910,764 | 19,575,194 | 168.12% | 71.47% |
| 2019 | 0.22271% | 29,309,901 | 18,519,029 | 158.27% | 73.51% |
| 2018 | 0.22864% | 26,888,000 | 18,374,518 | 146.33% | 74.81% |
| 2017 | 0.22904% | 28,167,000 | 17,982,879 | 156.63% | 72.92% |
| 2016 | 0.23491% | 32,921,000 | 17,914,579 | 183.77% | 68.28% |
| 2015 | 0.23337% | 29,373,000 | 17,363,701 | 169.16% | 70.68% |
| 2014 | 0.23360% | 28,229,000 | 17,083,236 | 165.24% | 70.88% |

County of Russell, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | | | | |
| Service cost | \$ 185,969 | \$ 182,762 | \$ 203,236 | \$ 218,448 | \$ 215,965 | \$ 222,182 | \$ 241,584 | \$ 228,855 | \$ 261,697 | \$ 263,958 |
| Interest | 1,295,877 | 1,261,509 | 1,240,763 | 1,219,062 | 1,200,584 | 1,189,675 | 1,149,952 | 1,151,059 | 1,132,997 | 1,116,022 |
| Differences between expected and actual experience | 749,998 | 522,744 | (305,011) | 305,989 | 376,115 | 21,651 | 340,261 | (240,897) | 20,402 | - |
| Changes of assumptions | - | - | 477,264 | - | 447,422 | - | 32,003 | - | - | - |
| Benefit payments | (1,469,909) | (1,452,231) | (1,531,107) | (1,312,901) | (1,349,305) | (1,206,028) | (1,186,620) | (1,123,037) | (1,191,112) | (1,083,833) |
| Net change in total pension liability | \$ 761,935 | \$ 514,784 | \$ 85,145 | \$ 430,598 | \$ 890,781 | \$ 227,480 | \$ 577,180 | \$ 15,980 | \$ 223,984 | \$ 296,147 |
| Total pension liability - beginning | 19,747,160 | 19,232,376 | 19,147,231 | 18,716,633 | 17,825,852 | 17,598,372 | 17,021,192 | 17,005,212 | 16,781,228 | 16,485,081 |
| Total pension liability - ending (a) | \$ 20,509,095 | \$ 19,747,160 | \$ 19,232,376 | \$ 19,147,231 | \$ 18,716,633 | \$ 17,825,852 | \$ 17,598,372 | \$ 17,021,192 | \$ 17,005,212 | \$ 16,781,228 |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions - employer | \$ 621,698 | \$ 508,338 | \$ 518,030 | \$ 456,975 | \$ 447,436 | \$ 443,319 | \$ 450,897 | \$ 460,715 | \$ 425,544 | \$ 423,435 |
| Contributions - employee | 116,800 | 113,516 | 116,995 | 126,061 | 123,611 | 125,060 | 127,268 | 128,274 | 120,010 | 130,388 |
| Net investment income | 804,025 | (1,675) | 3,038,825 | 226,668 | 772,746 | 860,829 | 1,325,272 | 187,821 | 515,108 | 1,629,758 |
| Benefit payments | (1,469,909) | (1,452,231) | (1,531,107) | (1,312,901) | (1,349,305) | (1,206,028) | (1,186,620) | (1,123,037) | (1,191,112) | (1,083,833) |
| Administrator charges | (8,396) | (8,729) | (8,189) | (8,164) | (8,244) | (7,790) | (8,059) | (7,361) | (7,577) | (9,166) |
| Other | 321 | 304 | 282 | (262) | (485) | (755) | (1,167) | (82) | (108) | 86 |
| Net change in plan fiduciary net position | \$ 64,539 | \$ (840,477) | \$ 2,134,836 | \$ (511,623) | \$ (14,241) | \$ 214,635 | \$ 707,591 | \$ (353,670) | \$ (138,135) | \$ 1,090,668 |
| Plan fiduciary net position - beginning | 12,925,519 | 13,765,996 | 11,631,160 | 12,142,783 | 12,157,024 | 11,942,389 | 11,234,798 | 11,588,468 | 11,726,603 | 10,635,935 |
| Plan fiduciary net position - ending (b) | 12,990,058 | 12,925,519 | 13,765,996 | 11,631,160 | 12,142,783 | 12,157,024 | 11,942,389 | 11,234,798 | 11,588,468 | 11,726,603 |
| School Division's net pension liability - ending (a) - (b) | \$ 7,519,037 | \$ 6,821,641 | \$ 5,466,380 | \$ 7,516,071 | \$ 6,573,850 | \$ 5,668,828 | \$ 5,655,983 | \$ 5,786,394 | \$ 5,416,744 | \$ 5,054,625 |
| Plan fiduciary net position as a percentage of the total pension liability | 63.34% | 65.46% | 71.58% | 60.75% | 64.88% | 68.20% | 67.86% | 66.00% | 68.15% | 69.88% |
| Covered payroll | \$ 2,575,914 | \$ 2,488,198 | \$ 2,520,032 | \$ 2,670,960 | \$ 2,601,655 | \$ 2,610,768 | \$ 2,147,811 | \$ 2,648,956 | \$ 2,434,577 | \$ 2,612,301 |
| School Division's net pension liability as a percentage of covered payroll | 291.90% | 274.16% | 216.92% | 281.40% | 252.68% | 217.13% | 263.34% | 218.44% | 222.49% | 193.49% |

County of Russell, Virginia
Schedule of Employer Contributions
Pension Plans
For the Years Ended June 30, 2015 through June 30, 2024

| Date | Contractually Required Contribution (1)* | Contributions in Relation to Contractually Required Contribution (2)* | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|---|--|---|---|---|
| Primary Government | | | | | |
| 2024 | \$ 1,156,089 | \$ 1,156,089 | \$ - | \$ 8,037,812 | 14.38% |
| 2023 | 1,032,807 | 1,032,807 | - | 7,083,721 | 14.58% |
| 2022 | 843,088 | 843,088 | - | 6,608,888 | 12.76% |
| 2021 | 798,031 | 798,031 | - | 6,234,472 | 12.80% |
| 2020 | 719,102 | 719,102 | - | 6,303,680 | 11.41% |
| 2019 | 681,397 | 681,397 | - | 6,020,423 | 11.32% |
| 2018 | 760,630 | 760,630 | - | 6,123,587 | 12.42% |
| 2017 | 718,233 | 718,233 | - | 4,808,206 | 14.94% |
| 2016 | 807,684 | 807,684 | - | 5,467,426 | 14.77% |
| 2015 | 794,360 | 794,360 | - | 5,368,165 | 14.80% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2024 | \$ 662,802 | \$ 662,802 | \$ - | \$ 2,749,325 | 24.11% |
| 2023 | 621,715 | 621,715 | - | 2,575,914 | 24.14% |
| 2022 | 508,337 | 508,337 | - | 2,488,198 | 20.43% |
| 2021 | 518,031 | 518,031 | - | 2,520,032 | 20.56% |
| 2020 | 457,296 | 457,296 | - | 2,670,960 | 17.12% |
| 2019 | 447,435 | 447,435 | - | 2,601,655 | 17.20% |
| 2018 | 443,320 | 443,320 | - | 2,610,768 | 16.98% |
| 2017 | 457,088 | 457,088 | - | 2,147,811 | 21.28% |
| 2016 | 464,892 | 464,892 | - | 2,648,956 | 17.55% |
| 2015 | 425,544 | 425,544 | - | 2,434,577 | 17.48% |
| Component Unit School Board (professional) | | | | | |
| 2024 | \$ 3,341,040 | \$ 3,341,040 | \$ - | \$ 20,928,940 | 15.96% |
| 2023 | 3,221,914 | 3,221,914 | - | 20,086,093 | 16.04% |
| 2022 | 3,179,016 | 3,179,016 | - | 19,697,485 | 16.14% |
| 2021 | 3,135,782 | 3,135,782 | - | 19,381,708 | 16.18% |
| 2020 | 3,005,168 | 3,005,168 | - | 19,575,194 | 15.35% |
| 2019 | 2,854,000 | 2,854,000 | - | 18,519,029 | 15.41% |
| 2018 | 2,958,000 | 2,958,000 | - | 18,374,518 | 16.10% |
| 2017 | 2,607,000 | 2,607,000 | - | 17,982,879 | 14.50% |
| 2016 | 2,503,615 | 2,503,615 | - | 17,914,579 | 13.98% |
| 2015 | 2,509,000 | 2,509,000 | - | 17,363,701 | 14.45% |

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

County of Russell, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2024

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

All Others (Non 10 Largest) - Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Component Unit School Board - Professional Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

County of Russell, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2018 through June 30, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability | | | | | | | |
| Service cost | \$ 32,994 | \$ 30,821 | \$ 39,498 | \$ 38,376 | \$ 14,265 | \$ 15,523 | \$ 16,038 |
| Interest | 30,165 | 27,786 | 17,805 | 17,351 | 13,941 | 14,342 | 13,000 |
| Changes in assumptions | (23,542) | (7,303) | (103,909) | 3,530 | 434,635 | 11,569 | (11,427) |
| Effect of economic/demographic gains or losses | (50,285) | - | 36,224 | - | (88,594) | - | - |
| Benefit payments | (9,966) | (13,877) | (26,812) | (15,649) | (7,461) | (17,342) | (18,508) |
| Net change in total OPEB liability | \$ (20,634) | \$ 37,427 | \$ (37,194) | \$ 43,608 | \$ 366,786 | \$ 24,092 | \$ (897) |
| Total OPEB liability - beginning | 798,376 | 760,949 | 798,143 | 754,535 | 387,749 | 363,657 | 364,554 |
| Total OPEB liability - ending | \$ 777,742 | \$ 798,376 | \$ 760,949 | \$ 798,143 | \$ 754,535 | \$ 387,749 | \$ 363,657 |
| Covered-employee payroll | \$ 7,644,655 | \$ 6,388,552 | \$ 6,388,552 | \$ 6,096,747 | \$ 6,096,747 | \$ 6,190,566 | \$ 6,190,566 |
| County's total OPEB liability (asset) as a percentage of covered-employee payroll | 10.17% | 12.50% | 11.91% | 13.09% | 12.38% | 6.26% | 5.87% |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Russell, Virginia
Notes to Required Supplementary Information - County OPEB
For the Year Ended June 30, 2024

Valuation Date: 7/1/2023
Measurement Date: 6/30/2024

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

| | |
|--------------------------------------|---|
| Actuarial Cost Method | Entry age normal, level percentage of pay |
| Discount Rate | 3.93% as of June 30, 2024 3.65% as of June 30, 2023 |
| Inflation | 2.50% |
| Healthcare Trend Rate | The medical trend assumption used in this valuation is based on long-term healthcare trendrates generated by the Society of Actuaries' Getzen Trend Model. The trend rate for 2024 is 15.3%, then gradually declines to 3.9% in 2073 and later. |
| Salary Increase Rates | The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% increase for 20 or more years of service. |
| Retirement Age | The average age at retirement is 58.6. |
| Mortality Rates and Disability Rates | Mortality rates have been updated to mirror the rates used in the Virginia Retirement System by class of retiree (VRS plan 1, 2 and Hybrid) and by employee classification (public safety, general). |

County of Russell, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Component Unit School Board
For the Measurement Dates of June 30, 2018 through June 30, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| Total OPEB liability | | | | | | | |
| Service cost | \$ 516,558 | \$ 619,913 | \$ 529,129 | \$ 436,250 | \$ 229,725 | \$ 226,831 | \$ 235,586 |
| Interest | 461,932 | 432,912 | 255,859 | 256,452 | 277,894 | 297,553 | 275,959 |
| Changes in assumptions | (357,615) | (100,208) | 103,942 | 39,380 | 4,554,327 | 201,429 | (205,110) |
| Effect of economic/demographic gains or losses | (2,702,335) | - | (62,179) | - | (1,076,097) | - | - |
| Benefit payments | (345,333) | (498,861) | (569,865) | (597,551) | (457,831) | (496,549) | (490,936) |
| Net change in total OPEB liability | \$ (2,426,793) | \$ 453,756 | \$ 256,886 | \$ 134,531 | \$ 3,528,018 | \$ 229,264 | \$ (184,501) |
| Total OPEB liability - beginning | 12,310,250 | 11,856,494 | 11,599,608 | 11,465,077 | 7,937,059 | 7,707,795 | 7,892,296 |
| Total OPEB liability - ending | \$ 9,883,457 | \$ 12,310,250 | \$ 11,856,494 | \$ 11,599,608 | \$ 11,465,077 | \$ 7,937,059 | \$ 7,707,795 |
| Covered-employee payroll | \$ 24,179,074 | \$ 22,919,616 | \$ 22,919,616 | \$ 21,427,078 | \$ 21,427,078 | \$ 20,503,347 | \$ 20,503,347 |
| School Board's total OPEB liability (asset) as a percentage of covered-employee payroll | 40.88% | 53.71% | 51.73% | 54.14% | 53.51% | 38.71% | 37.59% |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Russell, Virginia
Notes to Required Supplementary Information - School OPEB
For the Year Ended June 30, 2024

Valuation Date: 7/1/2023

Measurement Date: 6/30/2024

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

| | |
|--------------------------------------|--|
| Actuarial Cost Method | Entry age normal, level percentage of pay |
| Discount Rate | 3.93% as of June 30, 2024 3.65% as of June 30, 2023 |
| Inflation | 2.50% |
| Healthcare Trend Rate | The medical trend assumption used in this valuation is based on long-term healthcare trend rates generated by the Society of Actuaries' Getzen Trend Model. The trend rate for 2024 is 15.3%, then gradually declines to 3.9% in 2073 and later. |
| Salary Increase Rates | The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% for 20 or more years of service. |
| Retirement Age | The average age at retirement is 61.2 |
| Mortality Rates and Disability Rates | Mortality rates have been updated to mirror the rates used in the Virginia Retirement System by class of retiree (VRS plan 1, 2 and Hybrid). |

County of Russell, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2023

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---|---|---|---|--|---|
| Primary Government | | | | | |
| 2023 | 0.0303% | \$ 363,752 | \$ 7,144,963 | 5.09% | 69.30% |
| 2022 | 0.0307% | \$ 369,417 | \$ 6,674,213 | 5.53% | 67.21% |
| 2021 | 0.0305% | 354,521 | 6,285,948 | 5.64% | 67.45% |
| 2020 | 0.0309% | 515,504 | 6,357,959 | 8.11% | 52.64% |
| 2019 | 0.0308% | 500,384 | 6,028,822 | 8.30% | 52.00% |
| 2018 | 0.0325% | 494,000 | 6,184,666 | 7.99% | 51.22% |
| 2017 | 0.0309% | 465,000 | 5,704,306 | 8.15% | 48.86% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2023 | 0.0110% | \$ 131,565 | \$ 2,585,052 | 5.09% | 69.30% |
| 2022 | 0.0115% | 137,989 | 2,493,223 | 5.53% | 67.21% |
| 2021 | 0.0122% | 142,390 | 2,524,311 | 5.64% | 67.45% |
| 2020 | 0.0130% | 216,949 | 2,675,341 | 8.11% | 52.64% |
| 2019 | 0.0133% | 216,264 | 2,604,399 | 8.30% | 52.00% |
| 2018 | 0.0138% | 210,000 | 2,629,348 | 7.99% | 51.22% |
| 2017 | 0.0144% | 216,000 | 2,654,927 | 8.14% | 48.86% |
| Component Unit School Board (professional) | | | | | |
| 2023 | 0.0853% | \$ 1,023,494 | \$ 20,102,265 | 5.09% | 69.30% |
| 2022 | 0.0906% | \$ 1,090,671 | \$ 19,702,646 | 5.54% | 67.21% |
| 2021 | 0.0940% | 1,094,065 | 19,400,731 | 5.64% | 67.45% |
| 2020 | 0.0953% | 1,589,734 | 19,605,574 | 8.11% | 52.64% |
| 2019 | 0.0945% | 1,537,278 | 18,519,029 | 8.30% | 52.00% |
| 2018 | 0.0966% | 1,468,000 | 18,376,099 | 7.99% | 51.22% |
| 2017 | 0.0978% | 1,471,000 | 18,034,586 | 8.16% | 48.86% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2015 through June 30, 2024

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government | | | | | |
| 2024 | \$ 43,394 | \$ 43,394 | \$ - | \$ 8,035,888 | 0.54% |
| 2023 | 38,583 | 38,583 | - | 7,144,963 | 0.54% |
| 2022 | 36,041 | 36,041 | - | 6,674,213 | 0.54% |
| 2021 | 33,944 | 33,944 | - | 6,285,948 | 0.54% |
| 2020 | 33,061 | 33,061 | - | 6,357,959 | 0.52% |
| 2019 | 31,276 | 31,276 | - | 6,028,822 | 0.52% |
| 2018 | 32,161 | 32,161 | - | 6,184,666 | 0.52% |
| 2017 | 29,665 | 29,665 | - | 5,704,306 | 0.52% |
| 2016 | 26,515 | 26,515 | - | 5,524,027 | 0.48% |
| 2015 | 26,057 | 26,057 | - | 5,428,571 | 0.48% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2024 | \$ 14,913 | \$ 14,913 | \$ - | \$ 2,761,628 | 0.54% |
| 2023 | 13,959 | 13,959 | - | 2,585,052 | 0.54% |
| 2022 | 13,463 | 13,463 | - | 2,493,223 | 0.54% |
| 2021 | 13,631 | 13,631 | - | 2,524,311 | 0.54% |
| 2020 | 13,912 | 13,912 | - | 2,675,341 | 0.52% |
| 2019 | 13,543 | 13,543 | - | 2,604,399 | 0.52% |
| 2018 | 13,673 | 13,673 | - | 2,629,348 | 0.52% |
| 2017 | 13,806 | 13,806 | - | 2,654,927 | 0.52% |
| 2016 | 12,715 | 12,715 | - | 2,648,956 | 0.48% |
| 2015 | 11,849 | 11,849 | - | 2,468,575 | 0.48% |
| Component Unit School Board (professional) | | | | | |
| 2024 | \$ 113,231 | \$ 113,231 | \$ - | \$ 20,968,623 | 0.54% |
| 2023 | 108,552 | 108,552 | - | 20,102,265 | 0.54% |
| 2022 | 106,394 | 106,394 | - | 19,702,646 | 0.54% |
| 2021 | 104,764 | 104,764 | - | 19,400,731 | 0.54% |
| 2020 | 101,949 | 101,949 | - | 19,605,574 | 0.52% |
| 2019 | 96,000 | 96,000 | - | 18,519,029 | 0.52% |
| 2018 | 95,556 | 95,556 | - | 18,376,099 | 0.52% |
| 2017 | 93,780 | 93,780 | - | 18,034,586 | 0.52% |
| 2016 | 86,114 | 86,114 | - | 17,940,378 | 0.48% |
| 2015 | 83,384 | 83,384 | - | 17,371,656 | 0.48% |

County of Russell, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2024

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

County of Russell, Virginia
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Primary Government
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total HIC OPEB Liability | | | | | | | |
| Service cost | \$ 1,266 | \$ 4,001 | \$ 2,042 | \$ 2,044 | \$ 1,956 | \$ 1,884 | \$ 1,785 |
| Interest | 8,649 | 6,657 | 6,453 | 6,959 | 7,056 | 7,367 | 7,343 |
| Changes of assumptions | - | 39,201 | 543 | - | 2,217 | - | (1,681) |
| Differences between expected and actual experience | 15,756 | (4,800) | 3,616 | (2,855) | 2,390 | (4,641) | - |
| Benefit payments | (11,848) | (13,789) | (13,469) | (13,811) | (8,828) | (9,286) | (4,926) |
| Net change in total HIC OPEB liability | \$ 13,823 | \$ 31,270 | \$ (815) | \$ (7,663) | \$ 4,791 | \$ (4,676) | \$ 2,521 |
| Total HIC OPEB Liability - beginning | 132,792 | 101,522 | 102,337 | 110,000 | 105,209 | 109,885 | 107,364 |
| Total HIC OPEB Liability - ending (a) | \$ 146,615 | \$ 132,792 | \$ 101,522 | \$ 102,337 | \$ 110,000 | \$ 105,209 | \$ 109,885 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 3,610 | \$ 3,411 | \$ 2,966 | \$ 2,670 | \$ 2,788 | \$ 4,374 | \$ 3,731 |
| Net investment income | 4,375 | 334 | 19,218 | 1,702 | 5,480 | 6,182 | 9,214 |
| Benefit payments | (11,848) | (13,789) | (13,469) | (13,811) | (8,828) | (9,286) | (4,926) |
| Administrator charges | (89) | (141) | (200) | (149) | (117) | (141) | (148) |
| Other | 447 | 8,365 | - | (1) | (7) | (472) | 472 |
| Net change in plan fiduciary net position | \$ (3,505) | \$ (1,820) | \$ 8,515 | \$ (9,589) | \$ (684) | \$ 657 | \$ 8,343 |
| Plan fiduciary net position - beginning | 85,813 | 87,633 | 79,118 | 88,707 | 89,391 | 88,734 | 80,391 |
| Plan fiduciary net position - ending (b) | \$ 82,308 | \$ 85,813 | \$ 87,633 | \$ 79,118 | \$ 88,707 | \$ 89,391 | \$ 88,734 |
| Employer's net HIC OPEB liability - ending (a) - (b) | \$ 64,307 | \$ 46,979 | \$ 13,889 | \$ 23,219 | \$ 21,293 | \$ 15,818 | \$ 21,151 |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 56.14% | 64.62% | 86.32% | 77.31% | 80.64% | 84.97% | 80.75% |
| Covered payroll | \$ 1,444,100 | \$ 1,311,667 | \$ 1,191,154 | \$ 1,285,580 | \$ 1,327,521 | \$ 1,562,251 | \$ 1,332,239 |
| Employer's net HIC OPEB liability as a percentage of covered payroll | 4.45% | 3.58% | 1.17% | 1.81% | 1.60% | 1.01% | 1.59% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Component Unit School Board (nonprofessional)
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total HIC OPEB Liability | | | | | | | |
| Service cost | \$ 2,266 | \$ 2,493 | \$ 3,775 | \$ 8,474 | \$ 8,086 | \$ 9,113 | \$ 12,000 |
| Interest | 26,605 | 26,772 | 43,658 | 18,119 | 19,598 | 18,227 | 17,000 |
| Changes of benefit terms | - | - | - | 33,639 | - | - | - |
| Changes of assumptions | 15,146 | 12,031 | 5,340 | 84,784 | 20,714 | - | (42,000) |
| Differences between expected and actual experience | - | (6,494) | (270,374) | 18,268 | 507 | (1,089) | - |
| Benefit payments | (37,459) | (36,628) | (33,506) | (34,855) | (35,194) | (33,696) | (34,000) |
| Other | - | - | - | - | - | (5,145) | - |
| Net change in total HIC OPEB liability | \$ 6,558 | \$ (1,826) | \$ (251,107) | \$ 128,429 | \$ 13,711 | \$ (12,590) | \$ (47,000) |
| Total HIC OPEB Liability - beginning | 410,617 | 412,443 | 663,550 | 535,121 | 521,410 | 534,000 | 581,000 |
| Total HIC OPEB Liability - ending (a) | \$ 417,175 | \$ 410,617 | \$ 412,443 | \$ 663,550 | \$ 535,121 | \$ 521,410 | \$ 534,000 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 90,930 | \$ 87,833 | \$ 88,957 | \$ 32,853 | \$ 32,001 | \$ 31,329 | \$ 32,000 |
| Net investment income | 5,951 | (1,383) | 213 | - | - | - | - |
| Benefit payments | (37,459) | (36,628) | (33,506) | (34,855) | (35,194) | (33,696) | (34,000) |
| Administrative expense | (168) | (104) | (49) | - | - | - | - |
| Other | 81 | 1,522 | - | - | - | (495) | - |
| Net change in plan fiduciary net position | \$ 59,335 | \$ 51,240 | \$ 55,615 | \$ (2,002) | \$ (3,193) | \$ (2,862) | \$ (2,000) |
| Plan fiduciary net position - beginning | 63,798 | 12,558 | (43,057) | (41,055) | (37,862) | (35,000) | (33,000) |
| Plan fiduciary net position - ending (b) | \$ 123,133 | \$ 63,798 | \$ 12,558 | \$ (43,057) | \$ (41,055) | \$ (37,862) | \$ (35,000) |
| Employer's net HIC OPEB liability - ending (a) - (b) | \$ 294,042 | \$ 346,819 | \$ 399,885 | \$ 706,607 | \$ 576,176 | \$ 559,272 | \$ 569,000 |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 29.52% | 15.54% | 3.04% | -6.49% | -7.67% | -7.26% | -6.55% |
| Covered payroll | \$ 2,575,914 | \$ 2,488,198 | \$ 2,520,032 | \$ 2,670,960 | \$ 2,601,655 | \$ 2,610,768 | \$ 2,645,183 |
| Employer's net HIC OPEB liability as a percentage of covered payroll | 11.42% | 13.94% | 15.87% | 26.46% | 22.15% | 21.42% | 21.51% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2015 through June 30, 2024

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government | | | | | |
| 2024 | \$ 3,928 | \$ 3,928 | \$ - | \$ 1,571,003 | 0.25% |
| 2023 | 3,610 | 3,610 | - | 1,444,100 | 0.25% |
| 2022 | 3,410 | 3,410 | - | 1,311,667 | 0.26% |
| 2021 | 3,097 | 3,097 | - | 1,191,154 | 0.26% |
| 2020 | 2,700 | 2,700 | - | 1,285,580 | 0.21% |
| 2019 | 2,763 | 2,763 | - | 1,327,521 | 0.21% |
| 2018 | 4,374 | 4,374 | - | 1,562,251 | 0.28% |
| 2017 | 3,736 | 3,736 | - | 1,332,239 | 0.28% |
| 2016 | 3,572 | 3,572 | - | 1,190,516 | 0.30% |
| 2015 | 3,321 | 3,321 | - | 1,106,909 | 0.30% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2024 | \$ 97,051 | \$ 97,051 | \$ - | \$ 2,749,325 | 3.53% |
| 2023 | 90,930 | 90,930 | - | 2,575,914 | 3.53% |
| 2022 | 87,833 | 87,833 | - | 2,488,198 | 3.53% |
| 2021 | 88,957 | 88,957 | - | 2,520,032 | 3.53% |
| 2020 | 32,853 | 32,853 | - | 2,670,960 | 1.23% |
| 2019 | 32,001 | 32,001 | - | 2,601,655 | 1.23% |
| 2018 | 31,329 | 31,329 | - | 2,610,768 | 1.20% |
| 2017 | 31,742 | 31,742 | - | 2,645,183 | 1.20% |
| 2016 | 25,165 | 25,165 | - | 2,648,956 | 0.95% |
| 2015 | 23,128 | 23,128 | - | 2,434,577 | 0.95% |

County of Russell, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2024

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

County of Russell, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

| Date (1) | Employer's Proportion of the Net HIC OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6) |
|-------------|---|---|---|--|---|
| 2023 | 0.20140% | \$ 2,440,279 | \$ 20,086,093 | 12.15% | 17.90% |
| 2022 | 0.21134% | 2,639,735 | 19,697,485 | 13.40% | 15.08% |
| 2021 | 0.21915% | 2,812,941 | 19,381,708 | 14.51% | 13.15% |
| 2020 | 0.22330% | 2,912,854 | 19,575,194 | 14.88% | 9.95% |
| 2019 | 0.22079% | 2,890,356 | 18,519,029 | 15.61% | 8.97% |
| 2018 | 0.22715% | 2,884,000 | 18,370,145 | 15.70% | 8.08% |
| 2017 | 0.22781% | 2,890,000 | 17,978,510 | 16.07% | 7.04% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2015 through June 30, 2024

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|---|---|
| 2024 | \$ 253,288 | \$ 253,288 | \$ - | \$ 20,932,855 | 1.21% |
| 2023 | 243,042 | 243,042 | - | 20,086,093 | 1.21% |
| 2022 | 238,340 | 238,340 | - | 19,697,485 | 1.21% |
| 2021 | 234,519 | 234,519 | - | 19,381,708 | 1.21% |
| 2020 | 234,902 | 234,902 | - | 19,575,194 | 1.20% |
| 2019 | 222,000 | 222,000 | - | 18,519,029 | 1.20% |
| 2018 | 225,953 | 225,953 | - | 18,370,145 | 1.23% |
| 2017 | 199,561 | 199,561 | - | 17,978,510 | 1.11% |
| 2016 | 189,859 | 189,859 | - | 17,911,244 | 1.06% |
| 2015 | 183,923 | 183,923 | - | 17,351,215 | 1.06% |

County of Russell, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2024

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

County of Russell, Virginia
Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2023

| Date (1) | Employer's Proportion of the Net LODA OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3) | Covered- Employee Payroll * (4) | Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6) |
|-------------|--|--|--|--|--|
| 2023 | 0.46110% \$ | 1,848,666 | N/A | N/A | 1.31% |
| 2022 | 0.46960% | 1,777,037 | N/A | N/A | 1.87% |
| 2021 | 0.46500% | 2,050,611 | N/A | N/A | 1.68% |
| 2020 | 0.50110% | 2,098,894 | N/A | N/A | 1.02% |
| 2019 | 0.53769% | 1,929,157 | N/A | N/A | 0.79% |
| 2018 | 0.50337% | 1,578,000 | N/A | N/A | 0.60% |
| 2017 | 0.50108% | 1,317,000 | N/A | N/A | 1.30% |

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only three years of data is available. However, additional years will be included as they become available.

County of Russell, Virginia
Schedule of Employer Contributions
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2016 through June 30, 2024

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Covered- Employee Payroll * (4) | Contributions as a % of Covered - Employee Payroll (5) |
|------|--|---|---|--|---|
| 2024 | \$ 78,435 | \$ 78,435 | \$ - | N/A | N/A |
| 2023 | 61,195 | 61,195 | - | N/A | N/A |
| 2022 | 64,669 | 64,669 | - | N/A | N/A |
| 2021 | 64,020 | 64,020 | - | N/A | N/A |
| 2020 | 68,106 | 68,106 | - | N/A | N/A |
| 2019 | 72,164 | 72,164 | - | N/A | N/A |
| 2018 | 53,616 | 53,616 | - | N/A | N/A |
| 2017 | 54,041 | 54,041 | - | N/A | N/A |
| 2016 | 47,993 | 47,993 | - | N/A | N/A |

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2024

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior

Changes of assumptions - The actuarial assumptions used in the June 30, 2022 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

Other Supplementary Information

FIDUCIARY FUNDS

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

VASAP - The VASAP fund accounts for those funds belonging to the Southwest Virginia Alcohol Safety Action Program. The County is the fiscal agent for this program.

County of Russell, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2024

| | Special Welfare | VASAP | Total |
|---------------------------------|--------------------|------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 65,979 | \$ 25,419 | \$ 91,398 |
| Due from other governments | - | 12,317 | 12,317 |
| Total assets | <u>\$ 65,979</u> | <u>\$ 37,736</u> | <u>\$ 103,715</u> |
| LIABILITIES | | | |
| Cash reconcile overdraft | \$ - | \$ - | \$ - |
| Accounts payable | - | 5,787 | 5,787 |
| Total liabilities | <u>\$ -</u> | <u>\$ 5,787</u> | <u>\$ 5,787</u> |
| NET POSITION | | | |
| Restricted for: | | | |
| Held for social services client | \$ 65,979 | \$ - | \$ 65,979 |
| Held for VASAP | - | 31,949 | 31,949 |
| Total net position | <u>\$ 65,979</u> | <u>\$ 31,949</u> | <u>\$ 97,928</u> |

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

County of Russell, Virginia
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2024

| | Special Welfare | VASAP | Total |
|---|--------------------|-------------------|-------------------|
| ADDITIONS | | | |
| Special welfare collections | \$ 42,388 | \$ - | \$ 42,388 |
| Interest earned | 2,633 | - | 2,633 |
| Intergovernmental | - | 176,855 | 176,855 |
| Total additions | <u>\$ 45,021</u> | <u>\$ 176,855</u> | <u>\$ 221,876</u> |
| DEDUCTIONS | | | |
| Special welfare payments | \$ 34,287 | \$ - | \$ 34,287 |
| Salaries and fringes | - | 112,541 | 112,541 |
| Professional services | - | 15,790 | 15,790 |
| Utilities | - | 3,346 | 3,346 |
| Insurance | - | 487 | 487 |
| Office rent | - | 10,000 | 10,000 |
| Office supplies | - | 3,847 | 3,847 |
| Miscellaneous | - | 4,380 | 4,380 |
| Travel | - | 2,073 | 2,073 |
| Total deductions | <u>\$ 34,287</u> | <u>\$ 152,464</u> | <u>\$ 186,751</u> |
| Net increase (decrease) in fiduciary net position | <u>\$ 10,734</u> | <u>\$ 24,391</u> | <u>\$ 35,125</u> |
| Net position - beginning | \$ 55,245 | \$ 7,558 | \$ 62,803 |
| Net position - ending | <u>\$ 65,979</u> | <u>\$ 31,949</u> | <u>\$ 97,928</u> |

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

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

School Activity Fund - The School Activity Fund accounts for and reports the operations of the individual schools.

County of Russell, Virginia
Balance Sheet
Governmental Funds - Discretely Presented Component Unit - School Board
June 30, 2024

| | School Operating Fund | School Activity Fund | Total School Fund |
|--|-----------------------------|----------------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,773,972 | \$ - | \$ 3,773,972 |
| Cash in custody of others | - | 944,887 | 944,887 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts receivable | 27,322 | 21,680 | 49,002 |
| Due from other governmental units | 1,596,278 | - | 1,596,278 |
| Prepaid items | 527,005 | - | 527,005 |
| Total assets | <u>\$ 5,924,577</u> | <u>\$ 966,567</u> | <u>\$ 6,891,144</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 165,110 | \$ 66,484 | \$ 231,594 |
| Due to primary government | 1,019,651 | - | 1,019,651 |
| Total liabilities | <u>\$ 1,184,761</u> | <u>\$ 66,484</u> | <u>\$ 1,251,245</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid items | \$ 527,005 | \$ - | \$ 527,005 |
| Restricted: | | | |
| School activity fund | - | 900,083 | 900,083 |
| School construction | 658 | - | 658 |
| Committed: | | | |
| Textbook purchases | 25,709 | - | 25,709 |
| Regional Adult Education | 278,252 | - | 278,252 |
| School food | 1,341,622 | - | 1,341,622 |
| Unassigned | 2,566,570 | - | 2,566,570 |
| Total fund balances | <u>\$ 4,739,816</u> | <u>\$ 900,083</u> | <u>\$ 5,639,899</u> |
| Total liabilities and fund balances | <u>\$ 5,924,577</u> | <u>\$ 966,567</u> | <u>\$ 6,891,144</u> |

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

Total fund balances per above \$ 5,639,899

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

| | | |
|---|---------------------|------------|
| Capital assets, not being depreciated/amortized | \$ 6,128,295 | |
| Capital assets being depreciated/amortized | 64,458,366 | |
| Accumulated depreciation/amortization | <u>(38,954,447)</u> | 31,632,214 |

Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.

| | | |
|-----------------------|------------------|-----------|
| Pension related items | \$ 7,268,590 | |
| OPEB related items | <u>1,489,922</u> | 8,758,512 |

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

| | | |
|-----------------------|---------------------|--------------|
| Lease liabilities | \$ (363,244) | |
| Compensated absences | (1,114,834) | |
| Net OPEB liabilities | (13,772,837) | |
| Net pension liability | <u>(28,147,842)</u> | (43,398,757) |

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

| | | |
|-----------------------|--------------------|-------------|
| Pension related items | \$ (4,035,514) | |
| OPEB related items | <u>(3,616,542)</u> | (7,652,056) |

| | | |
|---|--|-----------------------|
| Net position of governmental activities | | <u>\$ (5,020,188)</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, 2024

| | School Operating Fund | School Activity Fund* | Total School Fund |
|---|-----------------------------|-----------------------------|-------------------------|
| REVENUES | | | |
| Revenue from the use of money and property | \$ 4,031 | \$ - | \$ 4,031 |
| Charges for services | 111,948 | 2,337,475 | 2,449,423 |
| Miscellaneous | 305,216 | - | 305,216 |
| Recovered costs | 1,352,989 | - | 1,352,989 |
| Intergovernmental | 53,466,048 | - | 53,466,048 |
| Total revenues | <u>\$ 55,240,232</u> | <u>\$ 2,337,475</u> | <u>\$ 57,577,707</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Education | \$ 52,157,519 | \$ 2,350,583 | \$ 54,508,102 |
| Capital projects | 2,924,642 | - | 2,924,642 |
| Debt service: | | | |
| Principal retirement | 414,293 | - | 414,293 |
| Interest and other fiscal charges | 66,800 | - | 66,800 |
| Total expenditures | <u>\$ 55,563,254</u> | <u>\$ 2,350,583</u> | <u>\$ 57,913,837</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (323,022)</u> | <u>\$ (13,108)</u> | <u>\$ (336,130)</u> |
| Net change in fund balances | \$ 187,855 | \$ (13,108) | \$ 174,747 |
| Fund balances - beginning | 4,551,961 | 913,191 | 5,465,152 |
| Fund balances - ending | <u>\$ 4,739,816</u> | <u>\$ 900,083</u> | <u>\$ 5,639,899</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 | \$ 174,747 |
|--|------------|

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/amortization expense. This is the detail of items supporting this adjustment.

| | | |
|-----------------------------------|--------------------|-----------|
| Capital outlays | \$ 4,315,466 | |
| Depreciation/amortization expense | <u>(2,535,436)</u> | 1,780,030 |

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

| | | |
|-------------------------------|--|------------------|
| Payments of principal: | | |
| Lease liabilities | | 414,293 |
| Issuance of lease liabilities | | <u>(510,877)</u> |

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 | \$ (55,731) | |
| Change in OPEB related items | (417,811) | |
| Change in pension related items | <u>1,771,543</u> | 1,298,001 |

| | |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ 3,156,194</u> |
|---|---------------------|

*The School Activity Fund does not require a legally adopted budget

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, 2024

For the Year Ended June 30, 2024

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------|---------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 6,000 | \$ 6,000 | \$ 4,031 | \$ (1,969) |
| Charges for services | 293,054 | 293,054 | 111,948 | (181,106) |
| Miscellaneous | - | - | 305,216 | 305,216 |
| Recovered costs | 160,000 | 160,000 | 1,352,989 | 1,192,989 |
| Intergovernmental | 54,104,182 | 54,104,182 | 53,466,048 | (638,134) |
| Total revenues | \$ 54,563,236 | \$ 54,563,236 | \$ 55,240,232 | \$ 676,996 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 52,664,236 | \$ 52,664,236 | \$ 52,157,519 | \$ 506,717 |
| Capital projects | 1,000,000 | 1,000,000 | 2,924,642 | (1,924,642) |
| Debt service: | | | | |
| Principal retirement | 592,000 | 592,000 | 414,293 | 177,707 |
| Interest and other fiscal charges | 307,000 | 307,000 | 66,800 | 240,200 |
| Total expenditures | \$ 54,563,236 | \$ 54,563,236 | \$ 55,563,254 | \$ (1,000,018) |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ (323,022) | \$ (323,022) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of lease purchases | \$ - | \$ - | \$ 510,877 | \$ 510,877 |
| Total other financing sources and uses | \$ - | \$ - | \$ 510,877 | \$ 510,877 |
| Net change in fund balances | \$ - | \$ - | \$ 187,855 | \$ 187,855 |
| Fund balances - beginning | - | - | 4,551,961 | 4,551,961 |
| Fund balances - ending | \$ - | \$ - | \$ 4,739,816 | \$ 4,739,816 |

Other Statistical Information

Table 1

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare (1) | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Sewer Authority | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|------------------------|--------------|---------------------------------|-----------------------|----------------------------|-----------------|---------------|
| 2023-24 | \$ 3,107,448 | \$ 2,677,709 | \$ 6,791,313 | \$ 3,455,561 | \$ 9,827,461 | \$ 9,345,017 | \$ 706,012 | \$ 414,424 | \$ 877,157 | \$ 381,520 | \$ 37,583,622 |
| 2022-23 | 1,908,544 | 3,325,062 | 7,608,138 | 3,330,576 | 8,017,297 | 9,080,743 | 721,027 | 1,256,041 | 763,406 | 363,062 | 36,373,896 |
| 2021-22 | 2,787,627 | 2,904,085 | 6,244,012 | 4,049,727 | 7,491,558 | 10,503,873 | 505,537 | 885,795 | 619,729 | 299,989 | 36,291,932 |
| 2020-21 | 1,877,921 | 2,024,412 | 6,455,538 | 3,844,745 | 9,078,839 | 7,311,793 | 601,351 | 2,647,011 | 304,508 | 317,087 | 34,463,205 |
| 2019-20 | 1,900,993 | 2,847,235 | 6,860,358 | 3,075,914 | 7,178,554 | 8,533,863 | 650,254 | 924,518 | 546,107 | 367,504 | 32,885,300 |
| 2018-19 | 1,955,177 | 2,461,521 | 6,222,716 | 3,217,305 | 8,165,010 | 6,531,101 | 548,374 | 935,883 | 487,606 | 351,058 | 30,875,751 |
| 2017-18 | 2,003,925 | 2,259,365 | 6,409,699 | 3,262,221 | 9,191,297 | 8,613,945 | 583,009 | 957,043 | 499,803 | 388,981 | 34,169,288 |
| 2016-17 | 2,085,083 | 2,290,688 | 6,395,713 | 3,152,142 | 9,535,001 | 9,519,958 | 552,562 | 992,839 | 515,428 | 454,634 | 35,494,048 |
| 2015-16 | 2,099,001 | 2,080,921 | 5,999,917 | 3,547,942 | 8,926,570 | 7,744,464 | 481,145 | 1,025,246 | 342,729 | 441,642 | 32,689,577 |
| 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 |

(1) 2018-2019 the Workforce Investment Board became it's own entity, Southwest Virginia Workforce Development Board.

Table 2

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

| Fiscal Year | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | | |
|-------------|----------------------|------------------------------------|----------------------------------|----------------------------|-------------------|---|---------------|--|-----------------------|---------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes (1) | Other Local Taxes | Unrestricted Revenue from use of Money and Property | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | Gain on Sale of Asset | Total |
| 2023-24 | \$ 456,440 | \$ 13,131,126 | \$ 3,612,935 | \$ 15,861,874 | \$ 3,920,653 | \$ 856,077 | \$ 1,377,498 | \$ 2,958,150 | \$ - | \$ 42,174,753 |
| 2022-23 | 491,227 | 12,323,764 | 166,194 | 17,408,682 | 4,382,070 | 540,298 | 239,966 | 2,908,374 | - | 38,460,575 |
| 2021-22 | 432,001 | 10,908,468 | - | 12,256,262 | 4,355,271 | 116,235 | 1,457,633 | 2,253,930 | 408,650 | 32,188,450 |
| 2020-21 | 586,742 | 13,856,417 | - | 17,403,606 | 3,370,558 | 176,347 | 153,770 | 2,274,529 | 6,391 | 37,828,360 |
| 2019-20 | 519,382 | 9,864,066 | - | 17,746,273 | 3,035,109 | 184,588 | 333,504 | 2,403,842 | - | 34,086,764 |
| 2018-19 | 497,780 | 10,134,066 | 50,000 | 17,541,471 | 3,250,496 | 282,315 | 210,687 | 2,422,355 | - | 34,389,170 |
| 2017-18 | 546,610 | 11,391,778 | - | 17,446,217 | 3,390,189 | 254,538 | 233,890 | 2,340,315 | - | 35,603,537 |
| 2016-17 | 414,700 | 11,862,113 | - | 17,065,361 | 3,297,225 | 185,677 | 91,300 | 2,493,045 | - | 35,409,421 |
| 2015-16 | 430,589 | 10,616,989 | 61,200 | 15,198,122 | 3,781,925 | 223,008 | 180,343 | 2,501,627 | - | 32,993,803 |
| 2014-15 | 468,117 | 9,648,228 | - | 15,762,013 | 4,635,427 | 257,108 | 226,621 | 2,553,497 | - | 33,551,011 |

(1) For fiscal year 2021-22, the County increased allowance to write-off company taxes related to lawsuit.

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 | Non-departmental | Debt Service | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|------------------------|---------------|---------------------------------|-----------------------|------------------|--------------|---------------|
| 2023-24 | \$ 2,748,491 | \$ 3,246,218 | \$ 7,407,429 | \$ 3,977,310 | \$ 9,716,857 | \$ 54,847,310 | \$ 685,765 | \$ 283,271 | \$ 448,377 | \$ 3,173,780 | \$ 86,534,808 |
| 2022-23 | 2,237,568 | 3,164,553 | 8,395,806 | 3,003,916 | 8,837,644 | 54,819,362 | 657,696 | 739,180 | 322,190 | 3,026,762 | 85,204,677 |
| 2021-22 | 2,599,818 | 2,946,289 | 6,853,169 | 3,209,503 | 7,608,395 | 57,893,595 | 559,426 | 913,658 | 316,149 | 2,520,132 | 85,420,134 |
| 2020-21 | 1,932,060 | 2,558,146 | 6,961,369 | 2,911,781 | 8,788,395 | 48,428,709 | 538,806 | 2,706,439 | 942,681 | 1,787,375 | 77,555,761 |
| 2019-20 | 1,952,540 | 2,738,739 | 7,346,195 | 2,741,815 | 7,169,005 | 44,663,872 | 609,539 | 989,088 | 224,547 | 1,744,622 | 70,179,962 |
| 2018-19 | 2,153,583 | 2,680,600 | 7,267,404 | 2,893,513 | 8,302,729 | 43,224,697 | 543,499 | 959,458 | 421,793 | 2,066,840 | 70,514,116 |
| 2017-18 | 2,177,595 | 2,397,387 | 6,554,101 | 3,331,380 | 9,601,443 | 42,484,928 | 566,272 | 1,083,779 | 158,828 | 1,893,421 | 70,249,134 |
| 2016-17 | 1,829,925 | 2,326,471 | 7,012,800 | 3,480,788 | 9,950,089 | 40,397,495 | 522,426 | 1,008,002 | 147,991 | 1,935,190 | 68,611,177 |
| 2015-16 | 1,787,592 | 2,193,822 | 6,914,427 | 3,529,620 | 9,209,141 | 39,874,115 | 468,670 | 1,048,554 | 515,527 | 1,747,721 | 67,289,189 |
| 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 |

(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) 2018-2019 the Workforce Investment Board became it's own entity, Southwest Virginia Workforce Development Board.

Table 4

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

| Fiscal Year | General Property Taxes | Other Local Taxes | 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) | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| 2023-24 | \$ 17,685,559 | \$ 3,920,653 | \$ 52,421 | \$ 3,255 | \$ 731,821 | \$ 2,724,567 | \$ 899,959 | \$ 2,304,046 | \$ 64,978,817 | \$ 93,301,098 |
| 2022-23 | 17,486,031 | 4,382,070 | 39,584 | 3,893 | 532,772 | 2,807,537 | 958,414 | 2,275,661 | 62,144,977 | 90,630,939 |
| 2021-22 | 16,579,875 | 4,355,271 | 43,484 | 10,279 | 118,366 | 2,198,574 | 607,109 | 1,453,739 | 60,554,518 | 85,921,215 |
| 2020-21 | 16,671,668 | 3,370,558 | 42,459 | 5,524 | 176,674 | 1,499,241 | 521,223 | 1,276,983 | 56,166,892 | 79,731,222 |
| 2019-20 | 16,065,093 | 3,035,109 | 47,900 | 6,885 | 182,583 | 698,549 | 520,344 | 2,048,827 | 47,792,348 | 70,397,638 |
| 2018-19 | 15,901,393 | 3,250,496 | 43,183 | 13,545 | 281,848 | 720,026 | 446,681 | 2,240,716 | 46,905,798 | 69,803,686 |
| 2017-18 | 16,390,872 | 3,390,189 | 68,668 | 16,708 | 259,642 | 710,045 | 534,953 | 1,531,418 | 46,735,222 | 69,637,717 |
| 2016-17 | 17,415,482 | 3,297,225 | 32,009 | 18,804 | 186,397 | 684,981 | 342,528 | 1,651,000 | 46,597,608 | 70,226,034 |
| 2015-16 | 15,071,101 | 3,781,925 | 30,258 | 14,136 | 223,772 | 676,644 | 426,624 | 1,607,321 | 44,977,461 | 66,809,242 |
| 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 |

(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.

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, 2) | Percent of Delinquent Taxes to Tax Levy |
|-------------|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------|--|-------------------------------------|---|
| 2022-23 | \$ 19,702,180 | 17,778,663 | 90.24% | \$ 753,851 | \$ 18,532,514 | 94.06% | \$ 3,625,585 | 18.40% |
| 2022-23 | 20,785,705 | 17,081,100 | 82.18% | 1,344,501 | 18,425,601 | 88.65% | 3,848,096 | 18.51% |
| 2021-22 | 19,383,902 | 16,688,695 | 86.10% | 888,027 | 17,576,722 | 90.68% | 9,786,415 | 50.49% |
| 2020-21 | 18,589,131 | 16,298,878 | 87.68% | 1,316,051 | 17,614,929 | 94.76% | 8,505,640 | 45.76% |
| 2019-20 | 18,740,791 | 15,990,742 | 85.33% | 1,141,973 | 17,132,715 | 91.42% | 7,729,993 | 41.25% |
| 2018-19 | 18,755,991 | 15,878,451 | 84.66% | 1,063,006 | 16,941,457 | 90.33% | 6,126,347 | 32.66% |
| 2017-18 | 17,975,777 | 16,002,677 | 89.02% | 1,377,820 | 17,380,497 | 96.69% | 4,476,207 | 24.90% |
| 2016-17 | 18,121,006 | 16,441,108 | 90.73% | 1,946,062 | 18,387,170 | 101.47% | 3,734,590 | 20.61% |
| 2015-16 | 17,361,249 | 14,744,908 | 84.93% | 1,312,236 | 16,057,144 | 92.49% | 4,096,565 | 23.60% |
| 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% |

(1) Exclusive of penalties and interest.

(2) For fiscal year 2021-22, before property taxes related to lawsuit were written off. For fiscal year 2022-23, taxes related to lawsuit have been removed.

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 |
|----------------|--------------------|----------------------|---------------------------|-----------------------|-----------------|-----------------------|------------------|
| 2023-24 | \$ 1,430,819,764 | \$ 392,046,086 | \$ 63,927,586 | \$ 8,154,560 | \$ 14,146,847 | \$ 284,917,923 | \$ 2,194,012,766 |
| 2022-23 | 1,435,921,473 | 444,965,106 | 61,850,609 | 7,935,384 | 13,869,588 | 294,767,036 | 2,259,309,196 |
| 2021-22 | 1,437,398,091 | 362,600,380 | 66,103,456 | 7,795,479 | 13,798,248 | 313,809,472 | 2,201,505,126 |
| 2020-21 | 1,436,230,815 | 351,564,264 | 59,279,207 | 8,983,665 | 15,425,782 | 325,134,394 | 2,196,618,127 |
| 2019-20 | 1,441,294,836 | 355,435,332 | 59,906,364 | 7,482,353 | 15,473,918 | 324,047,377 | 2,203,640,180 |
| 2018-19 | 1,425,907,354 | 340,126,676 | 54,399,602 | 5,701,488 | 21,270,790 | 251,848,360 | 2,099,254,270 |
| 2017-18 | 1,437,419,342 | 321,810,049 | 56,429,665 | 5,992,268 | 20,380,636 | 288,824,827 | 2,130,856,787 |
| 2016-17 | 1,424,285,595 | 327,638,704 | 57,050,690 | 5,716,770 | 20,726,176 | 265,575,303 | 2,100,993,238 |
| 2015-16 | 1,435,763,539 | 298,654,470 | 58,791,092 | 5,876,008 | 21,377,908 | 243,897,231 | 2,064,360,248 |
| 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 |

(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 |
|----------------|--------------------|----------------------|----------------------|-----------------------|-----------------|
| 2022-23 | \$ 0.63 | \$ 1.95 | \$ 1.95 | \$ 0.65 | \$ 0.63 |
| 2022-23 | 0.63 | 1.95 | 1.95 | 0.65 | 0.63 |
| 2021-22 | 0.63 | 1.95 | 1.95 | 0.65 | 0.63 |
| 2020-21 | 0.63 | 1.95 | 1.95 | 0.65 | 0.63 |
| 2019-20 | 0.63 | 1.95 | 1.65 | 0.65 | 0.63 |
| 2018-19 | 0.63 | 1.95 | 1.65 | 0.65 | 0.63 |
| 2017-18 | 0.63 | 1.95 | 1.65 | 0.65 | 0.63 |
| 2016-17 | 0.63 | 1.95 | 1.65 | 0.65 | 0.63 |
| 2015-16 | 0.63 | 1.65 | 1.65 | 0.65 | 0.63 |
| 2014-15 | 0.63 | 1.65 | 1.65 | 0.65 | 0.63 |

(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 |
|-------------|----------------|-----------------------------------|-----------------------|-----------------|--|----------------------------|
| 2023-24 | 25,781 | \$ 2,194,013 | \$ 17,648,056 | \$ 17,648,056 | 0.80% | \$ 685 |
| 2022-23 | 25,781 | 2,259,309 | 18,001,606 | 18,001,606 | 0.80% | \$ 698 |
| 2021-22 | 25,781 | 2,201,505 | 18,826,051 | 18,826,051 | 0.86% | 730 |
| 2020-21 | 25,781 | 2,196,618 | 3,806,495 | 3,806,495 | 0.17% | 148 |
| 2019-20 | 28,897 | 2,203,640 | 4,580,219 | 4,580,219 | 0.21% | 159 |
| 2018-19 | 28,897 | 2,099,254 | 4,975,292 | 4,975,292 | 0.24% | 172 |
| 2017-18 | 28,897 | 2,130,857 | 5,953,218 | 5,953,218 | 0.28% | 206 |
| 2016-17 | 28,897 | 2,100,993 | 6,906,780 | 6,906,780 | 0.33% | 239 |
| 2015-16 | 28,897 | 2,064,360 | 7,930,656 | 7,930,656 | 0.38% | 274 |
| 2014-15 | 28,897 | 2,067,206 | 8,951,609 | 8,951,609 | 0.43% | 310 |

(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, literary fund loans and revenue bond for the courthouse.

Excludes financed purchases, locality compensation payments, 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 |
|----------------|--------------------------|--|--|
| 2023-24 | \$ 2,692,687 | \$ 86,534,808 | 3.11% |
| 2022-23 | 2,883,646 | 85,204,677 | 3.38% |
| 2021-22 | 2,508,151 | 84,747,790 | 2.96% |
| 2020-21 | 1,787,375 | 77,555,761 | 2.30% |
| 2019-20 | 1,744,622 | 70,179,962 | 2.49% |
| 2018-19 | 2,066,840 | 70,514,116 | 2.93% |
| 2017-18 | 1,893,421 | 70,249,134 | 2.70% |
| 2016-17 | 1,935,190 | 68,611,177 | 2.82% |
| 2015-16 | 1,747,721 | 67,289,189 | 2.60% |
| 2014-15 | 1,946,577 | 65,792,171 | 2.96% |

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

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of
the Board of Supervisors
County of Russell, 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, 2024, 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 June 16, 2025. Our report includes a reference to other auditors who audited the financial statements of Russell County Public Service Authority (PSA), as described in our report on County'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.

Report on 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) as a basis for designing 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be material weaknesses.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County of Russell, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on County of Russell, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. County of Russell, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Blacksburg, Virginia
June 16, 2025



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited County of Russell, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Russell, Virginia's major federal programs for the year ended June 30, 2024. 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.

In our opinion, County of Russell, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of County of Russell, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of County of Russell, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to County of Russell, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on County of Russell, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about County of Russell, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding County of Russell, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of County of Russell, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of County of Russell, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Polina, Fane, Cox Associates

Blacksburg, Virginia
June 16, 2025

County of Russell, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

| Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---|---|-------------------------|
| Department of Health and Human Services: | | | |
| Pass Through Payments: | | | |
| Department of Social Services: | | | |
| Guardianship Assistance | 93.090 | 1110124, 1110124 | \$ 13,514 |
| Title IV-E Prevention Program | 93.472 | 1140123, 1140124 | 6,585 |
| Temporary Assistance for Needy Families | 93.558 | 0400123, 0400124 | 359,784 |
| | | 0950124, 0950123, 0950234, | |
| Mary Lee Allen Promoting Safe and Stable Families Program | 93.556 | 0960123 | 26,387 |
| Refugee and Entrant Assistance - State/Replacement Designee Administered Programs | 93.566 | 0500123, 0500124 | 1,681 |
| Low-Income Home Energy Assistance | 93.568 | 0600423, 0600424 | 85,495 |
| CCDF Cluster | | | |
| Child Care Mandatory and Matching Funds of the | | | |
| Child Care and Development Fund | 93.596 | 0760123, 0760124 | 79,895 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900123, 0900124 | 323 |
| Foster Care - Title IV-E | 93.658 | 1100123, 1100124 | 431,286 |
| Adoption Assistance | 93.659 | 1120123, 1120124 | 622,550 |
| Social Services Block Grant | 93.667 | 1000123, 1000124 | 347,686 |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | 9150123, 9150124 | 10,977 |
| Children's Health Insurance Program | 93.767 | 0540123, 0540124 | 5,646 |
| Elder Abuse Prevention Interventions Program | 93.747 | 8000321 | 660 |
| Medicaid Cluster | | | |
| Medical Assistance Program | 93.778 | 1200123, 1200124 | 492,066 |
| Total Department of Health and Human Services | | | \$ 2,484,535 |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Child Nutrition Cluster: | | | |
| Department of Agriculture: | | | |
| National School Lunch Program - Food Distribution (Note 3) | 10.555 | Not available | \$ 126,712 |
| Department of Education: | | | |
| National School Lunch Program | 10.555 | APE402540000; APE411060000; APE411080000 | 1,698,314 \$ 1,825,026 |
| School Breakfast Program | 10.553 | APE402530000; APE411100000 | 596,429 |
| Summer Food Service Program for Children | 10.559 | 60302, 60303 | 74,837 \$ 2,496,292 |
| Department of Education: | | | |
| COVID-19 Pandemic EBT Administrative Costs | 10.649 | DOE865560000 | 3,256 |
| Child and Adult Care Food Program | 10.558 | APE700270000; APE700280000 | 116,802 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | DOE868040000 | 4,629 |
| Department of Social Services: | | | |
| SNAP Cluster | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010124; 0010123; 0040124; 40123 | 622,091 |
| Total Department of Agriculture | | | \$ 3,243,070 |
| Department of Treasury: | | | |
| Direct Payments: | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Not applicable | \$ 3,508,033 |
| Department of Social Services: | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 9122222 | 11,432 \$ 3,519,465 |
| Total Department of Treasury | | | \$ 3,519,465 |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| Department of Criminal Justice Services: | | | |
| Violence Against Women Formula Grants | 16.588 | 10000-390002-122609 | \$ 37,026 |
| Coronavirus Emergency Supplemental Funding Program | 16.034 | 12110-390002-122373 | 537,054 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 7040-390002-124569 | 2,512 |
| Crime Victim Assistance | 16.575 | 10000-390002-120577 | 44,004 |
| Total Department of Justice | | | \$ 620,596 |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| Virginia Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | 4720-603023 | \$ 276,855 |
| Total Department of Transportation | | | \$ 276,855 |

County of Russell, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

| Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|---|-------------------------|
| Department of Education: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Adult Education - Basic Grants to States | 84.002 | APE428010000; APE611110000 | \$ 254,887 |
| Title I: Grants to Local Educational Agencies | 84.010 | APE429010000 | 1,102,368 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | APE402870000; APE430710000 | \$ 857,043 |
| Special Education - Preschool Grants | 84.173 | APE625210000; APE402860000 | 41,662 |
| Total Special Education Cluster | | | 898,705 |
| Career and Technical Education: Basic Grants to States | 84.048 | APE600310000; APE600311005 | 91,211 |
| Twenty-First Century Community Learning Centers | 84.287 | APE605650000 | 1,723,845 |
| Rural Education | 84.358 | APE434810000 | 61,616 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | APE614800000 | 86,190 |
| Student Support and Academic Enrichment Program | 84.424 | APE602810000 | 83,257 |
| Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425D | APE501930000; APE601730000 | 1,081,060 |
| Total Department of Education | | | \$ 5,383,139 |
| Department of Housing and Urban Development: | | | |
| Pass Through Payments: | | | |
| Department of Housing and Community Development: | | | |
| Community Development Block Grant/State's Program and Non-Entitlement Grants In Hawaii | 14.228 | CAMS 191436 | \$ 213,080 |
| Total Expenditures of Federal Awards | | | \$ 15,740,740 |

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 award activity of County of Russell, Virginia under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

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, 2024, Russell County, Virginia had food commodities totaling \$126,712 in inventory.

Note 4 -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2024.

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 | \$ 16,019,686 | |
| Less: State funding | (11,961,305) | |
| ARPA Fund | 3,682,525 | |
| Less: State funding | (4,284) | |
| Total primary government | \$ 7,736,622 | |
| Component Unit School Board: | | |
| School Operating Fund | \$ 53,466,048 | |
| Less: State and local funding | (45,588,642) | |
| Non-cash expenditures - value of donated commodities | 126,712 | |
| Total component unit - School Board | 8,004,118 | |
| Total expenditures of federal awards per the basic financial statements | \$ 15,740,740 | |

County of Russell, Virginia
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2024

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? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | No |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|----------------------|---|
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 21.027 | COVID 19 - Coronavirus State and Local Fiscal Recovery Funds |
| 84.425 | COVID-19 Elementary & Secondary School Emergency Relief Funds (ESSER Funds) |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

County of Russell, Virginia**Schedule of Findings and Questioned Costs (Continued)**

For The Year Ended June 30, 2024

Section II - Financial Statement Findings**2024-001**

| | |
|------------------------|---|
| Criteria: | 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). |
| Cause: | The County does not have proper controls in place to detect and correct errors in closing their year-end financial statements. |
| Effect: | There is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected by the County's internal controls over financial reporting. |
| Recommendation: | The County should review the auditors' proposed audit adjustments for 2024 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit. |
| Management's Response: | The County Administrator will review the auditors' proposed audit adjustments for 2024 and will develop a plan of action with the Treasurer to ensure that all adjusting entries are made prior to final audit fieldwork next year. |

County of Russell, Virginia

Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2024

Section I - Summary of Auditors' Results

2023-001

Condition: The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP).

Recommendation: The County should review the auditors' proposed audit adjustments for 2022 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Current Status: Finding 2023-001 was repeated in the current year as 2024-001

Russell County Virginia

"The Heart of Southwest Virginia"

Andrew Hensley
District 1

Rebecca Dye
District 6

Lou Ann Wallace
District 2

David Eaton, Chairman
District 4

Nathan Kiser
At-Large

Tara Dye
District 3

Steve Breeding, Vice-Chairman
District 5

Lonzo Lester
County Administrator

June 16, 2025

Robinson, Farmer, Cox Associates
108 Southpark Drive
Blacksburg, Virginia 24060

Ladies and Gentlemen:

This representation letter is provided in connection with your audit(s) of the financial statements of the County of Russell, Virginia, which comprise 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 as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 16, 2025, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 26, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) We are in agreement with the adjusting journal entries you have proposed and they have been posted to the accounts. Management is not aware of any uncorrected misstatements.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Supervisors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the County and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the County's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 21) We have a process to track the status of audit findings and recommendations.

- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 25) The County has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 27) We have appropriately identified, recorded, and disclosed all leases in accordance with [GASBS No. 87](#).
- 28) We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with [GASBS No. 91](#).
- 29) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with [GASBS No. 96](#).
- 30) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 31) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 32) As part of your audit, you assisted with preparation of the financial statements and disclosures and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures and schedule of expenditures of federal awards.
- 33) The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as previously disclosed to you.
- 34) The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 35) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 36) The financial statements include all fiduciary activities required by [GASBS No. 84](#), as amended.
- 37) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended.
- 38) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 39) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

- 40) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 41) Provisions for uncollectible receivables have been properly identified and recorded.
- 42) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 43) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 44) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 45) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 46) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 47) We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 48) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 49) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 50) With respect to the other supplementary information:
 - a) We acknowledge our responsibility for presenting the other supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the other supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the other supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the other supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 51) With respect to the statistical section:
 - a) We acknowledge that we have informed you of all documents that may comprise other information we expect to issue. The financial statements and other information you obtained prior to the auditor's report date are consistent with one another, and the other information does not contain any material misstatements.
 - b) With regard to the other information that will be included in the annual report that has not been obtained by you prior to the auditor's report date, we intend to prepare and issue the other information, as well as communicate the expected timing of issuance, and provide you with the final version of the document(s) when available and prior to the issuance of the annual report.
- 52) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).

- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signature: [Signature]

Title: County Administrator

Signature: Celicia H. McClary

Title: Treasurer

Signature: [Signature]

Title: Director

Signature: [Signature]

Title: Deputy of Special Ed.



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Communication with Those Charged with Governance

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Russell, Virginia for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Russell, Virginia are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

Management's estimate of depreciation/amortization expense is based on estimated useful lives of assets. We evaluated the key factors and assumptions used to develop the estimates in determining same is reasonable in relation to the financial statements taken as a whole.

Management's estimates of lease liability(ies) and related intangible right-to-use asset(s) are based on information provided by the client. We evaluated the key factors and assumptions used to develop the estimates in determining same is reasonable in relation to the financial statements taken as a whole.

Management's estimates of deferred inflows, outflows and liabilities related to pension and OPEB plans in which the County of Russell, Virginia and related component units participate are based on actuarial information provided by the Virginia Retirement System and actuaries contracted by the County and School Board and includes certain long-term assumptions that are disclosed in the notes to the financial statements. We evaluated the key factors and assumptions used to develop

the estimates in determining same is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on management's experience. We evaluated the key factors and assumptions used to develop the estimates in determining same is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material adjustment detected as part of our audit procedures are attached for your review.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 16, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Our report on internal control over financial reporting and on compliance and other matters reports a material weakness in internal control. The weakness noted is a finding for material adjustments made to the books as part of audit procedures.

Other Matters

We applied certain limited procedures to pension and OPEB funding, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. Our responsibility with respect to the budgetary comparison information, which also supplements the basic financial statements, is to evaluate the presentation of the schedules in relation to the financial statements as a whole and to report on whether it is fairly stated, in all material respects, in relation to the financial statements as a whole.

We were engaged to report on combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on introductory section and statistical information, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board and management of County of Russell, Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

Polina, Fane, Cox Associates

Blacksburg, Virginia
June 16, 2025

Client: **051826.AUDIT - County of Russell, Virginia**
Engagement: **2024 - County of Russell, Virginia**
Period Ending: **6/30/2024**
Trial Balance: **TB-01 - General Fund**
Workpaper: **EQ-01a - AJE Report - General Fund**

| Account | Description | W/P Ref | Debit | Credit |
|--|---|---------|---------------------|---------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| Proposed entry to reclassify interest expense on Loans paid for PSA | | | | |
| 4-100-095990-0002 | Interest Expense on Debt | | 123,363.00 | |
| 4-100-095010-9130 | PSA - Principal & Interest | | | 123,363.00 |
| Total | | | 123,363.00 | 123,363.00 |
| Adjusting Journal Entries JE # 2 | | | | |
| To remove receivable related to the prior year from the proper line item | | | | |
| 3-100-024040-0023 | Dept Of Housing Community Develop | | 117,600.00 | |
| 3-100-024040-0018 | Dante Depot Revitalization Project - Fed 20.205 | | | 117,600.00 |
| Total | | | 117,600.00 | 117,600.00 |
| Adjusting Journal Entries JE # 3 | | | | |
| To correct misposting of prior year receivable when reversed | | | | |
| 3-100-023070-0005 | Clerk-Reimb Comp Board | | 31,830.00 | |
| 3-100-011010-0020 | Delinquent Real Estate Taxes | | | 31,830.00 |
| Total | | | 31,830.00 | 31,830.00 |
| Adjusting Journal Entries JE # 4 | | | | |
| To reclassify unconfirmed revenue posted to State Aid | | | | |
| 3-100-024040-0018 | Dante Depot Revitalization Project - Fed 20.205 | | 20,146.00 | |
| 3-100-041010-0020 | Miscellaneous Revenue | | | 20,146.00 |
| Total | | | 20,146.00 | 20,146.00 |
| Adjusting Journal Entries JE # 5 | | | | |
| To reclassify reversals of accruals to dedicated line items. | | | | |
| 3-100-023010-0004 | VICTIM WITNESS AWARDS PROGRAM | | 11,399.00 | |
| 3-100-024040-0019 | Law Enforcement Equipment Grant | | 4,530.00 | |
| 3-100-023010-0004 | VICTIM WITNESS AWARDS PROGRAM | | | 4,530.00 |
| 3-100-024040-0006 | Domestic Violence Against Women Grt | | | 11,399.00 |
| Total | | | 15,929.00 | 15,929.00 |
| Adjusting Journal Entries JE # 6 | | | | |
| Recommended adjustment to post additional receivables at year end. | | | | |
| 0-100-000100-0140 | Due from Commonwealth | | 46,634.00 | |
| 3-100-022010-0010 | Motor Vehicle Rental Tax | | | 536.00 |
| 3-100-023010-0004 | VICTIM WITNESS AWARDS PROGRAM | | | 5,624.00 |
| 3-100-023010-0004 | VICTIM WITNESS AWARDS PROGRAM | | | 10,301.00 |
| 3-100-024040-0002 | Emergency Services | | | 30,173.00 |
| Total | | | 46,634.00 | 46,634.00 |
| Adjusting Journal Entries JE # 7 | | | | |
| Proposed entry to reclassify state/federal DSS revenue for financial reporting purposes. | | | | |
| 3-100-024010-0005 | Cost Allocation | | 75,242.00 | |
| 3-201-010000-0020 | Void Checks-Social Services | | 16,064.00 | |
| 3-201-024000-0020 | State/federal funds | | 3,026,752.00 | |
| 3-201-41050-10 | State/federal funds | | | 3,118,058.00 |
| Total | | | 3,118,058.00 | 3,118,058.00 |
| Adjusting Journal Entries JE # 9 | | | | |
| Proposed entry to adjust accounts payable at year end. | | | | |
| 0-100-000200-0100 | AP Liabilities | | 527,622.00 | |
| 4-100-042010-3002 | Professional Services | | 87,283.00 | |
| 0-100-000200-0100 | AP Liabilities | | | 87,283.00 |
| 4-100-033010-1006 | Debt Apportion | | | 93,617.00 |
| 4-100-033010-3009 | Purchase Of Services | | | 434,005.00 |
| Total | | | 614,905.00 | 614,905.00 |
| Adjusting Journal Entries JE # 10 | | | | |
| Proposed entry to reconcile cash and fund balance | | | | |
| 0-100-000100-0600 | Due from Cares Fund | | 86,164.00 | |
| 0-201-000300-0100 | Fund Balance | | 89,520.00 | |
| 0-210-000300-0100 | Fund Balance | | 100.00 | |
| 0-100-000300-0100 | Fund Balance - General Fund | | | 86,164.00 |
| 0-201-000100-0100 | CASH | | | 89,520.00 |
| 4-210-042600-1003 | Salaries & Wages Part-time | | | 100.00 |
| Total | | | 175,784.00 | 175,784.00 |
| Adjusting Journal Entries JE # 11 | | | | |
| Proposed entry to post lease related activity for the fiscal year. | | | | |
| 4-100-031020-8000 | Patrol Vehicles | | 446,800.00 | |
| 4-100-095010-1100 | Principal Paid on Lease Agreement | | 831,004.00 | |
| 4-100-095990-0003 | Interest paid on capital leases | | 147,248.00 | |

| | | | | | |
|--|-----------------------------------|--------------|---------------------|---------------------|--|
| 3-100-041040-0002 | Proceeds from lease purchases | | | 446,800.00 | |
| 4-100-012010-5401 | Office Supplies | | | 2,460.00 | |
| 4-100-012010-5408 | Vehicle Repairs | | | 29,927.00 | |
| 4-100-031020-5408 | Vehicle Equipment / Fuel Supplies | | | 312,265.00 | |
| 4-100-043020-5408 | Vehicle Equipment Supplies | | | 3,093.00 | |
| 4-100-095010-9125 | IDA - Principal & Interest | | | 467,523.00 | |
| 4-201-091100-5847 | Social Service Expenditures | | | 162,984.00 | |
| Total | | | 1,425,052.00 | 1,425,052.00 | |
| | | | | | |
| Adjusting Journal Entries JE # 12 | | NA | | | |
| Entry to net interfund obligations | | | | | |
| 0-201-000200-0300 | Due to Other Funds | | 423,047.00 | | |
| 0-204-000200-0175 | Due To GF | | 41,581.00 | | |
| 0-240-000200-0200 | Due to general fund | | 2,180.00 | | |
| 0-100-000100-0142 | Due from VPA | | | 423,047.00 | |
| 0-100-000100-0146 | Due from Damage Stamp | | | 2,180.00 | |
| 0-100-000100-0165 | Due from CSA | | | 41,581.00 | |
| Total | | | 466,808.00 | 466,808.00 | |
| | | | | | |
| Adjusting Journal Entries JE # 13 | | NA | | | |
| Offset to proposed entry to close out CARES Fund due to no activity. | | | | | |
| 4-100-098600-1030 | Transfer to Other Funds | | 98,837.00 | | |
| 0-100-000100-0100 | Cash | | | 12,673.00 | |
| 0-100-000100-0600 | Due from Cares Fund | | | 86,164.00 | |
| Total | | | 98,837.00 | 98,837.00 | |
| | | | | | |
| Adjusting Journal Entries JE # 14 | | EQ-06 | | | |
| Entry to net interfund transfers | | | | | |
| 3-201-041050-0010 | Transfer from General Fund | | 605,953.00 | | |
| 3-204-041050-0010 | Transfer from General | | 265,657.00 | | |
| 3-210-041000-0100 | Transfer from General | | 764.00 | | |
| 3-839-041050-0000 | Transfers in from General | | 524.00 | | |
| 4-100-053010-5605 | Department Of SocialServices | | | 605,953.00 | |
| 4-100-053010-5610 | Local Contrib to CSAPurchof Ser | | | 265,657.00 | |
| 4-100-098600-1025 | Transfer to Litter | | | 764.00 | |
| 4-100-098600-1055 | TRANSFER TO CANNERY FUND | | | 524.00 | |
| Total | | | 872,898.00 | 872,898.00 | |
| | | | | | |
| Adjusting Journal Entries JE # 15 | | PY | | | |
| Proposed entry to post prior year adjustment that affected the ARPA and General Fund. | | | | | |
| 0-100-000100-0100 | Cash | | 156,947.00 | | |
| 4-100-098600-1027 | Transfer to American Rescue | | | 156,947.00 | |
| Total | | | 156,947.00 | 156,947.00 | |
| | | | | | |
| Adjusting Journal Entries JE # 16 | | PY | | | |
| Proposed entry to correct cash balances thrown out of balance by necessary entry related to the prior fiscal year and ARPA | | | | | |
| 4-100-091000-8010 | Miscellaneous-Board | | 156,947.00 | | |
| 0-100-000100-0100 | Cash | | | 156,947.00 | |
| Total | | | 156,947.00 | 156,947.00 | |
| | | | | | |
| Adjusting Journal Entries JE # 17 | | NA | | | |
| Immaterial entry to close out due to/from that was cleared in Coal Fund | | | | | |
| 0-100-000100-1500 | Due to(from) Coal Road Fund | | 2.00 | | |
| 3-100-011060-0002 | Interest | | | 2.00 | |
| Total | | | 2.00 | 2.00 | |
| | | | | | |
| Adjusting Journal Entries JE # 18 | | E-07 | | | |
| To clear payable and related due to/from that are carryovers from the prior year | | | | | |
| 0-244-000200-0100 | Accounts payable | | 2,366.00 | | |
| 0-244-000100-0150 | Due from other funds | | | 2,366.00 | |
| Total | | | 2,366.00 | 2,366.00 | |
| Total Adjusting Journal Entries | | | 7,444,106.00 | 7,444,106.00 | |
| Total All Journal Entries | | | 7,444,106.00 | 7,444,106.00 | |

Client: 051826.AUDIT - County of Russell, Virginia
Engagement: 2024 - County of Russell, Virginia
Period Ending: 6/30/2024
Trial Balance: TB-02 - School Fund
Workpaper: EQ-01b - AJE Report - School Fund

| Account | Description | W/P Ref | Debit | Credit |
|--|---|---------|---------------------|---------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| Proposed entry to net internal transfers | | | | |
| 390000000206 | Transfer from School Fund | | 480,000.00 | |
| 611006020214100 | TEXTBOOKS | | | 349,091.00 |
| 611006020314100 | TEXTBOOKS | | | 130,909.00 |
| Total | | | 480,000.00 | 480,000.00 |
| Adjusting Journal Entries JE # 2 | | | | |
| Recommended adjustment to post additional prepaid found during the audit. | | | | |
| 119010001000 | PREPAID EXPENSES | SE-06 | 98,701.00 | |
| 682006047191100 | AESOP/FRONTLINE | | | 98,701.00 |
| Total | | | 98,701.00 | 98,701.00 |
| Adjusting Journal Entries JE # 3 | | | | |
| To reclass backout of prior year AR | | | | |
| 321027010001400 | 600530: ARPA INCENTIVE PAYMENTS | R-05 | 5,000.00 | |
| 3844250500001400 | 402980: ESSER BUS DRIVER INCENTIVES | | 13,682.00 | |
| 318033000001100 | OTHER REBATES AND REFUNDS | | | 13,682.00 |
| 384425000001400 | 501930: CARES ACT ESSERF DIVISION ALLOC | | | 5,000.00 |
| Total | | | 18,682.00 | 18,682.00 |
| Adjusting Journal Entries JE # 4 | | | | |
| Recommended adjustment to post lease related activity | | | | |
| 636005400191100 | LEASE/PURCHASE SCHOOL BUSES | L-05b | 110,355.00 | |
| 671009101191100 | Debt Service - lease purchase principal | | 414,293.00 | |
| 671009199191100 | Interest paid on capital leases | | 42,513.00 | |
| 341041250001100 | Proceeds from lease purchases | | | 182,042.00 |
| 671009100191100 | DEBT SERVICE PRINCIPAL | | | 385,119.00 |
| Total | | | 567,161.00 | 567,161.00 |
| Adjusting Journal Entries JE # 5 | | | | |
| Proposed entry to reconcile beginning equity to the prior year financial statements. | | | | |
| 210030001000 | Fund Balance | EQ-05 | 2.00 | |
| 318033000001100 | OTHER REBATES AND REFUNDS | | | 2.00 |
| Total | | | 2.00 | 2.00 |
| Adjusting Journal Entries JE # 6 | | | | |
| Entry to merge school construction fund with School Fund | | | | |
| 110010001000 | CASH IN FUND | TB-11 | 658.00 | |
| 666008200191423 | CAPITAL OUTLAY ADDITIONS-FACILITIES | | 1,804,948.00 | |
| 21001206 | Fund Balance | | | 1,805,606.00 |
| Total | | | 1,805,606.00 | 1,805,606.00 |
| Adjusting Journal Entries JE # 7 | | | | |
| To post additional ESSER receivable at year end. | | | | |
| 151010001000 | DUE FROM COMMONWEALTH | ESF-03 | 43,625.00 | |
| 384425000001400 | 501930: CARES ACT ESSERF DIVISION ALLOC | | | 43,625.00 |
| Total | | | 43,625.00 | 43,625.00 |
| Total Adjusting Journal Entries | | | 3,013,777.00 | 3,013,777.00 |
| Total All Journal Entries | | | 3,013,777.00 | 3,013,777.00 |

Client: 051826.AUDIT - County of Russell, Virginia
Engagement: 2024 - County of Russell, Virginia
Period Ending: 6/30/2024
Trial Balance: TB-03 - Coal Road
Workpaper: EQ-01c - AJE Report - Coal Road Fund

| Account | Description | W/P Ref | Debit | Credit |
|---------------------------|-------------|---------|-------|--------|
| Total All Journal Entries | | | 0.00 | 0.00 |

Client: 051826.AUDIT - County of Russell, Virginia
Engagement: 2024 - County of Russell, Virginia
Period Ending: 6/30/2024
Trial Balance: TB-08 - WIB
Workpaper: EQ-01d - AJE Report - WIB Fund

| Account | Description | W/P Ref | Debit | Credit |
|---------------------------|-------------|---------|-------|--------|
| Total All Journal Entries | | | 0.00 | 0.00 |

Client: 051826.AUDIT - County of Russell, Virginia
Engagement: 2024 - County of Russell, Virginia
Period Ending: 6/30/2024
Trial Balance: TB-04 - Water Sewer Fund
Workpaper: EQ-01e - AJE Report - Water & Sewer Fund

| Account | Description |
|---------|-------------|
|---------|-------------|

| W/P Ref | Debit | Credit |
|---|-----------------|-----------------|
| Adjusting Journal Entries | | |
| Adjusting Journal Entries JE # 1 | | |
| Proposed Immaterial entry to balance beginning equity | | |
| | 128.00 | |
| | | 128.00 |
| | <u>128.00</u> | <u>128.00</u> |
| Total | | |
| Adjusting Journal Entries JE # 2 | | |
| Proposed entry to close out pension liability as fund no longer with any participating employees. | | |
| | 2,647.00 | |
| | | 2,647.00 |
| | <u>2,647.00</u> | <u>2,647.00</u> |
| Total | | |
| | <u>2,775.00</u> | <u>2,775.00</u> |
| | <u>2,775.00</u> | <u>2,775.00</u> |
| Total All Journal Entries | | |
| | <u>2,775.00</u> | <u>2,775.00</u> |

Client: **051826.AUDIT - County of Russell, Virginia**
Engagement: **2024 - County of Russell, Virginia**
Period Ending: **6/30/2024**
Trial Balance: **TB-06 - Self Health Insurance Fund**
Workpaper: **EQ-01f - AJE Report - Self Health Insurance Fund**

| Account | Description | W/P Ref | Debit | Credit |
|--|-------------------------------|-------------|-------------------|-------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | C-01 | | |
| To correct entry by consultant to post interest income - overposted same | | | | |
| 3-606-015010-0100 | Interest on Checking Account | | 15,638.00 | |
| 0-606-000100-0110 | Cash-Investment (CD) | | | 15,638.00 |
| Total | | | 15,638.00 | 15,638.00 |
| Adjusting Journal Entries JE # 2 | | | | |
| Adjusting Journal Entries JE # 2 | | R-11 | | |
| Recommended adjustment to net refunds against expenditures. | | | | |
| 3-606011000-0105 | Recovered Costs | | 106,354.00 | |
| 4-606-091000-5847 | Expenditures-Health Insurance | | | 106,354.00 |
| Total | | | 106,354.00 | 106,354.00 |
| Total Adjusting Journal Entries | | | 121,992.00 | 121,992.00 |
| Total All Journal Entries | | | 121,992.00 | 121,992.00 |

Client: 051826.AUDIT - County of Russell, Virginia
Engagement: 2024 - County of Russell, Virginia
Period Ending: 6/30/2024
Trial Balance: TB-09 - CARES Fund
Workpaper: EQ-01g - AJE Report - CARES Fund

| Account | Description | W/P Ref | Debit | Credit |
|--|---------------------------|---------|-------------------|-------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| Proposed entry to reconcile fund balance | | | | |
| 0-208-000300-0100 | Fund Balance | | 86,164.00 | |
| 0-208-000200-0250 | Due to General Fund | | | 86,164.00 |
| Total | | | 86,164.00 | 86,164.00 |
| Adjusting Journal Entries JE # 2 | | | | |
| Proposed entry to close out fund as fund has no activity during the year | | | | |
| 0-208-000100-0100 | Cash - CARES - COVID 19 | NA | 12,673.00 | |
| 0-208-000200-0250 | Due to General Fund | | 86,164.00 | |
| 3-208-041000-1000 | Transfer from other funds | | | 98,837.00 |
| Total | | | 98,837.00 | 98,837.00 |
| Total Adjusting Journal Entries | | | 185,001.00 | 185,001.00 |
| Total All Journal Entries | | | 185,001.00 | 185,001.00 |

Client: 051826.AUDIT - County of Russell, Virginia
Engagement: 2024 - County of Russell, Virginia
Period Ending: 6/30/2024
Trial Balance: TB-10 - ARPA
Workpaper: EQ-01h - AJE Report - ARPA Fund

| Account | Description | W/P Ref | Debit | Credit |
|---|---------------------------------|---------|-------------------|-------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| Proposed entry to correct unposted adjustment from the prior year that netted within the balance sheet. | | | | |
| 3-211-041000-1000 | Transfer from General | | 156,947.00 | |
| 3-211-330000-0100 | Federal Rev American Rescue Act | | | 156,947.00 |
| Total | | | 156,947.00 | 156,947.00 |
| Total Adjusting Journal Entries | | | 156,947.00 | 156,947.00 |
| Total All Journal Entries | | | 156,947.00 | 156,947.00 |

Russell County Virginia

“The Heart of Southwest Virginia”

Andrew Hensley
District 1

Rebecca Dye
District 6

Lou Ann Wallace
District 2

David Eaton, Chairman
District 4

Nathan Kiser
At-Large

Tara Dye
District 3

Steve Breeding, Vice-Chairman
District 5

Lonzo Lester
County Administrator

Corrective Action Plan County of Russell, Virginia

The County of Russell, Virginia respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and Address of independent auditing firm:

Robinson Farmer Cox Associates
108 South Park Drive
Blacksburg, Virginia 24060

Audit Period:

Year ending June 30, 2024

Contact:

County of Russell, Virginia
Attention: Mr. Lonzo Lester, Administrator
P.O. Box 1208
Lebanon, Virginia 24266
276-889-8000

The findings from the June 16, 2025, Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Financial Statement Findings

Finding Number 2024-001

Reportable Condition:

The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP).

Corrective Action Planned:

The County Administrator will review the auditors' proposed audit adjustments for 2024 and will develop a plan of action with the Treasurer to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Anticipated Completion Date:

November 30, 2025

Russell County Virginia

"The Heart of Southwest Virginia"

Andrew Hensley
District 1

Lou Ann Wallace
District 2

Tara Dye
District 3

David Eaton, Chairman
District 4

Steve Breeding, Vice-Chairman
District 5

Rebecca Dye
District 6

Nathan Kiser
At-Large

Lonzo Lester
County Administrator

June 16, 2025

Robinson, Farmer, Cox Associates
Attn: Corbin C. Stone, CPA
108 Southpark Drive
Blacksburg, Virginia 24060

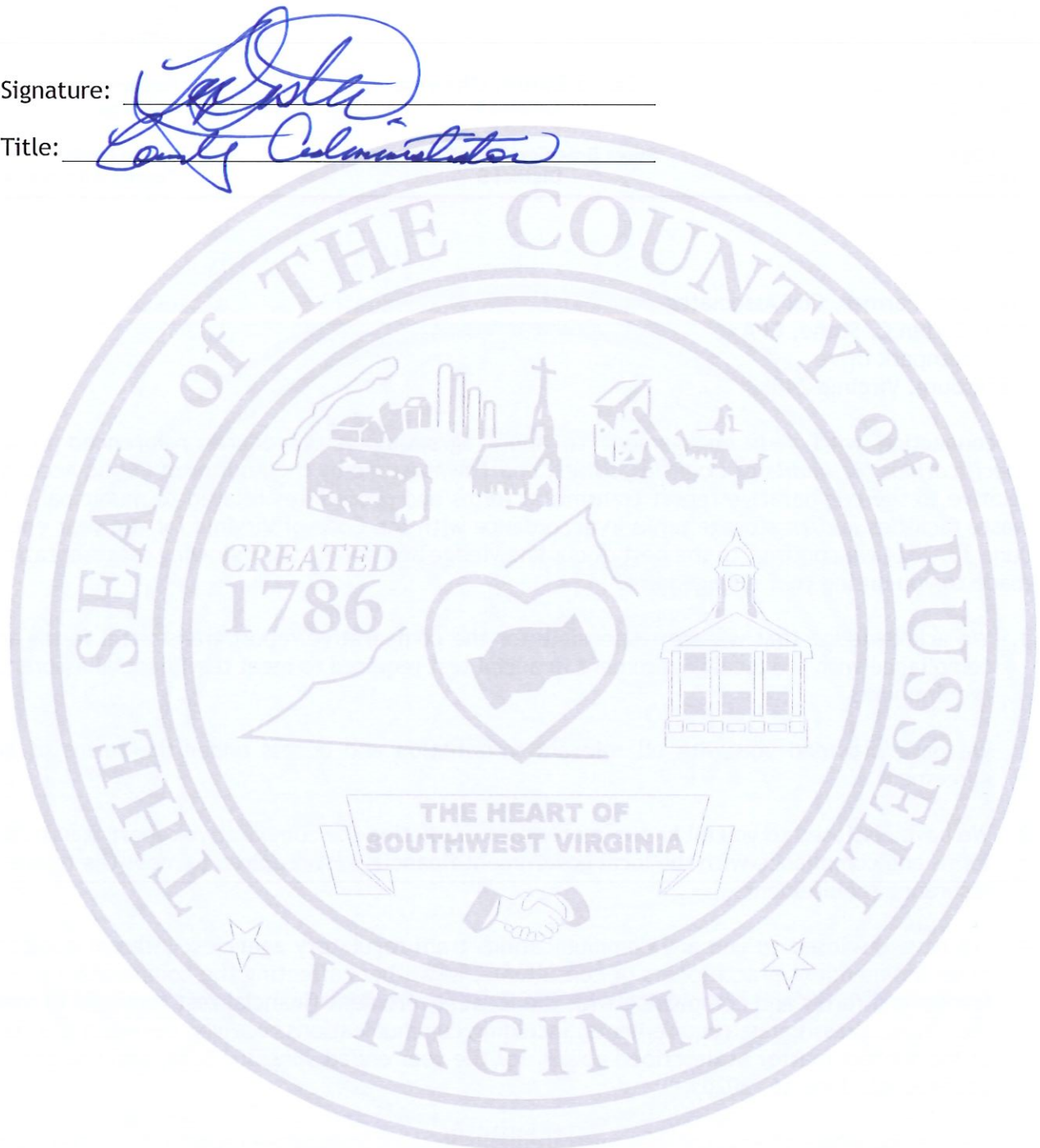
In connection with your engagement to apply agreed-upon procedures referenced in the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts relative to the comparative report transmittal forms and procedures related to municipal solid waste facilities and/or storage tanks in accordance with the Code of Virginia for the year ended June 30, 2024 we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We acknowledge that we are responsible for the comparative report transmittal forms and compliance with the local government financial test required to meet the financial assurance requirements.
2. We have provided you with all relevant information and access under the terms of our agreement.
3. We have disclosed to you all known matters contradicting the comparative report transmittal forms and compliance with the local government financial test required to meet the financial assurance requirements.
4. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the comparative report transmittal forms and compliance with the local government financial test required to meet the financial assurance requirements, including communications received between the date of the subject matter as described above, for the year ended June 30, 2024, and the date of your report, June 16, 2025.
5. We are not aware of any material misstatements in the comparative report transmittal forms or local government financial test.
6. We have disclosed to you all known events subsequent to the date of the subject matter as described above, for the year ended June 30, 2024, to the date of this letter and the date of your report, June 16, 2025, that would have a material effect on the comparative report

7. transmittal forms and compliance with the local government financial test required to meet the financial assurance requirements.

Signature: _____

Title: _____





ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

June 26, 2025

Attn: Mr. Lonzo Lester, County Administrator
County of Russell, Virginia
P.O. Box 1208
Lebanon, Virginia 24266

Dear Mr. Lester:

Enclosed please find the following information:

- Our agreed upon procedures report concerning the County's landfill financial assurance test
- A copy of your landfill financial assurance test
- A copy of your funding certification for landfill financial assurance

The financial assurance test and funding certification should be copied onto letterhead and signed. Once signed, the enclosed should be forwarded to the Department of Environmental Quality, **along with a copy of the 6/30/24 financial statements**, at the address below.

Virginia Department of Environmental Quality
Office of Financial Responsibility and Data Management
Attn: Ms. Suzanne D. Taylor
P.O. Box 1105
Richmond, Virginia 23218

Alternatively, you can email your submittal to: suzanne.taylor@deq.virginia.gov. Should you have any questions concerning the financial assurance, please do not hesitate to call.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Corbin Stone', is written over a light blue horizontal line.

Robinson, Farmer, Cox Associates
Corbin Stone
Director

BLACKSBURG OFFICE:
108 South Park Drive
Blacksburg, Virginia 24060
(540) 552-7322

CONTACT:
Corbin Stone, CPA
Director
cstone@rfca.com



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

To the Governing Body of
The County of Russell, Virginia

The Virginia Department of Environmental Quality

Independent Accountants' Report On Applying Agreed-Upon Procedures

We have performed the procedures enumerated below on the accompanying letter (the "letter") from the Chief Financial Officer of the County of Russell, Virginia for the year ended June 30, 2024. The County of Russell, Virginia's management is responsible for demonstrating financial responsibility for closure care, post-closure care and corrective action costs arising from operating a solid waste management facility in conformance with Section 9VAC20-70-210 of the *Virginia Financial Assurance Regulations for Solid Waste Disposal, Transfer and Treatment Facilities* (the "requirements"). The County of Russell, Virginia's management is responsible for the form and content of the letter.

The County of Russell, Virginia's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of demonstrating compliance with the local government financial test as required to meet financial assurance requirements (referenced above) for the year ended June 30, 2024. Additionally, the Department of Environmental Quality has agreed to and acknowledged that the procedures performed are appropriate to meet their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedures:

- We conducted a comparison between the data and statements contained in the letter from the Chief Financial Officer and the data and statements contained in the County of Russell, Virginia's audited financial statements for the fiscal year ended June 30, 2024.
- We recomputed totals and percentages used in calculating the conditions of the test.

Findings:

- The data and statements contained in the referenced letter were consistent with the audited financial statements for the year ended June 30, 2024.
- Totals and percentages used in calculating the conditions of the test were recomputed without error.

We were engaged by the County of Russell, Virginia to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to, and did not, conduct an audit or review of financial statements or any part thereof, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements or a part thereof. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the County of Russell, Virginia and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Virginia Department of Environmental Quality and the County of Russell, Virginia and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia

June 16, 2024



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

June 26, 2025

Attn: Mr. Lonzo Lester, County Administrator
County of Russell, Virginia
P.O. Box 1208
Lebanon, Virginia 24266

Dear Mr. Lester:

Enclosed please find the following information:

- Our agreed upon procedures report concerning the County's landfill financial assurance test
- A copy of your landfill financial assurance test
- A copy of your funding certification for landfill financial assurance

The financial assurance test and funding certification should be copied onto letterhead and signed. Once signed, the enclosed should be forwarded to the Department of Environmental Quality, along with a copy of the 6/30/24 financial statements, at the address below.

Virginia Department of Environmental Quality
Office of Financial Responsibility and Data Management
Attn: Ms. Suzanne D. Taylor
P.O. Box 1105
Richmond, Virginia 23218

Alternatively, you can email your submittal to: suzanne.taylor@deg.virginia.gov. Should you have any questions concerning the financial assurance, please do not hesitate to call.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Corbin Stone', is written over a light blue horizontal line.

Robinson, Farmer, Cox Associates
Corbin Stone
Director

BLACKSBURG OFFICE:
108 South Park Drive
Blacksburg, Virginia 24060
(540) 552-7322

CONTACT:
Corbin Stone, CPA
Director
cstone@rfca.com

Letter from Chief Financial Officer

Attn: Suzanne Taylor
Financial Responsibility Programs Coordinator
Office of Financial Responsibility and Waste Programs
Division of Land Protection and Revitalization
Virginia Department of Environmental Quality
1111 East Main Street, Suite 1400
Richmond, Virginia 23219

Dear Ms. Taylor:

I am the chief financial officer of the County of Russell, P.O. Box 1208, Lebanon, Virginia 24266. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure costs and post-closure care costs arising from operating a solid waste management facility.

The following solid waste management facilities are assured by this financial test:

| Facility Name and Address | Permit Number | Closure Costs | Post-closure Costs | Corrective Action Costs |
|---|---------------|---------------|--------------------|-------------------------|
| Russell County Landfill Route 667 Lebanon, VA 24266 | #258 | \$ - | \$ 1,209,910 | \$ - |
| Russell County Landfill Route 667 Lebanon, VA 24266 | #515 | \$ - | \$ 642,662 | \$ - |

This owner's or operator's financial statements were prepared in conformity with Generally Accepted Accounting Principles for governments and have been audited by an independent certified public accountant. The owner or operator has not received an adverse opinion or a disclaimer of opinion from an independent certified public accountant on its financial statements for the latest completed fiscal year.

This owner or operator is not currently in default on any outstanding general obligation bond. Any outstanding issues of general obligation bonds, if rated, have a Moody's rating of Aaa, Aa, A or Baa or a Standard and Poor's rating of AAA, AA, A or BBB; if rated by both firms, the bonds have a Moody's rating of Aaa, Aa, A or Baa and a Standard and Poor's rating of AAA, AA, A or BBB.

The fiscal year of this owner or operator ends on June 30. The figures for the following items marked with the asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year ended June 30, 2024.

ALTERNATIVE II - FINANCIAL RATIO TEST


Part I: Basic Information

| | | | | |
|--|---|------|----|-------------------|
| 1. Sum of current closure, post-closure and corrective action cost Estimates for all solid waste management facilities insured by this test (total of all cost estimates listed above) | | | \$ | <u>1,852,572</u> |
| *2. Operating Deficit: (of local government owner or operator) | | | | |
| a. | latest completed fiscal year | 2024 | \$ | <u>-</u> |
| b. | previous fiscal year | 2023 | \$ | <u>-</u> |
| *3. Total Revenue: (generated by local government owner or operator) | | | | |
| a. | latest completed fiscal year | 2024 | \$ | <u>83,529,997</u> |
| b. | previous fiscal year | 2023 | \$ | <u>88,387,433</u> |
| 4. Other self-insured environmental costs: | | | | |
| a. | Amount of aggregate underground injection control systems financial assurance insured by a financial test under 40 C.F.R. part 144.62 | | \$ | <u>-</u> |
| b. | Amount of annual underground storage tank aggregate coverage insured by a financial test under 40 C.F.R. part 280 and 9 VAC 25- 590-10 et seq | | \$ | <u>-</u> |
| c. | Amount of aggregate costs associated with PCB storage Facilities insured by a financial test under 40 C.F.R part 761 | | \$ | <u>-</u> |
| d. | Amount of annual aggregate hazardous waste financial assurance insured by a financial test under 40 C.F.R. Part 264 and 265 and 9 VAC 20-60-12 et seq | | \$ | <u>-</u> |
| e. | Total of lines 4(a) through 4(d) | | \$ | <u>-</u> |
| *5. Cash plus marketable securities | | | \$ | <u>18,907,170</u> |
| *6. Total expenditures | | | \$ | <u>80,974,508</u> |
| *7. Annual Debt Service | | | \$ | <u>3,173,780</u> |

| | | YES | NO |
|-----|--|----------|---------------|
| 8. | Is (line 2a ÷ line 3a) < 0.05? | <u>✓</u> | <u> </u> |
| 9. | Is (line 2b ÷ line 3b) < 0.05? | <u>✓</u> | <u> </u> |
| 10. | Is (line 1 + line 4e) <= (line 3a X 0.43)? | <u>✓</u> | <u> </u> |
| 11. | Is (line 5 ÷ line 6) >= 0.05? | <u>✓</u> | <u> </u> |

I hereby certify that the wording of this letter is identical to the wording in 9 VAC 20-70-290 G of the Financial Assurance Regulations for Solid Waste Disposal, Transfer, and Treatment Facilities as such regulations were constituted on the date immediately shown below

Date: 6/26/2025

Signature: 

Name: Lonzo Lester

Title: County Administrator

CERTIFICATION OF FUNDING

I certify the following information details the current plan for funding closure and post-closure at the solid waste facilities listed below.

| Facility | Permit # | Funding source for closure/post-closure |
|-------------------------|----------|---|
| Russell County Landfill | 258 | General Fund |
| Russell County Landfill | 515 | General Fund |

Name of Locality of Corporation: Russell County, Virginia

Signature:  Title: County Administrator

Printed Name: Lonzo Lester Date: 6/26/25

Russell County Virginia

"The Heart of Southwest Virginia"

Andrew Hensley
District 1

Rebecca Dye
District 6

Lou Ann Wallace
District 2

David Eaton, Chairman
District 4

Nathan Kiser
At-Large

Tara Dye
District 3

Steve Breeding, Vice-Chairman
District 5

Lonzo Lester
County Administrator

June 16, 2025

Robinson, Farmer, Cox Associates
108 Southpark Drive
Blacksburg, VA 24060

In connection with your examination of management's assertion that the census data reported to the Virginia Retirement System ("VRS") by the County of Russell, Virginia during the year ended June 30, 2024 is complete and accurate based on the criteria set forth by the VRS and the Board of Trustees' plan provisions as mandated in section 51.1-136 of the Code of Virginia, for the purpose of expressing an opinion about whether management's assertion is fairly stated, in all material respects, we confirm, to the best of our knowledge and belief, the following representations made to you during the course of your examination.

1. For the Year Ended June 30, 2024, census data reported to the VRS by the County of Russell, Virginia is complete and accurate based on the criteria set forth by the VRS and the Board of Trustees' plan provisions as mandated in section 51.1-136 of the Code of Virginia.
2. All relevant matters are reflected in the measurement and/or evaluation of management's assertion as noted above.
3. We have disclosed to you all known matters that may contradict management's assertion that the census data reported to the VRS during the year ended June 30, 2024, is complete and accurate based on the criteria set forth above, and we have disclosed to you all communications from regulatory agencies received through the date of your report affecting management's assertion.
4. We are responsible for the census data reported to the VRS during the year ended June 30, 2024, and for our assertion that it is presented in accordance with the criteria set forth by the VRS and the Board of Trustees' plan provisions as mandated in section 51.1-136 of the Code of Virginia.
5. The VRS and the Board of Trustees' selected the criteria. We are responsible for determining the criteria are suitable, available to intended users, and appropriate for the purpose of the engagement.
6. We have disclosed to you all events subsequent to June 30, 2024, that would have a material effect on management's assertion that the census data reported to the VRS by the County of Russell, Virginia during the year ended June 30, 2024, is complete and accurate based on the criteria set forth above.
7. Under the terms of the agreement, we have provided you with all relevant information and access to information and personnel in connection with your examination of management's assertion that the census data reported to the VRS by the County of Russell, Virginia during the year ended June 30, 2024 is complete and accurate based on the criteria set forth above.
8. We have disclosed to you all the deficiencies in internal control relevant to the engagement of which we are aware.

9. We have disclosed to you, knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting management's assertion that the census data reported to the VRS by the County of Russell, Virginia during the year ended June 30, 2024, is complete and accurate based on the criteria set forth above.

Signature: _____

Title: _____

6/17/25





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Independent Accountants' Report

We have examined management of the County of Russell, Virginia's assertion that the census data reported to the Virginia Retirement System by the County of Russell, Virginia during the year ended June 30, 2024, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in § 51.1-136 of the Code of Virginia. County of Russell, Virginia's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the County of Russell, Virginia and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination disclosed the following deviations from the criteria:

- We were unable to reconcile payroll registers to payments received by VRS as the payroll registers did not contain the data needed to perform this test.
- VNAV payments were not submitted "immediately" after the snapshots were confirmed

In our opinion, except for the deviations from the criteria described in the preceding paragraph, management's assertion that the census data reported to the Virginia Retirement System by the County of Russell, Virginia during the year ended June 30, 2024, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in § 51.1-136 of the Code of Virginia, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Auditor of Public Accounts of the Commonwealth of Virginia and County of Russell, Virginia's governing body, School Board, and management and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
June 16, 2025

cc: County of Russell, Virginia Board of Supervisors
County of Russell, Virginia School Board

Appendix A

We identified two control environments during this review, one for which the County of Russell, Virginia was responsible, and one for which the County of Russell, Virginia School Board was responsible.

The following table reflects the population size and sample size for each procedure performed over the control environment for which County of Russell, Virginia was responsible:

| Required Audit Procedure | Population Size | Sample Size | Risks and Other Considerations Used to Determine Sample Size |
|---|-----------------|-------------|--|
| Review of Census Data Elements – Retirement* | 235 | 25 | No risk identified – see note below for documentation of sample size |
| Review of Census Data Elements – LODA* | 235 | 25 | No risk identified – see note below for documentation of sample size |
| Review of Eligibility of Newly Enrolled Members Reported to the VRS** | 29 | 3 | No risk identified – see note below for documentation of sample size |
| Review of Monthly <i>myVRS</i> Navigator Contribution Confirmation Reconciliations*** | 12 | 3 | See notes in AUP report |
| Review of <i>myVRS</i> Navigator System Access**** | 4 | 4 | No risk identified – tested 100% of the population |

The following table reflects the population size and sample size for each procedure performed over the control environment for which the County of Russell, Virginia School Board was responsible:

| Required Audit Procedure | Population Size | Sample Size | Risks and Other Considerations Used to Determine Sample Size |
|---|-----------------|-------------|--|
| Review of Census Data Elements* | 589 | 25 | No risk identified – see note below for documentation of sample size |
| Review of Eligibility of Newly Enrolled Members Reported to the VRS** | Not tested | Not tested | Not tested in current year due to alternative testing schedule |
| Review of Monthly <i>myVRS</i> Navigator Contribution Confirmation Reconciliations*** | Not tested | Not tested | Not tested in current year due to alternative testing schedule |
| Review of <i>myVRS</i> Navigator System Access**** | 3 | 3 | No risk identified – see note below for documentation of sample size |

*Asterisks in above table: Refer to corresponding number of asterisks in the Audit Specifications for the applicable audit procedures.

Sample sizes are based on a 5% tolerable rate and approximately a 75% confidence level for populations over 250. Sample sizes for populations under 250 are based on a percentage of the population which is not less than 10%.

June 12, 2025

Terry Kilgore, Attorney at Law
Mitchell Kilgore
P.O. Box 669
Gate City, Virginia 24251

Dear Mr. Kilgore:

Our auditors, Robinson, Farmer, Cox Associates, Attn: Corbin Stone, CPA of 108 South Park Drive, Blacksburg, VA 24060 (email: cstone@rfca.com), are conducting an audit of our financial statements at June 30, 2024 and for the year then ended. This letter will serve as our consent for you to furnish to our auditors all the information requested herein. Accordingly, please provide to them the information requested below involving matters with respect to which you have been engaged and to which you have devoted substantive attention on behalf of County of Russell, Virginia in the form of legal consultation or representation.

Pending or Threatened Litigation, Claims, and Assessments (excluding unasserted claims and assessments)

Please prepare a description of all material pending or threatened litigation, claims, and assessments (excluding unasserted claims and assessments). Materiality for purposes of this letter includes items involving amounts exceeding \$100,000 individually or in the aggregate. The description of each matter should include:

- 1) the nature of the litigation;
- 2) the progress of the matter to date;
- 3) how management of County of Russell, Virginia is responding or intends to respond to the litigation; e.g., to contest the case vigorously or to seek an out-of-court settlement; and
- 4) an evaluation of the likelihood of an unfavorable outcome and an estimate, if one can be made, of the amount or range of potential loss.

Also, please identify any pending or threatened litigation, claims, and assessments with respect to which you have been engaged but as to which you have not devoted substantive attention.

Unasserted Claims and Assessments

We have represented to our auditors that there are no unasserted possible claims or assessments that you have advised us are probable of assertion and must be disclosed in accordance with [FASB ASC 450, Contingencies](#).

We understand that, whenever, in the course of performing legal services for us with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, if you have formed a professional conclusion that we should disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to us, you will so advise us and will consult with us concerning the question of such disclosure and the applicable requirements of [FASB ASC 450, Contingencies](#) (excerpts of which can be found in the ABA's *Auditor's Letter Handbook*). Please specifically confirm to our auditors that our understanding is correct.

Response

Your response should include matters that existed as of June 30, 2024, and during the period from that date to the effective date of your response. Please specify the date of your response if it is other than the date of reply.

Please specifically identify the nature of, and reasons for, any limitations on your response.

Our auditors expect to have the audit completed by about July 1, 2025. They would appreciate receiving your reply by that date with a specified effective date no earlier than the date of this letter. You may also be requested to provide updates to your written response at a later date. We authorize you to respond to a request for updates made directly from our auditors in connection with the audit of our financial statements as of June 30, 2024 and for the year then ended. We appreciate your timely response to such requests.

Other Matters-

Please also indicate the amount we were indebted to you for services and expenses (billed or unbilled) on June 30, 2024.

Very truly yours,

Lonzo Lester, County Administrator
County of Russell, Virginia

June 12, 2025

Terry Kilgore, Attorney at Law
Mitchell Kilgore
P.O. Box 669
Gate City, Virginia 24251

Dear Mr. Kilgore:

Our auditors, Robinson, Farmer, Cox Associates, Attn: Corbin Stone, CPA of 108 South Park Drive, Blacksburg, VA 24060 (email: cstone@rfca.com), are conducting an audit of our financial statements at June 30, 2024 and for the year then ended. This letter will serve as our consent for you to furnish to our auditors all the information requested herein. Accordingly, please provide to them the information requested below involving matters with respect to which you have been engaged and to which you have devoted substantive attention on behalf of County of Russell, Virginia in the form of legal consultation or representation.

Pending or Threatened Litigation, Claims, and Assessments (excluding unasserted claims and assessments)

Please prepare a description of all material pending or threatened litigation, claims, and assessments (excluding unasserted claims and assessments). Materiality for purposes of this letter includes items involving amounts exceeding \$100,000 individually or in the aggregate. The description of each matter should include:

- 1) the nature of the litigation;
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- 3) how management of County of Russell, Virginia is responding or intends to respond to the litigation; e.g., to contest the case vigorously or to seek an out-of-court settlement; and
- 4) an evaluation of the likelihood of an unfavorable outcome and an estimate, if one can be made, of the amount or range of potential loss.

Also, please identify any pending or threatened litigation, claims, and assessments with respect to which you have been engaged but as to which you have not devoted substantive attention.

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We have represented to our auditors that there are no unasserted possible claims or assessments that you have advised us are probable of assertion and must be disclosed in accordance with [FASB ASC 450, Contingencies](#).

We understand that, whenever, in the course of performing legal services for us with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, if you have formed a professional conclusion that we should disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to us, you will so advise us and will consult with us concerning the question of such disclosure and the applicable requirements of [FASB ASC 450, Contingencies](#) (excerpts of which can be found in the ABA's *Auditor's Letter Handbook*). Please specifically confirm to our auditors that our understanding is correct.

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Other Matters:

Please also indicate the amount we were indebted to you for services and expenses (billed or unbilled) on June 30, 2024.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Lonzo Lester", is written over the closing "Very truly yours,".

Lonzo Lester, County Administrator
County of Russell, Virginia

Russell County Virginia

"The Heart of Southwest Virginia"

Andrew Hensley
District 1

Rebecca Dye
District 6

Lou Ann Wallace
District 2

David Eaton, Chairman
District 4

Nathan Kiser
At-Large

Tara Dye
District 3

Steve Breeding, Vice-Chairman
District 5

Lonzo Lester
County Administrator

June 25, 2025

Robinson Farmer Cox Associates
Attn: Corbin Stone, CPA
108 South Park Drive
Blacksburg, VA, 24060

Mr. Stone,

Our Firm has served as legal counsel for Russell County, Virginia, for the entirety of fiscal year 2025. During our representation throughout fiscal year 2025, our Firm has not been engaged to devote substantive attention on behalf of Russell County, Virginia, to any pending or threatened litigation, claims, and/or assessments.

Accordingly, our Firm is not aware of any currently unasserted claims and/or assessments falling under the mandatory disclosure provisions of *FASB ASC 450, Contingencies*.

Please do not hesitate to contact our Firm if you have any further questions. Thank you.

Best,



Tyler C. Starnes, Esq.
Mitchell-Kilgore, A Professional Corporation
P.O. Box 669
Gate City, VA, 24251