

COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

COUNTY OF RUSSELL, VIRGINIA

BOARD OF SUPERVISORS

Billy Wayne Wampler, Vice Chair Bob Keene Joseph Puckett	Danny L. Brown, Chairman	Jon Bowerbank Earnest (Shy) Kennedy
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COUNTY SCHOOL BOARD

Charlie Collins, Vice Chair Fayrene Plaster Tom Griffith	Carl Jackson, Chair	Bob Hillman Linda Cross
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SOCIAL SERVICES BOARD

Bill W. Wampler, Vice Chair Bill Hale	Harry Ferguson, Jr., Chair	Roger Brown
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OTHER OFFICIALS

Clerk of the Circuit Court.....	Ann S. McReynolds
Commonwealth's Attorney	Brian Patton
Commissioner of the Revenue	Randy N. Williams
Treasurer	Patrick Thompson
Sheriff.....	Steve Dye
Superintendent of Schools	Mike Puckett
Interim Director of Social Services	Carol Brunty
County Administrator.....	Marycarol White
County Attorney	Dennis Jones

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF RUSSELL, VIRGINIA
LEBANON, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, the major funds, and the aggregate remaining fund information of the County of Russell, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Russell, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Russell County Public Service Authority, which represents 1.02% and 4.82% of the total net assets and program revenues, respectively, of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements insofar as they relate to the amount included for the Russell County Public Service Authority in the discretely presented component unit, are based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, the major funds, and the aggregate remaining fund information of the County of Russell, Virginia as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 of the financial statements, the County of Russell, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, on our consideration of the County of Russell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Faimer, Co. Associates

Blacksburg, Virginia
November 22, 2011

Management's Discussion and Analysis

As management of the County of Russell, Virginia, we offer readers of the County of Russell's financial statements this narrative overview and analysis of the financial activities of the County of Russell, Virginia for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here for placing the basic financial statements in an appropriate operational, economic and historical context

Financial Highlights

- The assets of the County of Russell, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$16,963,774 (net assets). Of this amount, \$4,894,099 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,795,964. Most of the change in net assets is attributable to a reduction in long-term debt.
- As of the close of the current fiscal year, the County of Russell's governmental funds reported combined ending fund balances of \$9,298,150, a decrease of \$300,188 in comparison with the prior year. Over half of this total amount, \$4,770,611 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,770,611, or 15.3% of total general fund expenditures.
- The County of Russell's total long-term debt decreased by \$1,973,941 (8.3%) during the current fiscal year. The key factors in this decrease were the principal payments on outstanding issues. No new debt was issued during 2011.

Overview of the Financial Statements

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

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

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Russell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Russell can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County of Russell maintains five different governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, industrial development fund, coal road fund, workforce investment board fund and rental assistance fund, each of which are considered to be major funds.

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The County of Russell adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and each of the special revenue funds to demonstrate compliance with this budget. Information concerning the County of Russell's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 64-69 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Russell, assets exceeded liabilities by \$16,963,774 at the close of the most recent fiscal year.

A significant portion of the County of Russell's net assets (56%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County of Russell uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County of Russell's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County of Russell's net assets (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted

net assets (\$4,894,099) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County of Russell is able to report positive balances in all three categories of net assets for the government as a whole. Within the governmental and business-type activities, positive balances are reported for each category except the unrestricted balance for the business-type activity which reported negative net assets of \$15,174. In the prior fiscal year each separate category for both governmental and business-type activities reported positive balances.

County of Russell's Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 21,531,172	\$ 21,198,350	\$ 54,422	\$ 55,906	\$ 21,585,594	\$ 21,254,256
Capital assets	<u>20,607,061</u>	<u>20,927,012</u>	<u>3,516,644</u>	<u>3,647,661</u>	<u>24,123,705</u>	<u>24,574,673</u>
Total assets	<u>\$ 42,138,233</u>	<u>\$ 42,125,362</u>	<u>\$ 3,571,066</u>	<u>\$ 3,703,567</u>	<u>\$ 45,709,299</u>	<u>\$ 45,828,929</u>
Long-term liabilities outstanding	\$ 20,999,322	\$ 22,955,397	\$ 751,555	\$ 769,421	\$ 21,750,877	\$ 23,724,818
Other liabilities	<u>6,974,624</u>	<u>6,907,393</u>	<u>20,024</u>	<u>28,908</u>	<u>6,994,648</u>	<u>6,936,301</u>
Total liabilities	<u>\$ 27,973,946</u>	<u>\$ 29,862,790</u>	<u>\$ 771,579</u>	<u>\$ 798,329</u>	<u>\$ 28,745,525</u>	<u>\$ 30,661,119</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 6,739,452	\$ 6,670,389	\$ 2,765,089	\$ 2,878,240	\$ 9,504,541	\$ 9,548,629
Restricted	2,515,562	2,423,925	49,572	-	2,565,134	2,423,925
Unrestricted	<u>4,909,273</u>	<u>3,168,258</u>	<u>(15,174)</u>	<u>26,998</u>	<u>4,894,099</u>	<u>3,195,256</u>
Total net assets	<u>\$ 14,164,287</u>	<u>\$ 12,262,572</u>	<u>\$ 2,799,487</u>	<u>\$ 2,905,238</u>	<u>\$ 16,963,774</u>	<u>\$ 15,167,810</u>

There was an increase of \$1,741,015 in unrestricted net assets reported in connection with the County of Russell's governmental activities. Most of the change in net assets is attributable to a reduction in long-term debt.

Governmental activities. Governmental activities increased the County of Russell's net assets by \$1,901,715. Key elements of this increase are as follows:

- Governmental activity revenues increased from the prior year primarily due to an increase of \$637,918 (40%) in Real and Personal Public Service Corporation Taxes as a result of collection efforts on delinquent taxes.
- The County received a state Community Development Block Grant for \$716,397 in FY2011 that it did not receive in FY2010.

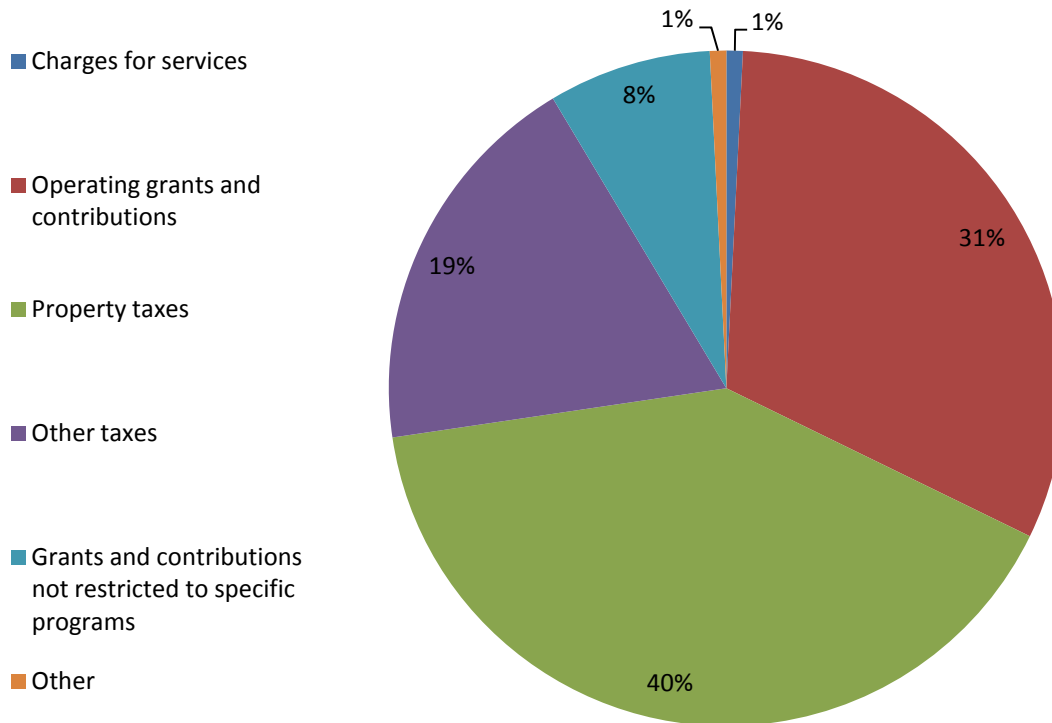
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Notable individual line item fluctuations between years were as follows. In the sheriff's office where law enforcement expenditures increased from the prior year by \$423,569 (29.7%) due to a growing number of arrests for drug related activity. In addition, Contributions to the Regional Jail increased by 533,406 (42.7%) due to increased jail bed days used by

Russell County prisoners. Contributions for the Russell County Industrial Development Authority increased by \$1,069,050 (246.5%) due largely to principal payments on outstanding debt. School capital projects were completed in 2010 and no similar projects were undertaken in 2011 reducing capital expenditures between years by \$878,566 (36.3%).

County of Russell Changes in Net Assets

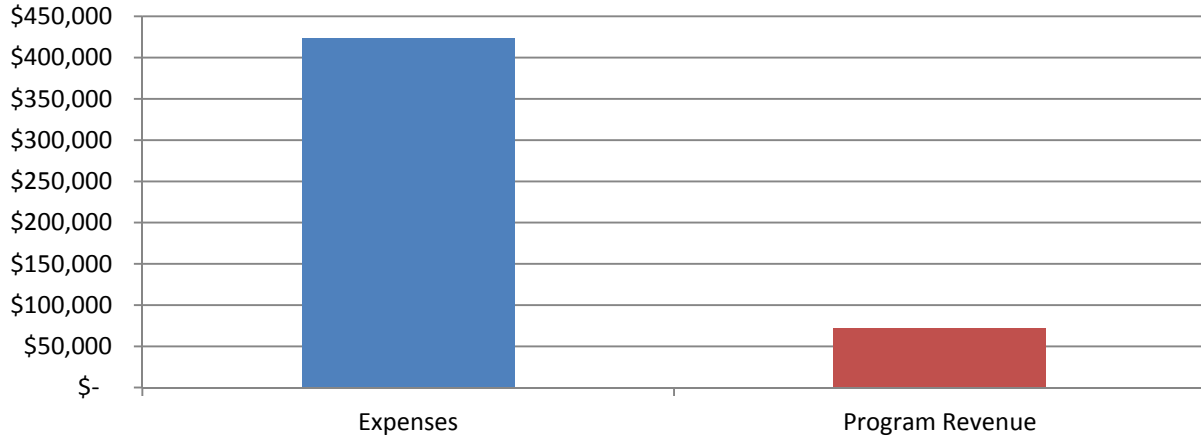
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 264,991	\$ 328,202	\$ 72,073	\$ 65,160	\$ 337,064	\$ 393,362
Operating grants and contributions	10,635,876	7,473,127	-	-	10,635,876	7,473,127
General revenues:						
Property taxes	13,683,476	13,004,381	-	-	13,683,476	13,004,381
Other taxes	6,340,919	6,123,807	-	-	6,340,919	6,123,807
Grants and contributions not restricted to specific programs	2,638,202	2,465,451	-	-	2,638,202	2,465,451
Other	267,254	280,016	234	154	267,488	280,170
Total revenues	<u>33,830,718</u>	<u>29,674,984</u>	<u>72,307</u>	<u>65,314</u>	<u>33,903,025</u>	<u>29,740,298</u>
					-	-
Expenses:					-	-
General government	1,691,031	1,828,631	-	-	1,691,031	1,828,631
Judicial administration	2,112,758	2,219,866	-	-	2,112,758	2,219,866
Public safety	5,091,612	4,234,145	-	-	5,091,612	4,234,145
Public works	4,003,987	5,549,934	-	-	4,003,987	5,549,934
Health and welfare	8,592,042	6,070,091	-	-	8,592,042	6,070,091
Education	5,681,243	5,897,486	-	-	5,681,243	5,897,486
Parks, recreation and cultural	563,123	560,735	-	-	563,123	560,735
Community development	3,191,256	1,491,257	-	-	3,191,256	1,491,257
Interest on long-term debt	756,064	728,202	-	-	756,064	728,202
Service Authority	-	-	423,945	434,552	423,945	434,552
Total expenses	<u>31,683,116</u>	<u>28,580,347</u>	<u>423,945</u>	<u>434,552</u>	<u>32,107,061</u>	<u>29,014,899</u>
Change in net assets before transfers	<u>2,147,602</u>	<u>1,094,637</u>	<u>(351,638)</u>	<u>(369,238)</u>	<u>1,795,964</u>	<u>725,399</u>
Transfers	<u>(245,887)</u>	<u>(254,728)</u>	<u>245,887</u>	<u>254,728</u>	<u>-</u>	<u>-</u>
Change in net assets	1,901,715	839,909	(105,751)	(114,510)	1,795,964	725,399
Net assets - July 1,	<u>12,262,572</u>	<u>11,422,663</u>	<u>2,905,238</u>	<u>3,019,748</u>	<u>15,167,810</u>	<u>14,442,411</u>
Net assets - June 30,	<u>\$ 14,164,287</u>	<u>\$ 12,262,572</u>	<u>\$ 2,799,487</u>	<u>\$ 2,905,238</u>	<u>\$ 16,963,774</u>	<u>\$ 15,167,810</u>

Revenues by Source - Governmental Activities

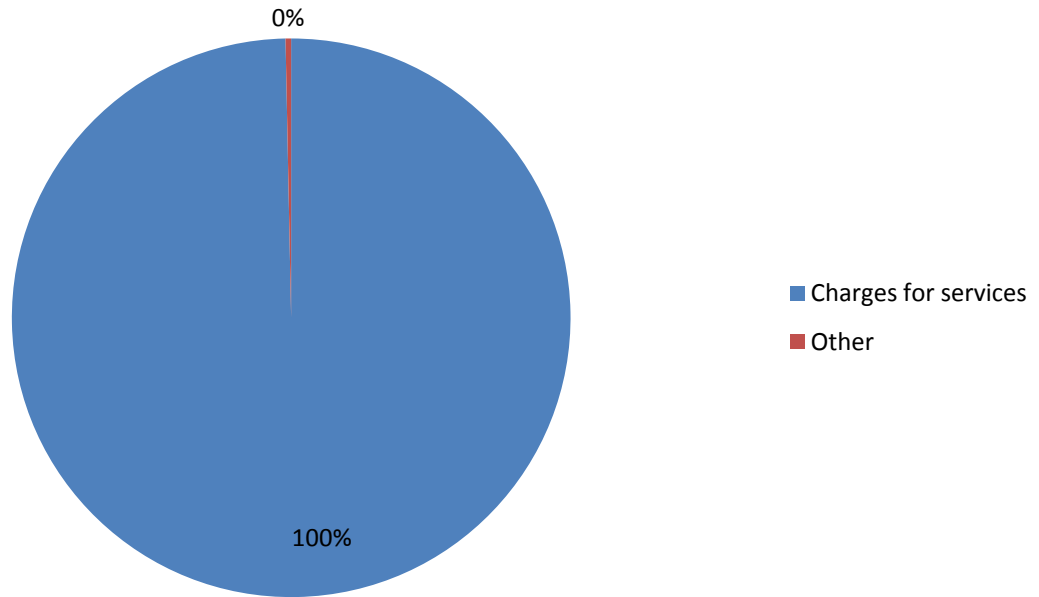


Business-type activities. Business-type activities decreased the County of Russell's net assets by \$105,751. The Dante Water Treatment System referred to as "the Service Authority," incurred expenses of \$423,945 and collected program revenue of \$72,073. The Service Authority also received a General Fund subsidy of \$245,887. By policy, the Dante Service Authority is not an enterprise activity and therefore is not expected to be self-supporting.

Service Authority (Dante Water Treatment System)



Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County of Russell's governmental funds reported combined ending fund balances of \$9,298,150, a decrease of \$300,188 in comparison with the prior year. Just over half of this amount (\$4,770,611) represents unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because it has already been restricted for the Coal Road/Revenue Sharing projects or debt service and bond covenants.

The general fund is the chief operating fund of the County of Russell. At the end of the current fiscal year, unassigned fund balance was \$4,770,611, while total fund balance was \$4,910,249. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 15% of general fund expenditures, while total fund balance represents 16% of that same amount.

The fund balance of the County of Russell's General Fund decreased by \$1,327,913 during the current fiscal year. Key factors in the decrease are as follows:

- General Fund expenditures exceeded general fund revenues by \$1,061,821. The major contributors were increased expenditures in Public Safety, Health and Welfare and Community Development. Only the Community Development expenditures were significantly offset by corresponding grants or other offsetting revenue sources.
- The General Fund transferred \$245,887 to the Service Authority to subsidize operations of the Dante Water Treatment System.

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

The Coal Road Fund provides the 50% match required for the Virginia Department of Transportation's (VDOT) Revenue Sharing Program. Part of the coal and gas severance taxes collected are deposited into this fund and used to fund the approved projects. Several projects are approved and were in the planning stages at June 30, 2011. Construction on these projects, along with the related expenditures, will occur during fiscal year 2012. As a result, the fund balance in the Coal Road Fund increased by approximately one million dollars during the fiscal year. The entire balance of \$2,515,562 at the end of the year is committed for various projects.

The Workforce Investment Board Fund is a state and federal funded program. No County funds are used to support this program. The fund balance increased \$23,058 during the year ended June 30, 2011. The entire fund balance of \$23,058 is committed for future program support.

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

Unrestricted net assets of the Service Authority at the end of the year amounted to (\$15,174), and those for the Health Insurance Fund amounted to \$3,025,055. The total (decline)/growth in the net assets for both funds was (\$105,751) and \$461,146, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the County of Russell's business-type activities.

General Fund Budgetary Highlights

For many years, management in Russell County simply adjusted the final budget at June 30 to equal the actual expenditures. In fiscal year 2011, this practice was stopped. Beginning with fiscal year 2012 proper procedures will be followed in which the original budget will be adjusted to reflect supplemental appropriations adopted by the Board of Supervisors throughout the year or during a public hearing to formally amend the budget. This will provide a truer picture of the Final Budget for annual financial report presentation.

Capital Asset and Debt Administration

Capital assets

The County of Russell's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$24,123,705 (net of accumulated depreciation). This investment in capital assets includes land, buildings, a utility plant, machinery and equipment and construction in progress. The total investment in the County of Russell's investment in capital assets for the current fiscal year decreased by 1.8% (a 1.5% decrease for governmental activities and a 3.59% decrease for business-type activities). The decrease in investment is due to accumulated depreciation. Due to the continued depressed economy, the County did not expend significant funds on capital assets in fiscal year 2011.

	Governmental activities		Business-type activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,541,333	\$1,541,333	\$ -	\$ -	\$ 1,541,333	\$1,541,333
Construction in Progress	1,494,450	2,445,645	-	-	\$ 1,494,450	\$ 2,445,645
Buildings	16,390,487	15,412,448	-	-	\$16,390,487	\$15,412,448
Utility plant	-	-	3,516,644	3,647,661	\$ 3,516,644	\$ 3,647,661
Machinery and equipment	<u>1,180,791</u>	<u>1,527,586</u>	<u>-</u>	<u>-</u>	<u>\$ 1,180,791</u>	<u>\$ 1,527,586</u>
Total	<u>\$ 20,607,061</u>	<u>\$20,927,012</u>	<u>\$3,516,644</u>	<u>\$3,647,661</u>	<u>\$24,123,705</u>	<u>\$24,574,673</u>

Additional information on the County of Russell's capital assets can be found in note 10 on pages 52-54 of this report.

Long-term debt

At the end of the current fiscal year, the County of Russell had total debt outstanding of \$21,750,877. Of this total, \$15,480,143 comprises general obligation and revenue bonds all backed by the full faith and credit of the County and \$3,983,501 comprise Literary Fund Loans and Literary Anticipation Note on the financial statements of the component unit School Board. The remainder of the County of Russell's debt represents lease purchase agreements, landfill post-closure liabilities, OPEB obligations and compensated absences.

	Governmental activities		Business-type activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 10,083,228	\$ 10,905,464	\$ -	\$ -	\$ 10,083,228	\$ 10,905,464
Literary loans	2,990,863	3,417,144	-	-	2,990,863	3,417,144
Revenue bonds	4,645,360	4,847,048	751,555	769,421	5,396,915	5,616,469
Literary anticipation note	992,638	992,638	-	-	992,638	992,638
Deferred amounts:						
Bond premium	300,119	316,923	-	-	300,119	316,923
Lease purchase agreements	357,060	701,310	-	-	357,060	701,310
Landfill closure/postclosure liability	1,100,775	1,264,062	-	-	1,100,775	1,264,062
OPEB obligation	7,153	4,949	-	-	7,153	4,949
Compensated absences	522,126	505,859	-	-	522,126	505,859
Total	<u>\$ 20,999,322</u>	<u>\$ 22,955,397</u>	<u>\$ 751,555</u>	<u>\$ 769,421</u>	<u>\$ 21,750,877</u>	<u>\$ 23,724,818</u>

The County of Russell's total debt decreased by \$1,973,941 (8.3%) during the current fiscal year. The key factors in the decrease were the principal payments on various issues.

To date, Russell County has not sought a credit rating from any of the three ratings agencies. The County's debt has been issued as bank qualified debt through local banks or through pooled options such as the Virginia Public School Authority, the Virginia Resources Authority and Rural Development.

Additional information on the County of Russell's long-term debt can be found in note 7 on pages 41-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The County's staff and Board of Supervisors considered many factors when developing the fiscal year 2012 budget. The fiscal year 2012 approved budget for the General Fund is \$25,902,191, an 11% increase from the fiscal year 2011 budget. Local revenue, which includes property taxes, was expected to increase from fiscal year 2011 by 4.6%. Machinery and tool taxes are expected to decline in fiscal year 2012 as a direct result of the closing of two major industries in the County. State and federal revenues comprise about 19.2% of the total general fund. State and federal revenues are expected to be up by \$1,681,422 or 51%, due to the award of new grants. The final approved budget maintained the real property tax rate of \$0.61 per \$100 of assessed value for calendar tax year 2011.

Requests for Information

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

Basic Financial Statements

County of Russell, Virginia
Statement of Net Assets
June 30, 2011

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Russell County Public Service Authority	Castlewood Water and Sewage Authority
ASSETS							
Cash and cash equivalents	\$ 9,539,038	\$ 3	\$ 9,539,041	\$ 2,244,246	\$ 425,234	\$ 560,793	\$ 66,647
Receivables (net of allowance for uncollectibles):							
Taxes receivable	7,131,376	-	7,131,376	-	-	-	-
Accounts receivable	522,068	4,847	526,915	34,707	5,372	192,929	203,832
Notes receivable	4,344	-	4,344	-	-	-	-
Due from primary government	-	-	-	-	425,000	-	43,570
Due from component unit	200,000	-	200,000	-	-	-	-
Due from other governmental units	1,642,484	-	1,642,484	2,103,255	-	-	-
Inventories	-	-	-	-	-	31,811	-
Lease purchase receivable	-	-	-	-	610,165	-	-
Prepaid expenses	-	-	-	115,673	-	-	27,756
Other assets:							
Bond issuance costs	-	-	-	-	25,412	-	-
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents	2,352,224	49,572	2,401,796	-	79	619,680	118,544
Investments	139,638	-	139,638	-	-	-	-
Noncurrent assets:							
Lease purchase receivable - net of current portion	-	-	-	-	371,207	-	-
Capital assets (net of accumulated depreciation):							
Land	1,541,333	-	1,541,333	4,643,707	1,439,397	106,332	107,608
Buildings and improvements	16,390,487	-	16,390,487	10,876,590	7,300,304	2,429,465	-
Machinery and equipment	1,180,791	-	1,180,791	1,741,021	464,284	-	-
Utility plant in service	-	3,516,644	3,516,644	-	-	12,871,066	8,027,195
Construction in progress	1,494,450	-	1,494,450	90,571	-	2,356,894	1,332,118
Less: Accumulated Depreciation	-	-	-	-	-	(3,401,156)	-
Total assets	\$ 42,138,233	\$ 3,571,066	\$ 45,709,299	\$ 21,849,770	\$ 11,066,454	\$ 15,767,814	\$ 9,927,270
LIABILITIES							
Accounts payable	\$ 1,789,684	\$ 18,206	\$ 1,807,890	\$ 413,190	\$ 15,855	\$ 431,883	\$ 121,911
Accrued liabilities	8,331	-	8,331	997,101	-	175,016	13,734
Customer deposits	-	-	-	-	-	13,141	43,638
Accrued interest payable	353,065	1,818	354,883	-	42,506	21,810	7,532
Due to primary government	-	-	-	-	200,000	-	-
Due to component unit	425,000	-	425,000	-	-	-	-
Unearned revenue	4,398,544	-	4,398,544	-	-	-	-
Long-term liabilities:							
Due within one year	1,899,645	18,602	1,918,247	721,881	2,196,717	131,724	240,343
Due in more than one year	19,099,677	732,953	19,832,630	307,004	8,277,163	7,567,338	3,786,252
Total liabilities	\$ 27,973,946	\$ 771,579	\$ 28,745,525	\$ 2,439,176	\$ 10,732,241	\$ 8,340,912	\$ 4,213,410
NET ASSETS							
Invested in capital assets, net of related debt	\$ 6,739,452	\$ 2,765,089	\$ 9,504,541	\$ 17,351,889	\$ 3,169,362	\$ 6,663,539	\$ 5,452,242
Restricted for:							
Coal Road	2,515,562	-	2,515,562	-	-	-	-
Debt service and bond covenants	-	49,572	49,572	-	79	619,680	118,544
Unrestricted (deficit)	4,909,273	(15,174)	4,894,099	2,058,705	(2,835,228)	143,683	143,074
Total net assets	\$ 14,164,287	\$ 2,799,487	\$ 16,963,774	\$ 19,410,594	\$ 334,213	\$ 7,426,902	\$ 5,713,860

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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Russell County Public Service Authority	Castlewood Water and Sewerage Authority
PRIMARY GOVERNMENT:											
Governmental activities:											
General government administration	\$ 1,691,031	\$ 13,545	\$ 299,641	\$ -	\$ (1,377,845)	\$ -	\$ (1,377,845)				
Judicial administration	2,112,758	7,642	544,042	-	(1,561,074)	-	(1,561,074)				
Public safety	5,091,612	67,265	1,566,780	-	(3,457,567)	-	(3,457,567)				
Public works	4,003,987	141,555	12,398	-	(3,850,034)	-	(3,850,034)				
Health and welfare	8,592,042	27,590	7,316,341	-	(1,248,111)	-	(1,248,111)				
Education	5,681,243	-	-	-	(5,681,243)	-	(5,681,243)				
Parks, recreation, and cultural	563,123	7,394	79,431	-	(476,298)	-	(476,298)				
Community development	3,191,256	-	817,243	-	(2,374,013)	-	(2,374,013)				
Interest on long-term debt	756,064	-	-	-	(756,064)	-	(756,064)				
Total governmental activities	\$ 31,683,116	\$ 264,991	\$ 10,635,876	\$ -	\$ (20,782,249)	\$ -	\$ (20,782,249)				
Business-type activities:											
Service Authority	\$ 423,945	\$ 72,073	\$ -	\$ -	\$ -	\$ (351,872)	\$ (351,872)				
Total primary government	\$ 32,107,061	\$ 337,064	\$ 10,635,876	\$ -	\$ (20,782,249)	\$ (351,872)	\$ (21,134,121)				
COMPONENT UNITS:											
School Board	\$ 40,800,602	\$ 861,042	\$ 34,443,631	\$ -			\$ (5,495,929)	\$ -	\$ -	\$ -	\$ -
Industrial Development Authority	1,028,474	-	1,485,727	-			-	457,253	-	-	-
Russell County Public Service Authority	1,808,391	1,024,401	156,096	796,739			-	-	168,845	-	-
Castlewood Water and Sewer	1,570,082	1,089,599	-	1,147,331			-	-	-	-	666,848
Total component units	\$ 45,207,549	\$ 2,975,042	\$ 36,085,454	\$ 1,944,070			\$ (5,495,929)	\$ 457,253	\$ 168,845	\$ -	\$ 666,848
General revenues:											
General property taxes					\$ 13,683,476	\$ -	\$ 13,683,476	\$ -	\$ -	\$ -	\$ -
Other local taxes:											
Local sales and use taxes					1,832,391	-	1,832,391	-	-	-	-
Coal road and severance taxes					3,575,042	-	3,575,042	-	-	-	-
Consumers' utility taxes					587,625	-	587,625	-	-	-	-
Grantee taxes					101,414	-	101,414	-	-	-	-
Other local taxes					244,447	-	244,447	-	-	-	-
Unrestricted revenues from use of money and property					89,585	234	89,819	1,500	1,003,287	17,915	1,314
Miscellaneous					177,669	-	177,669	239,214	-	12,110	221,932
Payments from the County of Russell, Virginia					-	-	-	5,877,504	-	-	-
Grants and contributions not restricted to specific programs					2,638,202	-	2,638,202	-	-	-	-
Transfers					(245,887)	245,887	-	-	-	-	-
Total general revenues and transfers					\$ 22,683,964	\$ 246,121	\$ 22,930,085	\$ 6,118,218	\$ 1,003,287	\$ 30,025	\$ 223,246
Change in net assets					\$ 1,901,715	\$ (105,751)	\$ 1,795,964	\$ 622,289	\$ 1,460,540	\$ 198,870	\$ 890,094
Net assets - beginning					12,262,572	2,905,238	15,167,810	18,788,305	(1,126,327)	7,228,032	4,823,766
Net assets - ending					\$ 14,164,287	\$ 2,799,487	\$ 16,963,774	\$ 19,410,594	\$ 334,213	\$ 7,426,902	\$ 5,713,860

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

County of Russell, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Industrial Development</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Rental Assistance</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 5,463,112	\$ 589,281	\$ -	\$ 125,437	\$ -	\$ 6,177,830
Receivables (net of allowance for uncollectibles)						
Taxes receivable	7,131,376	-	-	-	-	7,131,376
Accounts receivable	303,358	-	215,241	-	-	518,599
Notes receivable	4,344	-	-	-	-	4,344
Due from other funds	114,126	1,260,000	-	-	-	1,374,126
Due from component unit	200,000	-	-	-	-	200,000
Due from other governmental units	1,380,958	-	-	261,526	-	1,642,484
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	2,352,224	-	-	2,352,224
Investments	139,638	-	-	-	-	139,638
Total assets	<u>\$ 14,736,912</u>	<u>\$ 1,849,281</u>	<u>\$ 2,567,465</u>	<u>\$ 386,963</u>	<u>\$ -</u>	<u>\$ 19,540,621</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,148,380	\$ -	\$ 48,997	\$ 252,685	\$ -	\$ 1,450,062
Accrued liabilities	8,331	-	-	-	-	8,331
Due to other funds	1,260,000	-	2,906	111,220	-	1,374,126
Due to component unit	425,000	-	-	-	-	425,000
Deferred revenue	6,984,952	-	-	-	-	6,984,952
Total liabilities	<u>\$ 9,826,663</u>	<u>\$ -</u>	<u>\$ 51,903</u>	<u>\$ 363,905</u>	<u>\$ -</u>	<u>\$ 10,242,471</u>
Fund balances:						
Restricted:						
Coal Road	\$ -	\$ -	\$ 2,515,562	\$ -	\$ -	\$ 2,515,562
School Construction	139,638	-	-	-	-	139,638
Committed:						
Special revenue funds	-	1,849,281	-	23,058	-	1,872,339
Unassigned:	4,770,611	-	-	-	-	4,770,611
Total fund balances	<u>\$ 4,910,249</u>	<u>\$ 1,849,281</u>	<u>\$ 2,515,562</u>	<u>\$ 23,058</u>	<u>\$ -</u>	<u>\$ 9,298,150</u>
Total liabilities and fund balances	<u>\$ 14,736,912</u>	<u>\$ 1,849,281</u>	<u>\$ 2,567,465</u>	<u>\$ 386,963</u>	<u>\$ -</u>	<u>\$ 19,540,621</u>

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

County of Russell, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 9,298,150
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,607,061
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,586,408
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,025,055
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(21,352,387)
Net assets of governmental activities	<u>\$ 14,164,287</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, 2011

	<u>General</u>	<u>Industrial Development</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Rental Assistance</u>	<u>Total</u>
REVENUES						
General property taxes	\$ 13,548,896	\$ -	\$ -	\$ -	\$ -	13,548,896
Other local taxes	4,553,398	-	1,787,521	-	-	6,340,919
Permits, privilege fees, and regulatory licenses	22,834	-	-	-	-	22,834
Fines and forfeitures	1,206	-	-	-	-	1,206
Revenue from the use of money and property	58,402	3,239	10,373	-	-	72,014
Charges for services	240,951	-	-	-	-	240,951
Miscellaneous	177,669	-	-	-	-	177,669
Recovered costs	294,919	-	-	-	-	294,919
Intergovernmental revenues:						
Commonwealth	8,677,512	-	-	67,834	-	8,745,346
Federal	2,454,979	-	-	2,073,753	-	4,528,732
Total revenues	<u>\$ 30,030,766</u>	<u>\$ 3,239</u>	<u>\$ 1,797,894</u>	<u>\$ 2,141,587</u>	<u>\$ -</u>	<u>\$ 33,973,486</u>
EXPENDITURES						
Current:						
General government administration	\$ 1,712,850	\$ -	\$ -	\$ -	\$ -	1,712,850
Judicial administration	2,106,641	-	-	-	-	2,106,641
Public safety	5,226,797	-	-	-	-	5,226,797
Public works	3,305,813	-	796,466	-	-	4,102,279
Health and welfare	6,523,318	-	-	2,118,529	20,205	8,662,052
Education	5,167,968	-	-	-	-	5,167,968
Parks, recreation, and cultural	556,723	-	-	-	-	556,723
Community development	2,311,048	-	-	-	-	2,311,048
Nondepartmental	103,820	-	-	-	-	103,820
Capital projects	1,540,233	-	-	-	-	1,540,233
Debt service:						
Principal retirement	1,794,455	-	-	-	-	1,794,455
Interest and other fiscal charges	742,921	-	-	-	-	742,921
Total expenditures	<u>\$ 31,092,587</u>	<u>\$ -</u>	<u>\$ 796,466</u>	<u>\$ 2,118,529</u>	<u>\$ 20,205</u>	<u>\$ 34,027,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,061,821)</u>	<u>\$ 3,239</u>	<u>\$ 1,001,428</u>	<u>\$ 23,058</u>	<u>\$ (20,205)</u>	<u>\$ (54,301)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ -	\$ -	\$ -	20,205	20,205
Transfers out	(266,092)	-	-	-	-	(266,092)
Total other financing sources (uses)	<u>\$ (266,092)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,205</u>	<u>\$ (245,887)</u>
Net change in fund balances	\$ (1,327,913)	\$ 3,239	\$ 1,001,428	\$ 23,058	\$ -	\$ (300,188)
Fund balances - beginning	6,238,162	1,846,042	1,514,134	-	-	9,598,338
Fund balances - ending	<u>\$ 4,910,249</u>	<u>\$ 1,849,281</u>	<u>\$ 2,515,562</u>	<u>\$ 23,058</u>	<u>\$ -</u>	<u>\$ 9,298,150</u>

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

County of Russell, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ (300,188)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(319,951)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	134,580
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,957,742
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.	(31,614)
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.	461,146
Change in net assets of governmental activities	<u>\$ 1,901,715</u>

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

County of Russell, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Fund	Internal Service Fund
	Dante Fund	Self Health Insurance
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3	\$ 3,361,208
Interest receivable	235	3,469
Accounts receivable, net of allowance for uncollectibles	4,612	-
Total current assets	\$ 4,850	\$ 3,364,677
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (in custody of others)	\$ 49,572	\$ -
Capital assets:		
Utility plant in service	\$ 5,240,699	\$ -
Machinery and equipment	75,470	-
Less accumulated depreciation	(1,799,525)	-
Total capital assets	\$ 3,516,644	\$ -
Total noncurrent assets	\$ 3,566,216	\$ -
Total assets	\$ 3,571,066	\$ 3,364,677
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 18,206	\$ 339,622
Accrued interest payable	1,818	-
Bonds payable - current portion	18,602	-
Total current liabilities	\$ 38,626	\$ 339,622
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 732,953	\$ -
Total liabilities	\$ 771,579	\$ 339,622
NET ASSETS		
Invested in capital assets, net of related debt	\$ 2,765,089	\$ -
Restricted for debt service and bond covenants	49,572	-
Unrestricted	(15,174)	3,025,055
Total net assets	\$ 2,799,487	\$ 3,025,055

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

County of Russell, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
OPERATING REVENUES		
Charges for services:		
Sewer revenues	\$ 72,073	\$ -
Insurance premiums	-	6,106,050
Total operating revenues	<u>\$ 72,073</u>	<u>\$ 6,106,050</u>
OPERATING EXPENSES		
Salaries and benefits	\$ 98,800	\$ -
Professional services	59,176	-
Utilities	22,082	-
Materials and supplies	12,347	-
Office expenses	66,982	-
Insurance claims and expenses	-	5,662,475
Depreciation	131,017	-
Total operating expenses	<u>\$ 390,404</u>	<u>\$ 5,662,475</u>
Operating income (loss)	<u>\$ (318,331)</u>	<u>\$ 443,575</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 234	\$ 17,571
Interest expense	(33,541)	-
Total nonoperating revenues (expenses)	<u>\$ (33,307)</u>	<u>\$ 17,571</u>
Income before contributions and transfers	<u>\$ (351,638)</u>	<u>\$ 461,146</u>
Transfers in	\$ 245,887	\$ -
Change in net assets	<u>\$ (105,751)</u>	<u>\$ 461,146</u>
Total net assets - beginning	<u>\$ 2,905,238</u>	<u>\$ 2,563,909</u>
Total net assets - ending	<u><u>\$ 2,799,487</u></u>	<u><u>\$ 3,025,055</u></u>

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

County of Russell, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund	Internal Service Fund
	Dante Fund	Self Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 73,254	\$ -
Receipts for insurance premiums	-	6,106,050
Payments to suppliers	(169,432)	-
Payments to employees	(98,800)	-
Payments for premiums	-	(5,705,254)
Net cash provided (used) by operating activities	<u>\$ (194,978)</u>	<u>\$ 400,796</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>\$ 245,887</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	\$ (17,866)	\$ -
Interest payments	(33,580)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (51,446)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	<u>\$ 537</u>	<u>\$ 20,210</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ 421,006
Cash and cash equivalents - beginning	\$ 49,575	\$ 2,940,202
Cash and cash equivalents - ending	<u>\$ 49,575</u>	<u>\$ 3,361,208</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (318,331)</u>	<u>\$ 443,575</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 131,017	\$ -
(Increase) decrease in accounts receivable	1,181	-
Increase (decrease) in accounts payable	(8,845)	(42,779)
Total adjustments	<u>\$ 123,353</u>	<u>\$ (42,779)</u>
Net cash provided (used) by operating activities	<u>\$ (194,978)</u>	<u>\$ 400,796</u>

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

County of Russell, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Fund
 June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 62,816
Total assets	<u>\$ 62,816</u>
 LIABILITIES	
Amounts held for Social Services clients	\$ 62,816
Total liabilities	<u>\$ 62,816</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, 2011

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Blended component units - None

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

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

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

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

The Russell County Public Service Authority (PSA) provides water and sewer service to residents of Russell County. The Authority is fiscally dependent on the County because the County appoints the governing body and has financing guarantees involving the Authority.

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

A. Reporting Entity (continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail and the Cumberland Mountain Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$1,781,659 to the Regional Jail and \$49,095 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The Industrial Development, Coal Road, Workforce Investment Board, and Rental Assistance Funds serve as the County's major *Special Revenue Funds*. The Industrial Development Fund accounts for financial resources to be used for industrial and community development benefiting the County. The Industrial Development Fund includes activities aimed at attracting and retaining industrial prospects in Russell County. The Coal Road Fund accounts for financial resources to be used for improvements to roads used in conjunction with coal mining and other expenses allowable by the Code of Virginia, (1950), as amended. The Workforce Investment Board Fund accounts for financial resources to be used for workforce development benefiting the County. The Rental Assistance Fund accounts for the financial resources used to assist low income families with rental expenses.

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

2. Receivables and Payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,030,279 at June 30, 2011 and is comprised solely of property taxes.

5. Use of Estimates

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

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

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

6. Capital Assets

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

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

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

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

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

7. Compensated Absences

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

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

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

8. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

9. Fund Equity (continued)

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

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

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

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(21,352,387) and \$(1,028,885) differences for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	School Board
	<u> </u>	<u> </u>
Bonds and literary loans payable	\$ (18,712,089)	\$ -
Lease purchase agreements	(357,060)	-
Unamortized premium	(300,119)	-
Accrued interest payable	(353,065)	-
Landfill accrued closure and postclosure monitoring costs	(1,100,775)	-
Early Retirement Incentive	-	(50,000)
Net OPEB Obligation	(7,153)	(48,377)
Compensated absences	(522,126)	(930,508)
	<u> </u>	<u> </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (21,352,387)	\$ (1,028,885)

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Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$(319,951) and \$(456,545) for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	Component Unit School Board
	<u> </u>	<u> </u>
Capital outlays	\$ 918,348	\$ 134,034
School debt financed assets	(392,380)	392,380
School debt financed depreciation	313,905	(313,905)
Capital asset deletions (net)	-	(17,467)
Depreciation expense	<u>(1,159,824)</u>	<u>(651,587)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u>(319,951)</u>	 \$ <u>(456,545)</u>

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Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)

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

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,957,742 difference in the primary government are as follows:

	Primary Government
Principal Payments:	
Accrued landfill closure/postclosure	\$ 163,287
Bonds, literary loans, and notes	1,450,205
Lease purchase agreements	344,250
Net adjustment to increase (decrease) <i>net changes in fund balances</i> - <i>total governmental funds to arrive at changes in net assets of</i> <i>governmental activities</i>	\$ 1,957,742

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Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(31,614) and \$35,693 difference for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (16,267)	\$ 100,070
(Increase) decrease in accrued interest	(29,947)	-
(Increase) decrease in early retirement incentive	-	(50,000)
(Increase) decrease in net OPEB obligation	(2,204)	(14,377)
Amortization of bond premium	16,804	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (31,614)	\$ 35,693

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Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All Funds of the County have legally adopted budgets with the exception of the Industrial Development Authority Fund and Agency Funds.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, and the Special Revenue Funds (except the School Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

The County had numerous departments and funds that had excess expenditures over appropriations in the current year. Those departments can be found on Schedule 2 starting on page 80 of this report.

C. Deficit fund equity

At June 30, 2011, there were no funds which had deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments at June 30, 2011 were held in the County's name by the County's custodial bank. The State Non-Arbitrage (SNAP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2011 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAA _m
SNAP	\$ 139,638

Concentration of Credit Risk

At June 30, 2011, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC).

Interest Rate Risk

There are no interest rate risk disclosures required for the year ended June 30, 2011.

Note 5-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>Workforce Investment Board:</u>		
Workforce Investment funds	\$ 261,526	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	343,686	-
State sales tax	-	536,656
Non-categorical aid	170,834	-
Categorical aid-shared expenses	195,584	-
Categorical aid-Virginia Public Assistance funds	168,240	-
Categorical aid-Comprehensive Services Act funds	334,619	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	160,675	-
Categorical aid-other	7,320	1,566,599
Total Amount Due from Other Governmental Units	<u>\$ 1,642,484</u>	<u>\$ 2,103,255</u>

Note 6-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<u>Primary Government:</u>		
General Fund	<u>\$ 425,000</u>	<u>\$ 200,000</u>
<u>Component Unit:</u>		
IDA	<u>\$ 200,000</u>	<u>\$ 425,000</u>

Note 6-Interfund/Component-Unit Obligations: (continued)

Interfund transfers and remaining balances for the year ended June 30, 2011, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 266,092
Dante Fund	245,887	-
Rental Assistance Fund	20,205	-
Total	<u>\$ 266,092</u>	<u>\$ 266,092</u>
Primary Government:		
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 114,126	\$ -
Coal Road Fund	-	2,906
Workforce Investment Fund	-	111,220
Total	<u>\$ 114,126</u>	<u>\$ 114,126</u>

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
General obligation bonds	\$ 10,905,464	\$ -	\$ (822,236)	\$ 10,083,228
Literary loans	3,417,144	-	(426,281)	2,990,863
Revenue bonds	4,847,048	-	(201,688)	4,645,360
Literary anticipation note	992,638	-	-	992,638
Deferred Amounts:				
Bond premiums	316,923	-	(16,804)	300,119
Lease purchase agreements	701,310	-	(344,250)	357,060
Landfill closure/ postclosure liability	1,264,062	-	(163,287)	1,100,775
OPEB obligation	4,949	42,373	(40,169)	7,153
Compensated absences	505,859	395,661	(379,394)	522,126
Total	\$ 22,955,397	\$ 438,034	\$ (2,394,109)	\$ 20,999,322

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

Year Ending June 30,	General Obligation Bonds		Literary Loans		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 611,579	\$ 463,347	\$ 426,278	\$ 70,259	\$ 201,689	\$ -
2013	717,972	437,035	375,977	59,711	201,688	-
2014	611,026	403,830	375,977	50,671	201,688	-
2015	627,696	372,805	375,977	41,632	201,688	-
2016	644,976	340,870	375,977	32,593	201,688	-
2017-2021	3,395,731	1,224,392	1,035,677	51,425	1,008,442	-
2022-2026	2,311,790	519,960	25,000	750	1,008,442	-
2027-2031	1,162,458	115,772	-	-	1,008,442	-
2032-2036	-	-	-	-	569,552	-
2037	-	-	-	-	42,042	-
Totals	\$ 10,083,228	\$ 3,878,011	\$ 2,990,863	\$ 307,041	\$ 4,645,361	\$ -

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation and Revenue Bonds:</u>						
General obligation bond	4.85%-6.60%	1991	2012	\$ 133,833	\$ 9,681	\$ 9,681
General obligation bond	4.90%-6.35%	1992	2013	1,812,215	122,268	-
General obligation bond	6.40%-7.17%	1994	2012	3,620,000	35,000	5,000
General obligation bond	5.10%-6.10%	1995	2016	325,000	60,000	-
General obligation bond	5.10%-6.10%	1997	2016	140,000	35,000	35,000
General obligation bond	4.10%-5.23%	1999	2019	510,000	225,000	25,000
General obligation bond	4.98%-5.10%	2000	2021	1,802,210	1,022,382	90,263
General obligation bond	2.35%-5.10%	2002	2023	4,382,954	2,834,667	206,080
General obligation bond	4.60%-5.10%	2006	2027	3,205,190	2,679,230	140,555
General obligation bond	4.60%-5.10%	2009	2030	1,485,000	1,440,000	50,000
General obligation bond	3.05%-5.05%	2010	2031	1,620,000	1,620,000	50,000
General obligation/Revenue bond	0.00%	11/28/2001	2033	935,690	654,983	31,190
General obligation/Revenue bond	0.00%	11/28/2001	2033	1,678,400	1,180,478	55,947
General obligation/Revenue bond	0.00%	11/1/2002	2033	822,366	589,362	27,412
General obligation/Revenue bond	0.00%	10/14/2005	2036	91,439	76,199	3,048
General obligation/Revenue bond	0.00%	10/14/2005	2037	1,906,717	1,620,709	63,557
General obligation/Revenue bond	0.00%	4/28/2006	2037	415,513	353,186	13,851
General obligation/Revenue bond	0.00%	3/30/2007	2037	197,179	170,443	6,684
Subtotal General Obligation and Revenue Bonds					\$ 14,728,588	\$ 813,268
Plus:						
Unamortized Premium					\$ 300,119	\$ 16,804
Total General Obligation and Revenue Bonds					\$ 15,028,707	\$ 830,072

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness: (continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>Literary loans:</u>						
Literary loan	3.00%	12/15/1981	2012	\$ 176,504	\$ 5,277	\$ 5,277
Literary loan	3.00%	12/15/1981	2012	293,797	8,764	8,764
Literary loan	3.00%	12/15/1981	2012	194,990	5,828	5,828
Literary loan	3.00%	12/15/1981	2012	1,019,500	30,432	30,432
Literary loan	3.00%	7/15/1986	2017	960,000	181,332	30,222
Literary loan	3.00%	7/15/1986	2017	2,000,000	377,778	62,963
Literary loan	3.00%	2/1/1988	2018	530,999	129,654	18,522
Literary loan	3.00%	2/1/1988	2018	358,151	88,067	12,581
Literary loan	3.00%	2/1/1988	2018	84,805	21,035	3,005
Literary loan	3.00%	2/1/1988	2018	281,079	69,965	9,995
Literary loan	3.00%	2/1/1988	2018	196,873	48,923	6,989
Literary loan	2.00%	1/1/2000	2020	1,155,140	519,813	57,757
Literary loan	2.00%	3/15/1999	2019	1,114,086	445,686	55,700
Literary loan	2.00%	3/15/1999	2019	161,449	63,049	8,200
Literary loan	2.00%	6/15/1999	2019	422,680	169,072	21,134
Literary loan	2.00%	6/15/1999	2019	880,411	352,171	44,020
Literary loan	2.00%	11/15/2000	2021	493,789	246,899	24,689
Literary loan	3.00%	12/15/2000	2021	154,118	77,118	7,700
Literary loan	2.00%	7/1/2003	2023	250,000	150,000	12,500
Total Literary loans					<u>\$ 2,990,863</u>	<u>\$ 426,278</u>
Literary anticipation note	4.10%	9/4/2008	9/4/2013	\$ 992,638	\$ 992,638	\$ -
<u>Other Obligations:</u>						
Capital Leases (Note 8)					\$ 357,060	\$ 251,700
Landfill Closure and Postclosure Monitoring Liability					1,100,775	-
OPEB Obligation					7,153	-
Compensated Absences					522,126	391,595
Total Other Obligations					<u>\$ 1,987,114</u>	<u>\$ 643,295</u>
Total Long-Term Obligations					<u>\$ 20,999,322</u>	<u>\$ 1,899,645</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Primary Government – Enterprise Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2012	\$ 18,602	\$ 32,845
2013	19,371	32,076
2014	20,175	31,272
2015	21,015	30,432
2016	21,894	29,553
2017-2021	119,455	133,093
2022-2026	143,665	104,195
2027-2031	179,840	68,020
2032-2036	207,538	22,833
Totals	\$ 751,555	\$ 484,319

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2011.

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Revenue bonds	\$ 769,421	\$ -	\$ (17,866)	\$ 751,555

Details of long-term indebtedness:

Revenue Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Revenue bond	0.00%	3/24/1999	2019	\$ 37,500	\$ 14,063	\$ 1,875
Revenue bond	4.50%	4/10/1996	2036	900,000	737,492	16,727
Total Revenue Bonds					\$ 751,555	\$ 18,602

Note 7-Long-Term Debt: (continued)

Component Unit – School Board Indebtedness

The following is a summary of long-term debt transactions of the discretely presented component unit for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
OPEB obligation	\$ 34,000	\$ 276,346	\$ (261,969)	\$ 48,377
Early retirement incentive	-	50,000	-	50,000
Compensated absences	1,030,578	672,864	(772,934)	930,508
Total	\$ 1,064,578	\$ 999,210	\$ (1,034,903)	\$ 1,028,885

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Early retirement incentive	\$ 50,000	\$ 24,000
OPEB Obligation	48,377	-
Compensated Absences	930,508	697,881
Total Other Obligations	\$ 1,028,885	\$ 721,881

Note 8-Capital Leases:

Primary Government

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

The assets acquired through capital leases are as follows:

	<u>Machinery & Equipment</u>
Machinery and equipment	\$ 853,644
Less: Accumulated depreciation	<u>(222,414)</u>
Net Asset	\$ <u>631,230</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8-Capital Leases: (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30,	Capital Leases
2012	\$ 264,010
2013	<u>108,527</u>
Subtotal	\$ 372,537
Less, amount representing interest	<u>(15,477)</u>
Present Value of Lease Agreement	<u><u>\$ 357,060</u></u>

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Note 9-Employee Retirement System and Pension Plans:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

A. Plan Description (continued)

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Russell, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Russell, Virginia's contribution rate for the fiscal year ended 2011 was 10.52% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2011 was 14.07% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the County of Russell, Virginia's annual pension cost of \$579,314 and \$384,524 was equal to the County of Russell, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

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

C. Annual Pension Cost (continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2009	\$ 432,914	100.00%	\$ -
	6/30/2010	437,791	100.00%	-
	6/30/2011	579,314	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2009	\$ 422,641	100.00%	\$ -
	6/30/2010	412,281	100.00%	-
	6/30/2011	384,524	100.00%	-

¹ Employer portion only

Primary Government:

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

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

C. Annual Pension Cost (continued)

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

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 75.36% funded. The actuarial accrued liability for benefits was \$26,221,057, and the actuarial value of assets was \$19,759,376, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,461,681. The covered payroll (annual payroll of active employees covered by the plan) was \$5,581,443, and ratio of the UAAL to the covered payroll was 115.77%.

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

As of June 30, 2010, the most recent actuarial valuation date, the plan was 65.51% funded. The actuarial accrued liability for benefits was \$15,863,210, and the actuarial value of assets was \$10,392,200, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,471,010. The covered payroll (annual payroll of active employees covered by the plan) was \$2,838,654, and ratio of the UAAL to the covered payroll was 192.73%.

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

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

E. Discretely Presented Component Unit School Board

Professional Employees:

Plan Description

The Russell County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$700,575, \$1,202,914, and \$1,766,705 for the fiscal years ended 2011, 2010, and 2009, respectively. Employer contributions represented 3.93%, 8.81%, and 8.81% of covered payroll for the fiscal years ended 2011, 2010, and 2009, respectively.

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Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,541,333	\$ -	\$ -	\$ 1,541,333
Construction in progress	2,445,645	622,652	(1,573,847)	1,494,450
Total capital assets not being depreciated	<u>\$ 3,986,978</u>	<u>\$ 622,652</u>	<u>\$ (1,573,847)</u>	<u>\$ 3,035,783</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 26,775,666	\$ 1,633,847	\$ -	\$ 28,409,513
Machinery and equipment	3,783,064	235,696	(479,172)	3,539,588
Total capital assets being depreciated	<u>\$ 30,558,730</u>	<u>\$ 1,869,543</u>	<u>\$ (479,172)</u>	<u>\$ 31,949,101</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (11,363,217)	\$ (655,809)	\$ -	\$ (12,019,026)
Machinery and equipment	(2,255,478)	(504,015)	400,696	(2,358,797)
Total accumulated depreciation	<u>\$ (13,618,695)</u>	<u>\$ (1,159,824)</u>	<u>\$ 400,696</u>	<u>\$ (14,377,823)</u>
Total capital assets being depreciated, net	<u>\$ 16,940,035</u>	<u>\$ 709,719</u>	<u>\$ (78,476)</u>	<u>\$ 17,571,278</u>
Governmental activities capital assets, net	<u>\$ 20,927,013</u>	<u>\$ 1,332,371</u>	<u>\$ (1,652,323)</u>	<u>\$ 20,607,061</u>

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Note 10-Capital Assets: (continued)

Primary Government: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Utility plant	\$ 5,240,699	\$ -	\$ -	\$ 5,240,699
Machinery and equipment	75,470	-	-	75,470
Total capital assets being depreciated	<u>\$ 5,316,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,316,169</u>
Less: accumulated depreciation for:				
Utility plant	\$ (1,593,038)	\$ (131,017)	\$ -	\$ (1,724,055)
Machinery and equipment	(75,470)	-	-	(75,470)
Total accumulated depreciation	<u>\$ (1,668,508)</u>	<u>\$ (131,017)</u>	<u>\$ -</u>	<u>\$ (1,799,525)</u>
Total capital assets being depreciated, net	<u>\$ 3,647,661</u>	<u>\$ (131,017)</u>	<u>\$ -</u>	<u>\$ 3,516,644</u>
Business-Type activities capital assets, net	<u>\$ 3,647,661</u>	<u>\$ (131,017)</u>	<u>\$ -</u>	<u>\$ 3,516,644</u>

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

Governmental activities:	
General government administration	\$ 14,878
Judicial administration	6,016
Public safety	193,741
Public works	49,978
Health and welfare	40,958
Education	811,839
Parks, recreation, and cultural	34,600
Community development	7,814
	<u>1,159,824</u>
Total depreciation expense-governmental activities	<u>\$ 1,159,824</u>
Business-Type activities:	
Sewer Authority	<u>\$ 131,017</u>

Note 10-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2011 was as follows:

Discretely Presented Component Unit – School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,643,707	\$ -	\$ -	\$ 4,643,707
Construction in progress	90,571	-	-	90,571
Total capital assets not being depreciated	<u>\$ 4,734,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,734,278</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,713,922	\$ -	\$ -	\$ 18,713,922
Machinery and equipment	5,206,824	526,414	(17,467)	5,715,771
Total capital assets being depreciated	<u>\$ 23,920,746</u>	<u>\$ 526,414</u>	<u>\$ (17,467)</u>	<u>\$ 24,429,693</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (7,393,022)	\$ (444,310)	\$ -	\$ (7,837,332)
Machinery and equipment	(3,453,568)	(521,182)	-	(3,974,750)
Total accumulated depreciation	<u>\$ (10,846,590)</u>	<u>\$ (965,492)</u>	<u>\$ -</u>	<u>\$ (11,812,082)</u>
Total capital assets being depreciated, net	<u>\$ 13,074,156</u>	<u>\$ (439,078)</u>	<u>\$ (17,467)</u>	<u>\$ 12,617,611</u>
Governmental activities capital assets, net	<u>\$ 17,808,434</u>	<u>\$ (439,078)</u>	<u>\$ (17,467)</u>	<u>\$ 17,351,889</u>

Note 11-Risk Management:

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

Note 12-Contingent Liabilities:

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

Note 13-Surety Bonds:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Ann McReynolds, Clerk of the Circuit Court	\$ 1,010,000
Patrick Thompson, Treasurer	400,000
Randy N. Williams, Commissioner of the Revenue	3,000
Steve Dye, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
<u>Hartford Company - Surety:</u>	
Tammy Caldwell - Clerk of the School Board	\$ 10,000
All school employees: blanket bond	10,000
<u>USF&G Insurance Co. - Surety:</u>	
All Social Services employees-blanket bond	\$ 100,000

Note 14-Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$1,100,775 is the total estimated closure and postclosure care liability at June 30, 2011. 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 2011. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs.

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Note 15-Deferred (Unearned) Revenue:

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 6,903,497	\$ 4,305,889
Prepaid taxes	81,455	81,455
Total deferred/unearned revenue for governmental funds	<u>\$ 6,984,952</u>	<u>\$ 4,387,344</u>

Note 16-Self Health Insurance:

The County of Russell, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2011, a total of \$5,662,475 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, 2011, 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 \$339,622 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 2011 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>
2010-11	\$ 382,401	\$ 5,619,696	\$ (5,662,475)	\$ 339,622

Note 17-Commitments and Contingencies:

The School Board has obligated funds for the projects described below as of June 30, 2011:

	<u>Original Contract</u>	<u>Amount Paid As of 6/30/2011</u>	<u>Remaining Contract Amount</u>	<u>Accounts Payable</u>	<u>Retainage Payable</u>
Honaker Library Renovations	\$ 114,335	\$ 15,000	\$ 99,335	\$ 30,000	\$ -

Note 17-Commitments and Contingencies: (continued)

The Board of Supervisors has provided a moral obligation on many of the component unit Russell County Industrial Development Authority loans and bonds. During fiscal year 2011, the County paid \$1,058,677 towards the Authority's outstanding debt.

Note 18-Other Post-Employment Benefits-Health Insurance:

A. Plan Description

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

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

B. Funding Policy

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

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

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

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

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 42,468
Interest on net OPEB obligation	207
Adjustment to annual required contribution	(302)
Annual OPEB cost (expense)	<u>42,373</u>
Contributions made	<u>40,169</u>
Increase in net OPEB obligation	2,204
Net OPEB obligation - beginning of year	4,949
Net OPEB obligation - end of year	<u>\$ 7,153</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2009 \$	41,332	88.04%	\$ 4,945
6/30/2010	42,981	99.99%	4,949
6/30/2011	42,373	94.80%	7,153

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

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

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

Annual required contribution	\$ 276,964
Interest on net OPEB obligation	1,350
Adjustment to annual required contribution	(1,968)
Annual OPEB cost (expense)	<u>276,346</u>
Contributions made	<u>261,969</u>
Increase in net OPEB obligation	14,377
Net OPEB obligation - beginning of year	34,000
Net OPEB obligation - end of year	<u>\$ 48,377</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2009	\$ 283,961	88.04%	\$ 33,972
6/30/2010	295,287	88.04%	\$ 34,000
6/30/2011	276,346	94.80%	48,377

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of July 1, 2010, is as follows:

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

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

D. Funded Status and Funding Progress (continued)

The funded status of the Plan for the School Board as of July 1, 2010, is as follows:

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

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

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

E. Actuarial Methods and Assumptions

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

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

In the July 1, 2010, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflation at 2.50 percent, plus productivity component of 1.25 percent, investment rate of return at 4.00 percent, and a health care trend rate of 10.00 percent graded to 5.00 percent over 8 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011 was 20 years.

Note 19-Other Post-Employment Benefits-VRS Health Insurance Credit:

A. Plan Description

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

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

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

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was 0.06% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation:

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

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Note 19-Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)

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

For 2011, the County's contribution of \$3,304 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011:

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

*only two years available

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 76,866
Actuarial value of plan assets	\$ 71,521
Unfunded actuarial accrued liability (UAAL)	\$ 5,345
Funded ratio (actuarial value of plan assets/AAL)	93.05%
Covered payroll (active plan members)	\$ 5,581,443
UAAL as a percentage of covered payroll	0.10%

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

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

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Note 19-Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2009 was 26 years.

F. Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.08% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2011 was \$165,875 and equaled the required contributions.

Note 20-Moral Obligations

The County has signed support agreements that back certain debt obligations of the Russell County Industrial Development Authority (a component unit of the County). In these agreements, the Board of Supervisors has a non-binding (moral obligation) to fund the Russell County Industrial Development Authority in amounts sufficient to cover debt service on referenced obligations. To date, the County of Russell, Virginia has provided funds sufficient to cover such debt service. As of June 30, 2011, the outstanding balance such loans was \$7,834,623. During fiscal year 2011, the County paid \$1,058,677 in debt service for the Russell County Industrial Development Authority.

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 12,283,491	\$ 12,283,491	\$ 13,548,896	\$ 1,265,405
Other local taxes	4,399,074	4,399,074	4,553,398	154,324
Permits, privilege fees, and regulatory licenses	34,313	34,313	22,834	(11,479)
Fines and forfeitures	1,000	1,000	1,206	206
Revenue from the use of money and property	76,812	76,812	58,402	(18,410)
Charges for services	247,817	247,817	240,951	(6,866)
Miscellaneous	150,200	150,200	177,669	27,469
Recovered costs	1,149,866	1,149,866	294,919	(854,947)
Intergovernmental revenues:				
Commonwealth	8,669,547	8,669,547	8,677,512	7,965
Federal	-	-	2,454,979	2,454,979
Total revenues	\$ 27,012,120	\$ 27,012,120	\$ 30,030,766	\$ 3,018,646
EXPENDITURES				
Current:				
General government administration	\$ 1,939,882	\$ 1,939,882	\$ 1,712,850	\$ 227,032
Judicial administration	2,048,976	2,048,976	2,106,641	(57,665)
Public safety	4,805,896	4,805,896	5,226,797	(420,901)
Public works	3,571,926	3,571,926	3,305,813	266,113
Health and welfare	5,329,104	5,329,104	6,523,318	(1,194,214)
Education	5,073,470	5,073,470	5,167,968	(94,498)
Parks, recreation, and cultural	450,299	450,299	556,723	(106,424)
Community development	1,097,202	1,097,202	2,311,048	(1,213,846)
Nondepartmental	-	-	103,820	(103,820)
Capital projects	786,963	786,963	1,540,233	(753,270)
Debt service:				
Principal retirement	1,349,016	1,349,016	1,794,455	(445,439)
Interest and other fiscal charges	558,505	558,505	742,921	(184,416)
Total expenditures	\$ 27,011,239	\$ 27,011,239	\$ 31,092,587	\$ (4,081,348)
Excess (deficiency) of revenues over (under) expenditures	\$ 881	\$ 881	\$ (1,061,821)	\$ (1,062,702)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (881)	\$ (881)	\$ (266,092)	\$ (265,211)
Total other financing sources and uses	\$ (881)	\$ (881)	\$ (266,092)	\$ (265,211)
Net change in fund balances	\$ -	\$ -	\$ (1,327,913)	\$ (1,327,913)
Fund balances - beginning	-	-	6,238,162	6,238,162
Fund balances - ending	\$ -	\$ -	\$ 4,910,249	\$ 4,910,249

County of Russell, Virginia
 Special Revenue Fund - Industrial Development Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,239	\$ 3,239
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 3,239	\$ 3,239
Net change in fund balances	\$ -	\$ -	\$ 3,239	\$ 3,239
Fund balances - beginning	-	-	1,846,042	1,846,042
Fund balances - ending	\$ -	\$ -	\$ 1,849,281	\$ 1,849,281

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 3,575,600	\$ 3,575,600	\$ 1,787,521	\$ (1,788,079)
Revenue from the use of money and property	-	-	10,373	10,373
Total revenues	\$ 3,575,600	\$ 3,575,600	\$ 1,797,894	\$ (1,777,706)
EXPENDITURES				
Current:				
Public works	\$ 3,575,600	\$ 3,575,600	\$ 796,466	\$ 2,779,134
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,001,428	\$ 1,001,428
Net change in fund balances	\$ -	\$ -	\$ 1,001,428	\$ 1,001,428
Fund balances - beginning	-	-	1,514,134	1,514,134
Fund balances - ending	\$ -	\$ -	\$ 2,515,562	\$ 2,515,562

County of Russell, Virginia
 Special Revenue Fund - Workforce Investment Board Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ -	\$ -	\$ 67,834	\$ 67,834
Federal	2,167,976	2,167,976	2,073,753	(94,223)
Total revenues	\$ 2,167,976	\$ 2,167,976	\$ 2,141,587	\$ (26,389)
EXPENDITURES				
Current:				
Health and welfare	\$ 2,167,976	\$ 2,167,976	\$ 2,118,529	\$ 49,447
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 23,058	\$ 23,058
Net change in fund balances	\$ -	\$ -	\$ 23,058	\$ 23,058
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 23,058	\$ 23,058

County of Russell, Virginia
 Special Revenue Fund - Rental Assistance Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 83,233	\$ 83,233	\$ -	\$ (83,233)
EXPENDITURES				
Current:				
Health and welfare	\$ 84,114	\$ 84,114	\$ 20,205	\$ 63,909
Excess (deficiency) of revenues over (under) expenditures	\$ (881)	\$ (881)	\$ (20,205)	\$ (19,324)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 881	\$ 881	\$ 20,205	\$ 19,324
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

County of Russell, Virginia
Required Supplementary Information

Schedules of Pension and OPEB Funding Progress
For the Year Ended June 30, 2011

Primary Government

County Retirement Plan:

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2010	\$ 19,759,376	\$ 26,221,057	\$ 6,461,681	75.36%	\$ 5,581,443	115.77%
June 30, 2009	19,933,712	23,803,518	3,869,806	83.74%	5,559,094	69.61%
June 30, 2008	19,979,433	22,063,871	2,084,438	90.55%	5,013,469	41.58%

County Other Postemployment Benefits-Health Insurance:

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

County Other Postemployment Benefits-VRS Health Insurance Credit:

Valuation as of (*) (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2010	\$ 71,521	\$ 76,866	\$ 5,345	93.05%	\$ 5,581,443	0.10%
June 30, 2009	60,586	72,718	12,132	83.32%	5,559,094	0.22%
June 30, 2008	75,699	132,923	57,224	56.95%	5,013,469	1.14%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan:

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2010	\$ 10,392,200	\$ 15,863,210	\$ 5,471,010	65.51%	\$ 2,838,654	192.73%
June 30, 2009	10,588,117	14,751,035	4,162,918	71.78%	2,878,696	144.61%
June 30, 2008	10,678,577	13,994,136	3,315,559	76.31%	2,603,882	127.33%

School Board Other Postemployment Benefits-Health Insurance:

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

*Only two years available

Other Supplementary Information

FIDUCIARY FUNDS

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

County of Russell, Virginia
 Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	<u>\$ 54,533</u>	<u>\$ 116,009</u>	<u>\$ (107,726)</u>	<u>\$ 62,816</u>
Liabilities				
Amounts held for social services clients	<u>\$ 54,533</u>	<u>\$ 116,009</u>	<u>\$ (107,726)</u>	<u>\$ 62,816</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Russell, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,244,246
Receivables (net of allowance for uncollectibles):	
Accounts receivable	34,707
Due from other governmental units	2,103,255
Prepaid items	115,673
Total assets	<u>\$ 4,497,881</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 413,190
Salaries payable	997,101
Total liabilities	<u>\$ 1,410,291</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 115,673
Committed:	
Textbook purchases	200,387
Unassigned:	
Total fund balances	<u>\$ 3,087,590</u>
Total liabilities and fund balances	<u>\$ 4,497,881</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 3,087,590
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,351,889
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,028,885)
Net assets of governmental activities	<u>\$ 19,410,594</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, 2011

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 1,500
Charges for services	861,042
Miscellaneous	239,214
Recovered costs	603,480
Intergovernmental revenues:	
Local government	4,987,190
Commonwealth	24,620,227
Federal	9,823,404
Total revenues	<u>\$ 41,136,057</u>
EXPENDITURES	
Current:	
Education	<u>\$ 40,092,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,043,141</u>
Net change in fund balances	\$ 1,043,141
Fund balances - beginning	2,044,449
Fund balances - ending	<u><u>\$ 3,087,590</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because	
Net change in fund balances - total governmental funds - per above	\$ 1,043,141
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(456,545)
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	35,693
Change in net assets of governmental activities	<u><u>\$ 622,289</u></u>

County of Russell, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 20,561	\$ 20,561	\$ 1,500	\$ (19,061)
Charges for services	792,844	792,844	861,042	68,198
Miscellaneous	157,546	157,546	239,214	81,668
Recovered costs	474,642	474,642	603,480	128,838
Intergovernmental revenues:				
Local government	5,027,893	5,027,893	4,987,190	(40,703)
Commonwealth	24,959,789	24,959,789	24,620,227	(339,562)
Federal	11,011,847	12,125,929	9,823,404	(2,302,525)
Total revenues	<u>\$ 42,445,122</u>	<u>\$ 43,559,204</u>	<u>\$ 41,136,057</u>	<u>\$ (2,423,147)</u>
EXPENDITURES				
Current:				
Education	\$ 42,845,122	\$ 43,959,204	\$ 40,092,916	\$ 3,866,288
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (400,000)</u>	<u>\$ (400,000)</u>	<u>\$ 1,043,141</u>	<u>\$ 1,443,141</u>
Net change in fund balances	\$ (400,000)	\$ (400,000)	\$ 1,043,141	\$ 1,443,141
Fund balances - beginning	400,000	400,000	2,044,449	1,644,449
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,087,590</u>	<u>\$ 3,087,590</u>

Supporting Schedules

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 5,505,575	\$ 5,505,575	\$ 6,308,231	\$ 802,656
Real and Personal PSC Tax	1,600,000	1,600,000	2,220,978	620,978
Personal Property Tax	2,445,891	2,445,891	2,269,091	(176,800)
Mobile Home Tax	115,000	115,000	112,450	(2,550)
Machinery and Tools Tax	1,602,000	1,602,000	1,427,156	(174,844)
Merchants Capital	34,200	34,200	29,525	(4,675)
Mineral Tax	798,000	798,000	856,978	58,978
Penalties	50,000	50,000	109,316	59,316
Interest	132,825	132,825	215,171	82,346
Total general property taxes	<u>\$ 12,283,491</u>	<u>\$ 12,283,491</u>	<u>\$ 13,548,896</u>	<u>\$ 1,265,405</u>
Other local taxes:				
Local Sales and Use Tax	\$ 1,873,172	\$ 1,873,172	\$ 1,832,391	\$ (40,781)
Consumers' Utility Tax	612,456	612,456	587,625	(24,831)
Consumption Taxes	92,039	92,039	93,818	1,779
Franchise License Tax	-	-	17,952	17,952
Coal Severance Tax	1,612,057	1,612,057	1,787,521	175,464
E911 tax	94,170	94,170	86,876	(7,294)
Grantee tax	115,180	115,180	101,414	(13,766)
Motor Vehicle Licenses	-	-	25,615	25,615
Taxes on Recordation and Wills	-	-	20,186	20,186
Total other local taxes	<u>\$ 4,399,074</u>	<u>\$ 4,399,074</u>	<u>\$ 4,553,398</u>	<u>\$ 154,324</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,000	\$ 1,000	\$ 1,569	\$ 569
Transfer fees	750	750	812	62
Building permits	32,000	32,000	18,494	(13,506)
Other permits and other licenses	563	563	1,959	1,396
Total permits, privilege fees, and regulatory licenses	<u>\$ 34,313</u>	<u>\$ 34,313</u>	<u>\$ 22,834</u>	<u>\$ (11,479)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,000	\$ 1,000	\$ 1,206	\$ 206
Revenue from use of money and property:				
Revenue from use of money	\$ 76,812	\$ 76,812	\$ 58,402	\$ (18,410)
Charges for services:				
Charges for law enforcement and traffic control	\$ 25,000	\$ 25,000	\$ 2,153	\$ (22,847)
Charges for Commonwealth's Attorney	1,500	1,500	2,338	838
Miscellaneous jail and inmate fees	-	-	3,833	3,833
District court fees	-	-	3,206	3,206
Clerk's collections	-	-	892	892
Charges for sanitation and waste removal	164,155	164,155	134,370	(29,785)
Charges for library	23,117	23,117	7,394	(15,723)
Courthouse maintenance fees	6,045	6,045	7,185	1,140
Courthouse security fees	-	-	38,445	38,445
Cannery charges	28,000	28,000	27,590	(410)
Other charges for services	-	-	13,545	13,545
Total charges for services	<u>\$ 247,817</u>	<u>\$ 247,817</u>	<u>\$ 240,951</u>	<u>\$ (6,866)</u>

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Sale of maps, ordinances	\$ -	\$ -	\$ 438	\$ 438
Donations	-	-	24,491	24,491
Miscellaneous other	150,200	150,200	136,085	(14,115)
Sheriff's Department	-	-	16,655	16,655
Total miscellaneous revenue	<u>\$ 150,200</u>	<u>\$ 150,200</u>	<u>\$ 177,669</u>	<u>\$ 27,469</u>
Recovered costs:				
Housing Fund	\$ -	\$ -	\$ 1,800	\$ 1,800
Telephone	-	-	3,326	3,326
Extradition expense	-	-	87	87
Recovered Cost - Social Services	20,000	20,000	38,337	18,337
Recovered Cost - Health Department	-	-	51,327	51,327
Recovered Cost - Tax Collections	50,000	50,000	2,287	(47,713)
Recovered Cost - Sheriff	4,500	4,500	112,500	108,000
Insurance recoveries	-	-	62,413	62,413
Restitution	-	-	11,375	11,375
Recovered Cost - Alcohol Safety	323,366	323,366	5,620	(317,746)
Recovered Cost - Regional Jail	-	-	5,320	5,320
Recovered Cost - Industrial	752,000	752,000	-	(752,000)
Other Recovered Costs	-	-	527	527
Total recovered costs	<u>\$ 1,149,866</u>	<u>\$ 1,149,866</u>	<u>\$ 294,919</u>	<u>\$ (854,947)</u>
Total revenue from local sources	<u>\$ 18,342,573</u>	<u>\$ 18,342,573</u>	<u>\$ 18,898,275</u>	<u>\$ 555,702</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 129,600	\$ 129,600	\$ 124,029	\$ (5,571)
Mobile home titling tax	100,700	100,700	135,780	35,080
Motor vehicle rental tax	-	-	2,999	2,999
Communications tax	796,921	796,921	896,967	100,046
State recordation tax	20,000	20,000	41,424	21,424
Personal property tax relief act funds	1,350,000	1,350,000	1,437,003	87,003
Total noncategorical aid	<u>\$ 2,397,221</u>	<u>\$ 2,397,221</u>	<u>\$ 2,638,202</u>	<u>\$ 240,981</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 261,069	\$ 261,069	\$ 302,244	\$ 41,175
Sheriff	1,153,817	1,153,817	1,262,618	108,801
Commissioner of revenue	148,170	148,170	155,384	7,214
Treasurer	145,645	145,645	103,032	(42,613)
Medical examiner	400	400	-	(400)
Registrar/electoral board	65,000	65,000	41,225	(23,775)
Clerk of the Circuit Court	307,170	307,170	241,798	(65,372)
Total Shared Expenses	<u>\$ 2,081,271</u>	<u>\$ 2,081,271</u>	<u>\$ 2,106,301</u>	<u>\$ 25,030</u>
Other categorical aid:				
Victim witness grant	\$ 22,222	\$ 22,222	\$ -	\$ (22,222)
Community development block grant	65,000	65,000	716,397	651,397
GIS	-	-	1,590	1,590
Asset forfeiture funds	-	-	4,983	4,983

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
EMS grants	\$ 12,000	\$ 12,000	\$ 30,448	\$ 18,448
Fire Program Funds	35,000	35,000	71,250	36,250
Library grants	80,548	80,548	71,917	(8,631)
Litter control grants	13,500	13,500	12,398	(1,102)
Public assistance	-	-	1,694,360	1,694,360
Comprehensive services act	619,050	619,050	1,295,877	676,827
School resource officer grants	-	-	33,789	33,789
Other state funds	3,343,735	3,343,735	-	(3,343,735)
Total other categorical aid	<u>\$ 4,191,055</u>	<u>\$ 4,191,055</u>	<u>\$ 3,933,009</u>	<u>\$ (258,046)</u>
Total categorical aid	<u>\$ 6,272,326</u>	<u>\$ 6,272,326</u>	<u>\$ 6,039,310</u>	<u>\$ (233,016)</u>
Total revenue from the Commonwealth	<u>\$ 8,669,547</u>	<u>\$ 8,669,547</u>	<u>\$ 8,677,512</u>	<u>\$ 7,965</u>
Revenue from the federal government:				
Categorical aid:				
CDBG grants	\$ -	\$ -	\$ 100,846	\$ 100,846
ARRA - Violence against women	-	-	18,061	18,061
Violence against women	-	-	38,550	38,550
ARRA - Watershed protection grant	-	-	7,514	7,514
Emergency management grants	-	-	88,305	88,305
DMV ground transportation safety grant	-	-	17,186	17,186
Public assistance	-	-	2,149,121	2,149,121
ARRA - Public assistance	-	-	35,396	35,396
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,454,979</u>	<u>\$ 2,454,979</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,454,979</u>	<u>\$ 2,454,979</u>
Total General Fund	<u>\$ 27,012,120</u>	<u>\$ 27,012,120</u>	<u>\$ 30,030,766</u>	<u>\$ 3,018,646</u>
Special Revenue Funds:				
Industrial Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,239</u>	<u>\$ 3,239</u>
Total Industrial Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,239</u>	<u>\$ 3,239</u>
Coal Road Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	<u>\$ 3,575,600</u>	<u>\$ 3,575,600</u>	<u>\$ 1,787,521</u>	<u>\$ (1,788,079)</u>
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,373</u>	<u>\$ 10,373</u>
Total revenue from local sources	<u>\$ 3,575,600</u>	<u>\$ 3,575,600</u>	<u>\$ 1,797,894</u>	<u>\$ (1,777,706)</u>
Total Coal Road Fund	<u>\$ 3,575,600</u>	<u>\$ 3,575,600</u>	<u>\$ 1,797,894</u>	<u>\$ (1,777,706)</u>

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Rental Assistance Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Rental Assistance Grants	\$ 83,233	\$ 83,233	\$ -	\$ (83,233)
Total revenue from the Commonwealth	\$ 83,233	\$ 83,233	\$ -	\$ (83,233)
Total Rental Assistance Fund	\$ 83,233	\$ 83,233	\$ -	\$ (83,233)
Workforce Investment Board Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Workforce Investment	\$ -	\$ -	\$ 67,834	\$ 67,834
Total revenue from the Commonwealth	\$ -	\$ -	\$ 67,834	\$ 67,834
Revenue from the federal government:				
Categorical aid:				
Workforce Investment	\$ 2,167,976	\$ 2,167,976	\$ 2,073,753	\$ (94,223)
Total revenue from the federal government	\$ 2,167,976	\$ 2,167,976	\$ 2,073,753	\$ (94,223)
Total Workforce Investment Board Fund	\$ 2,167,976	\$ 2,167,976	\$ 2,141,587	\$ (26,389)
Total Primary Government	\$ 32,838,929	\$ 32,838,929	\$ 33,973,486	\$ 1,134,557
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 19,061	\$ 19,061	\$ -	\$ (19,061)
Revenue from the use of property	1,500	1,500	1,500	-
Total revenue from use of money and property	\$ 20,561	\$ 20,561	\$ 1,500	\$ (19,061)
Charges for services:				
Cafeteria sales	\$ 682,214	\$ 682,214	\$ 620,802	\$ (61,412)
Tuition payments	-	-	8,410	8,410
Drivers Ed fees	14,000	14,000	6,600	(7,400)
Other charges for services	11,000	11,000	80,598	69,598
Regional Adult Education	75,630	75,630	140,590	64,960
GED Testing fees	10,000	10,000	4,042	(5,958)
Total charges for services	\$ 792,844	\$ 792,844	\$ 861,042	\$ 68,198
Miscellaneous revenue:				
Other miscellaneous	\$ 157,546	\$ 157,546	\$ 239,214	\$ 81,668
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 10,982	\$ 10,982
Extra duties revenue	23,000	23,000	28,822	5,822
Dual Enrollment	200,000	200,000	337,798	137,798
Sale of Equipment and Supplies	20,000	20,000	11,240	(8,760)
Reimburse Health Services	45,000	45,000	67,694	22,694
Other recovered costs	186,642	186,642	146,944	(39,698)
Total recovered costs	\$ 474,642	\$ 474,642	\$ 603,480	\$ 128,838
Total revenue from local sources	\$ 1,445,593	\$ 1,445,593	\$ 1,705,236	\$ 259,643

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Russell, Virginia	\$ 5,027,893	\$ 5,027,893	\$ 4,987,190	\$ (40,703)
Total revenues from local governments	<u>\$ 5,027,893</u>	<u>\$ 5,027,893</u>	<u>\$ 4,987,190</u>	<u>\$ (40,703)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,057,716	\$ 3,057,716	\$ 3,192,938	\$ 135,222
Basic Aid	13,828,621	13,828,621	13,101,154	(727,467)
Remedial summer education	178,445	178,445	180,612	2,167
Regular foster care	15,993	15,993	12,264	(3,729)
Gifted and talented	143,535	143,535	143,214	(321)
Remedial education	462,501	462,501	461,468	(1,033)
Special education	1,843,624	1,843,624	1,839,507	(4,117)
Textbook payment	167,585	167,585	167,211	(374)
Career and Technical Education	62,764	62,764	35,031	(27,733)
Alternative education	725,853	725,853	770,520	44,667
Elementary Alternative Education	-	-	2,575	2,575
Algebra readiness	63,975	63,975	63,856	(119)
Mentor teacher program	8,080	8,080	2,847	(5,233)
Social security fringe benefits	877,157	877,157	875,198	(1,959)
Group life	31,897	31,897	31,825	(72)
Retirement fringe benefits	519,915	519,915	518,754	(1,161)
Early reading intervention	59,910	59,910	98,252	38,342
Adult Education	6,338	6,338	-	(6,338)
Homebound education	97,145	97,145	58,944	(38,201)
Vocation education	539,053	539,053	574,297	35,244
At risk payments	533,919	533,919	532,662	(1,257)
Primary class size	572,002	572,002	579,562	7,560
Technology	400,000	400,000	455,217	55,217
Jobs for Virginia Graduates	22,500	22,500	32,250	9,750
Industry Certification Costs	-	-	3,481	3,481
At risk four-year olds	520,542	520,542	520,542	-
School Food	24,116	24,116	32,162	8,046
Other state funds	75,886	75,886	-	(75,886)
GED prep programs	15,717	15,717	104,217	88,500
Lottery payments	-	-	101,658	101,658
Tobacco Commission	20,000	20,000	17,096	(2,904)
Adult literacy	85,000	85,000	104,000	19,000
Special education-foster care	-	-	6,913	6,913
Total categorical aid	<u>\$ 24,959,789</u>	<u>\$ 24,959,789</u>	<u>\$ 24,620,227</u>	<u>\$ (339,562)</u>
Total revenue from the Commonwealth	<u>\$ 24,959,789</u>	<u>\$ 24,959,789</u>	<u>\$ 24,620,227</u>	<u>\$ (339,562)</u>
Revenue from the federal government:				
Categorical aid:				
Basic Adult Education	\$ 453,160	\$ 453,160	\$ 299,213	\$ (153,947)
Title I	1,277,967	1,277,967	1,180,478	(97,489)
ARRA - Title I	448,400	448,400	508,916	60,516
Special Education	997,236	997,236	728,381	(268,855)
ARRA - Special Education	446,297	446,297	501,942	55,645
Title VI-B, preschool	35,825	35,825	35,822	(3)
ARRA - Title VI-B, preschool	15,029	15,029	-	(15,029)
Vocational education	97,462	97,462	97,462	-
Drug free schools	23,834	23,834	22,739	(1,095)
School Food Program	1,111,129	1,111,129	1,300,669	189,540

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Educational Jobs program	\$ -	\$ 1,114,082	\$ 1,049,862	\$ (64,220)
Fresh fruit and vegetable program	-	-	19,208	19,208
Title II	327,208	327,208	254,725	(72,483)
Even start	365,645	365,645	316,196	(49,449)
21st century grant	1,826,501	1,826,501	1,196,134	(630,367)
ARRA - State fiscal stabilization funds	1,487,364	1,487,364	2,164,135	676,771
Learn and serve america	25,000	25,000	20,442	(4,558)
Rural and low income schools	-	-	90,774	90,774
ARRA - Educational technology	-	-	14,818	14,818
Educational technology	37,783	37,783	21,488	(16,295)
Other federal funds	2,036,007	2,036,007	-	(2,036,007)
Total categorical aid	<u>\$ 11,011,847</u>	<u>\$ 12,125,929</u>	<u>\$ 9,823,404</u>	<u>\$ (2,302,525)</u>
Total revenue from the federal government	<u>\$ 11,011,847</u>	<u>\$ 12,125,929</u>	<u>\$ 9,823,404</u>	<u>\$ (2,302,525)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 42,445,122</u>	<u>\$ 43,559,204</u>	<u>\$ 41,136,057</u>	<u>\$ (2,423,147)</u>

County of Russell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 195,097	\$ 195,097	\$ 176,722	\$ 18,375
General and financial administration:				
County administrator	\$ 495,141	\$ 495,141	\$ 429,961	\$ 65,180
Independent auditor	72,000	72,000	58,823	13,177
Commissioner of the revenue	301,979	301,979	274,381	27,598
Real estate assessor	142,022	142,022	100,804	41,218
Real estate assessment	10,000	10,000	23,216	(13,216)
Treasurer	406,481	406,481	384,718	21,763
Auto decals	12,500	12,500	-	12,500
Data processing	90,451	90,451	74,113	16,338
Total general and financial administration	<u>\$ 1,530,574</u>	<u>\$ 1,530,574</u>	<u>\$ 1,346,016</u>	<u>\$ 184,558</u>
Board of elections:				
Electoral Board	\$ 93,650	\$ 93,650	\$ 77,839	\$ 15,811
General Registrar	120,561	120,561	112,273	8,288
Total board of elections	<u>\$ 214,211</u>	<u>\$ 214,211</u>	<u>\$ 190,112</u>	<u>\$ 24,099</u>
Total general government administration	<u>\$ 1,939,882</u>	<u>\$ 1,939,882</u>	<u>\$ 1,712,850</u>	<u>\$ 227,032</u>
Judicial administration:				
Courts:				
Circuit Court	\$ 115,544	\$ 115,544	\$ 114,490	\$ 1,054
General District Court	16,200	16,200	9,345	6,855
Special Magistrates	15,400	15,400	9,994	5,406
Clerk's Office	390,187	390,187	346,696	43,491
Sheriff Courts	1,016,162	1,016,162	1,120,411	(104,249)
Victim and Witness Assistance	22,222	22,222	30,877	(8,655)
Law Library	-	-	3,455	(3,455)
Total courts	<u>\$ 1,575,715</u>	<u>\$ 1,575,715</u>	<u>\$ 1,635,268</u>	<u>\$ (59,553)</u>
Commonwealth's attorney:				
Commonwealth's Attorney	\$ 473,261	\$ 473,261	\$ 471,373	\$ 1,888
Total judicial administration	<u>\$ 2,048,976</u>	<u>\$ 2,048,976</u>	<u>\$ 2,106,641</u>	<u>\$ (57,665)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,431,974	\$ 1,431,974	\$ 1,851,554	\$ (419,580)
Alcohol Safety Action Program	323,366	323,366	13,140	310,226
Dare program	4,100	4,100	1,100	3,000
Total law enforcement and traffic control	<u>\$ 1,759,440</u>	<u>\$ 1,759,440</u>	<u>\$ 1,865,794</u>	<u>\$ (106,354)</u>
Fire and rescue services:				
Volunteer Fire Departments	\$ 242,391	\$ 242,391	\$ 270,013	\$ (27,622)
Ambulance Rescue Squad	170,575	170,575	189,048	(18,473)
Total fire and rescue services	<u>\$ 412,966</u>	<u>\$ 412,966</u>	<u>\$ 459,061</u>	<u>\$ (46,095)</u>
Correction and detention:				
Operation of Jail	\$ 1,524,831	\$ 1,524,831	\$ 1,781,659	\$ (256,828)
Probation Office	203,900	203,900	207,386	(3,486)
Total correction and detention	<u>\$ 1,728,731</u>	<u>\$ 1,728,731</u>	<u>\$ 1,989,045</u>	<u>\$ (260,314)</u>
Inspections:				
Building inspector	\$ 147,854	\$ 147,854	\$ 109,587	\$ 38,267

County of Russell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Forestry Service	\$ 12,100	\$ 12,100	\$ 12,098	\$ 2
Enhanced 911	475,623	475,623	464,323	11,300
Medical Examiner	1,250	1,250	880	370
Emergency Services	117,144	117,144	143,080	(25,936)
Animal Control	129,942	129,942	178,653	(48,711)
Animal Shelter	20,846	20,846	4,276	16,570
Total other protection	<u>\$ 756,905</u>	<u>\$ 756,905</u>	<u>\$ 803,310</u>	<u>\$ (46,405)</u>
Total public safety	<u>\$ 4,805,896</u>	<u>\$ 4,805,896</u>	<u>\$ 5,226,797</u>	<u>\$ (420,901)</u>
Public works:				
Sanitation and waste removal:				
Landfill	\$ 1,626,892	\$ 1,626,892	\$ 1,697,210	\$ (70,318)
Refuse collection	1,045,000	1,045,000	716,676	328,324
Litter Coordinator	75,602	75,602	77,363	(1,761)
Total sanitation and waste removal	<u>\$ 2,747,494</u>	<u>\$ 2,747,494</u>	<u>\$ 2,491,249</u>	<u>\$ 256,245</u>
Maintenance of general buildings and grounds:				
General properties	\$ 824,432	\$ 824,432	\$ 814,564	\$ 9,868
Total public works	<u>\$ 3,571,926</u>	<u>\$ 3,571,926</u>	<u>\$ 3,305,813</u>	<u>\$ 266,113</u>
Health and welfare:				
Health:				
Health Department	\$ 385,720	\$ 385,720	\$ 339,859	\$ 45,861
Mental health and mental retardation:				
Cumberland Mountain Community Services Board	\$ 45,220	\$ 45,220	\$ 49,095	\$ (3,875)
Welfare/Social Services:				
Health and welfare	\$ 3,992,864	\$ 3,992,864	\$ 70,612	\$ 3,922,252
Social services	24,619	24,619	4,270,273	(4,245,654)
Comprehensive Services Act	783,188	783,188	1,695,705	(912,517)
Appalachian Agency for Senior Citizens	86,555	86,555	86,836	(281)
Lebanon Speech and Hearing	10,938	10,938	10,938	-
Total welfare	<u>\$ 4,898,164</u>	<u>\$ 4,898,164</u>	<u>\$ 6,134,364</u>	<u>\$ (1,236,200)</u>
Total health and welfare	<u>\$ 5,329,104</u>	<u>\$ 5,329,104</u>	<u>\$ 6,523,318</u>	<u>\$ (1,194,214)</u>
Education:				
Contributions to County School Board	\$ 5,027,893	\$ 5,027,893	\$ 4,987,190	\$ 40,703
SVCC Contribution	45,577	45,577	180,778	(135,201)
Total education	<u>\$ 5,073,470</u>	<u>\$ 5,073,470</u>	<u>\$ 5,167,968</u>	<u>\$ (94,498)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Park	\$ 91,748	\$ 91,748	\$ 82,735	\$ 9,013
Library:				
Public Library	\$ 358,551	\$ 358,551	\$ 473,988	\$ (115,437)
Total parks, recreation, and cultural	<u>\$ 450,299</u>	<u>\$ 450,299</u>	<u>\$ 556,723</u>	<u>\$ (106,424)</u>

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning Commission	\$ 63,500	\$ 63,500	\$ 46,817	\$ 16,683
Community Development	83,205	83,205	140,044	(56,839)
Contribution to Industrial Development Authority	-	-	1,058,677	(1,058,677)
Industrial Development	597,317	597,317	443,988	153,329
PSA Contributions	-	-	345,000	(345,000)
Cumberland Plateau	33,583	33,583	33,583	-
Regional Housing	14,393	14,393	14,393	-
Highway Safety Commission	2,400	2,400	1,628	772
Canneries	128,904	128,904	101,192	27,712
Tourism	70,365	70,365	62,222	8,143
Total planning and community development	<u>\$ 993,667</u>	<u>\$ 993,667</u>	<u>\$ 2,247,544</u>	<u>\$ (1,253,877)</u>
Environmental management:				
Soil and Water Conservation	\$ 31,215	\$ 31,215	\$ 31,215	\$ -
Cooperative extension program:				
VPI Extension	\$ 72,320	\$ 72,320	\$ 32,289	\$ 40,031
Total community development	<u>\$ 1,097,202</u>	<u>\$ 1,097,202</u>	<u>\$ 2,311,048</u>	<u>\$ (1,213,846)</u>
Nondepartmental:				
Nondepartmental	\$ -	\$ -	\$ 103,820	\$ (103,820)
Capital projects:				
Water projects	\$ -	\$ -	\$ 9,387	\$ (9,387)
Other capital projects	786,963	786,963	953,195	(166,232)
School projects	-	-	577,651	(577,651)
Total capital projects	<u>\$ 786,963</u>	<u>\$ 786,963</u>	<u>\$ 1,540,233</u>	<u>\$ (753,270)</u>
Debt service:				
Principal payments	\$ 1,349,016	\$ 1,349,016	\$ 1,794,455	\$ (445,439)
Interest Expense	558,505	558,505	742,921	(184,416)
Total debt service	<u>\$ 1,907,521</u>	<u>\$ 1,907,521</u>	<u>\$ 2,537,376</u>	<u>\$ (629,855)</u>
Total General Fund	<u>\$ 27,011,239</u>	<u>\$ 27,011,239</u>	<u>\$ 31,092,587</u>	<u>\$ (4,081,348)</u>
Special Revenue Funds:				
Coal Road Fund:				
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Maintenance of highways, streets, bridges and sidewalks	\$ 3,000,600	\$ 3,000,600	\$ 254,117	\$ 2,746,483
Virginia coalfield	575,000	575,000	542,349	32,651
Total Public Works	<u>\$ 3,575,600</u>	<u>\$ 3,575,600</u>	<u>\$ 796,466</u>	<u>\$ 2,779,134</u>
Total Coal Road Fund	<u>\$ 3,575,600</u>	<u>\$ 3,575,600</u>	<u>\$ 796,466</u>	<u>\$ 2,779,134</u>
Rental Assistance Fund:				
Health and Welfare				
Welfare				
Rental Assistance	\$ 84,114	\$ 84,114	\$ 20,205	\$ 63,909
Total Rental Assistance Fund	<u>\$ 84,114</u>	<u>\$ 84,114</u>	<u>\$ 20,205</u>	<u>\$ 63,909</u>

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Workforce Investment Board Fund:				
Health and Welfare				
Welfare				
Workforce Investment	\$ 2,167,976	\$ 2,167,976	\$ 2,118,529	\$ 49,447
Total Primary Government	<u>\$ 32,838,929</u>	<u>\$ 32,838,929</u>	<u>\$ 34,027,787</u>	<u>\$ (1,188,858)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,414,030	\$ 1,414,030	\$ 1,248,507	\$ 165,523
Instruction costs:				
Instructional costs	\$ 29,229,858	\$ 30,343,940	\$ 29,139,082	\$ 1,204,858
Technology	460,664	460,664	457,689	2,975
Total instruction costs	<u>\$ 29,690,522</u>	<u>\$ 30,804,604</u>	<u>\$ 29,596,771</u>	<u>\$ 1,207,833</u>
Operating costs:				
Pupil transportation	\$ 2,743,486	\$ 2,743,486	\$ 2,459,017	\$ 284,469
Operation and maintenance of school plant	7,085,137	7,085,137	4,810,588	2,274,549
Food service and non-instructional	1,901,947	1,901,947	1,978,033	(76,086)
Facilities	10,000	10,000	-	10,000
Total operating costs	<u>\$ 11,740,570</u>	<u>\$ 11,740,570</u>	<u>\$ 9,247,638</u>	<u>\$ 2,492,932</u>
Total education	<u>\$ 42,845,122</u>	<u>\$ 43,959,204</u>	<u>\$ 40,092,916</u>	<u>\$ 3,866,288</u>
Total School Fund	<u>\$ 42,845,122</u>	<u>\$ 43,959,204</u>	<u>\$ 40,092,916</u>	<u>\$ 3,866,288</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 42,845,122</u>	<u>\$ 43,959,204</u>	<u>\$ 40,092,916</u>	<u>\$ 3,866,288</u>

Other Statistical Section

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare (2)	Education	Parks, Recreation, and Cultural	Community Development (3)	Interest on Long-Term Debt	Service Authority	Total
2010-11	\$ 1,691,031	\$ 2,112,758	\$ 5,091,612	\$ 4,003,987	\$ 8,592,042	\$ 5,681,243	\$ 563,123	\$ 3,191,256	\$ 756,064	\$ 423,945	\$ 32,107,061
2009-10	1,828,631	2,219,866	4,234,145	5,549,934	6,070,091	5,897,486	560,735	1,491,257	728,202	434,552	29,014,899
2008-09	1,706,342	2,243,005	4,013,947	6,055,397	5,982,456	5,471,573	541,087	4,826,721	758,753	407,145	32,006,426
2007-08	1,411,595	2,070,008	4,025,383	5,386,506	5,395,294	4,508,131	433,946	5,549,375	827,965	388,949	29,997,152
2006-07	1,465,480	1,710,751	3,667,580	2,867,007	4,880,408	3,884,301	477,515	3,246,100	852,493	422,425	23,474,060

(1) Information has only been available for 5 years.

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

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

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes (2)	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs (2)		
2010-11	\$ 337,064	\$ 10,635,876	\$ -	\$ 13,683,476	\$ 6,340,919	\$ 89,819	\$ 177,669	\$ 2,638,202	\$ 33,903,025	
2009-10	393,362	7,473,127	-	13,004,381	6,123,807	106,848	173,322	2,465,451	29,740,298	
2008-09	481,092	7,376,521	-	12,889,357	7,779,265	153,807	346,880	1,771,674	30,798,596	
2007-08	505,428	7,780,609	-	12,279,583	7,976,046	529,827	55,649	1,711,485	30,838,627	
2006-07	527,092	8,235,960	802,191	13,239,976	5,467,574	808,979	252,756	1,881,802	31,216,330	

(1) Information has only been available for 5 years.

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

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare (3)	Education (2)	Parks, Recreation, and Cultural	Community Development (4)	Non-departmental	Debt Service	Total
2010-11	\$ 1,712,850	\$ 2,106,641	\$ 5,226,797	\$ 4,102,279	\$ 8,662,052	\$ 40,273,694	\$ 556,723	\$ 2,311,048	\$ 103,820	\$ 2,537,376	\$ 67,593,280
2009-10	1,837,926	2,213,724	4,100,376	5,491,432	6,906,934	41,066,362	497,417	1,557,445	9,095	2,504,631	66,185,342
2008-09	1,702,193	2,236,691	4,383,789	6,093,232	6,672,387	42,452,183	547,104	3,925,736	56,093	2,547,424	70,616,832
2007-08	1,745,817	2,070,455	4,057,495	5,083,514	5,398,035	39,724,130	433,946	5,549,375	45,503	2,669,081	66,777,351
2006-07	1,547,966	1,805,418	3,863,960	3,205,718	5,126,034	41,346,518	493,366	5,699,361	-	2,429,487	65,517,828
2005-06	1,810,230	1,814,649	4,022,185	3,605,915	5,003,511	39,574,345	438,198	7,653,814	-	2,546,073	66,468,920
2004-05	1,471,043	1,059,566	3,977,841	3,434,569	4,948,270	33,030,292	339,244	5,186,187	-	2,704,665	56,151,677
2003-04	1,216,960	957,320	3,585,934	3,100,508	4,893,329	33,016,616	367,686	2,843,672	-	2,497,309	52,479,334
2002-03	1,267,146	977,540	3,651,469	3,067,788	4,910,495	27,683,380	378,365	4,133,801	-	2,111,104	48,181,088
2001-02	1,365,932	1,017,492	3,635,861	2,699,858	4,968,406	27,361,431	479,313	3,648,003	-	3,353,899	48,530,195

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

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

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes (3)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2), (3)	Total
2010-11	\$ 13,548,896	\$ 6,340,919	\$ 22,834	\$ 1,206	\$ 73,514	\$ 1,101,993	\$ 416,883	\$ 898,399	\$ 47,717,709	\$ 70,122,353
2009-10	12,841,457	6,123,807	45,877	1,049	74,279	998,548	293,467	1,732,861	43,856,378	65,967,723
2008-09	12,540,392	7,779,265	39,662	1,168	117,983	1,148,414	643,861	1,884,165	45,438,632	69,593,542
2007-08	11,826,325	7,976,046	44,933	321	501,144	1,023,848	510,972	796,913	43,519,497	66,199,999
2006-07	11,566,874	6,869,060	144,452	7,547	794,365	1,122,223	289,980	276,806	48,149,588	69,220,895
2005-06	12,337,123	6,713,063	52,707	8,181	660,142	878,017	310,534	187,855	42,906,554	64,054,176
2004-05	12,204,466	5,981,937	35,700	9,430	231,701	755,446	192,958	266,232	38,060,020	57,737,890
2003-04	10,148,719	4,820,255	38,906	9,938	74,324	892,392	209,598	283,077	35,517,991	51,995,200
2002-03	10,025,380	4,785,938	45,294	19,552	89,715	764,203	209,160	145,776	36,381,448	52,466,466
2001-02	10,375,632	3,909,367	64,261	11,766	228,739	791,877	164,096	476,465	30,997,358	47,019,561

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

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2010-11	\$ 14,682,949	\$ 13,329,182	90.78%	\$ 1,330,697	\$ 14,659,879	99.84%	\$ 3,847,456	26.20%
2009-10	14,169,807	13,774,932	97.21%	886,480	14,661,412	103.47%	3,624,318	25.58%
2008-09	14,091,178	13,212,582	93.76%	496,787	13,709,369	97.29%	3,506,132	24.88%
2007-08	13,784,900	12,618,969	91.54%	411,887	13,030,856	94.53%	3,234,367	23.46%
2006-07	12,104,262	8,435,607	69.69%	863,735	9,299,342	76.83%	1,628,182	13.45%
2005-06	11,360,623	11,118,399	97.87%	797,364	11,915,763	104.89%	1,854,243	16.32%
2004-05	10,576,870	9,740,619	92.09%	537,362	10,277,981	97.17%	1,849,194	17.48%
2003-04	9,070,812	8,274,805	91.22%	324,217	8,599,022	94.80%	1,772,141	19.54%
2002-03	8,989,461	8,106,975	90.18%	361,604	8,468,579	94.21%	1,853,569	20.62%
2001-02	9,760,635	8,957,849	91.78%	407,972	9,365,821	95.96%	1,481,506	15.18%

(1) Exclusive of penalties and interest.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Merchant's Capital	Mobile Homes	Public Service (2)	Total
2010-11	\$ 1,197,720,260	\$ 235,114,151	\$ 82,948,411	\$ 5,136,529	\$ 23,320,148	\$ 326,871,285	\$ 1,871,110,784
2009-10	1,181,352,276	224,871,200	96,552,183	5,402,115	22,864,821	253,750,196	1,784,792,791
2008-09	1,153,488,246	239,254,757	93,960,621	5,501,882	23,139,220	234,196,018	1,749,540,744
2007-08	1,130,643,127	243,837,948	107,205,468	5,742,600	23,608,064	231,981,492	1,743,018,699
2006-07	931,095,586	152,418,744	99,124,678	4,954,226	23,802,666	199,922,460	1,411,318,360
2005-06	927,558,386	241,849,424	92,859,770	5,113,134	26,020,997	206,306,945	1,499,708,656
2004-05	905,496,746	220,786,936	102,287,891	4,160,621	24,774,536	222,627,640	1,480,134,370
2003-04	885,323,887	205,377,101	77,287,167	3,438,802	23,763,122	226,411,983	1,421,602,062
2002-03	842,179,548	114,427,984	78,930,645	3,051,245	24,231,179	226,477,438	1,289,298,039
2001-02	810,877,087	199,122,212	67,692,057	2,978,115	22,720,856	227,820,417	1,331,210,744

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes
2010-11	\$ 0.61	\$ 1.65	\$ 1.65	\$ 0.65	0.61
2009-10	0.61	1.65	1.65	0.65	0.61
2008-09	0.61	1.65	1.65	0.65	0.61
2007-08(3)	0.56/0.61	1.65	1.65	0.65	0.56
2006-07(2)	0.65/0.56	1.65	1.65	NA	0.64
2005-06	0.65	1.65	1.65	NA	0.64
2004-05	0.60	1.45	2.45	NA	NA
2003-04	0.60	1.45	1.45	NA	NA
2002-03	0.55	1.45	1.45	NA	NA
2001-02	0.55	1.45	1.45	NA	NA

(1) Per \$100 of assessed value.

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

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

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
2010-11	28,897	\$ 1,871,111	\$ 14,066,729	\$ 14,066,729	0.75%	\$ 487
2009-10	28,790	1,784,793	15,315,245	15,315,245	0.86%	532
2008-09	28,790	1,749,541	14,878,819	14,878,819	0.85%	517
2007-08	28,790	1,743,019	14,584,265	14,584,265	0.84%	507
2006-07	28,790	1,411,318	14,836,861	14,836,861	1.05%	515
2005-06	28,790	1,499,709	12,594,094	12,594,094	0.84%	437
2004-05	28,830	1,480,134	13,633,304	13,633,304	0.92%	473
2003-04	28,795	1,421,602	14,670,561	14,670,561	1.03%	509
2002-03	28,940	1,289,298	15,770,006	15,770,006	1.22%	545
2001-02	28,944	1,331,211	12,408,937	12,408,937	0.93%	429

(1) Bureau of the Census

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

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

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

Table 9

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

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2010-11	\$ 2,537,376	\$ 67,593,280	3.75%
2009-10	2,504,631	66,185,342	3.78%
2008-09	2,547,424	70,616,832	3.61%
2007-08	2,669,081	66,777,351	4.00%
2006-07	2,429,487	65,517,828	3.71%
2005-06	2,546,073	66,468,920	3.83%
2004-05	1,775,036	56,151,677	3.16%
2003-04	1,742,481	52,479,334	3.32%
2002-03	1,658,923	48,181,088	3.44%
2001-02	1,939,714	48,530,195	4.00%

(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

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Russell, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Russell, Virginia's basic financial statements and have issued our report thereon dated November 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2011-1 and 2011-2 described in the accompanying schedule of findings, responses, and questioned costs to be material weaknesses.

Compliance and Other Matters

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

disclosed an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings, responses, and questioned costs as item 2011-3.

We noted certain matters that we reported to management of the County of Russell, Virginia, in a separate letter dated November 22, 2011.

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

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

Robinson, Faimer, Co. Associates

Blacksburg, Virginia
November 22, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the County of Russell, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Russell, Virginia's major federal programs for the year ended June 30, 2011. The County of Russell, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses, and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Russell, Virginia's management. Our responsibility is to express an opinion on the County of Russell, Virginia's compliance based on our audit.

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

As described in item 2011-5 in the accompanying schedule of findings, responses, and questioned costs, the County of Russell, Virginia did not comply with requirements regarding allowable costs that are applicable to its Twenty-first Century Community Learning Center Funds. Compliance with such requirements is necessary, in our opinion, for the County of Russell, Virginia to comply with the requirements applicable to that program.

As described in item 2011-6 in the accompanying schedule of findings, responses and questioned costs, the County of Russell, Virginia did not comply with requirements regarding Davis Bacon Act that are applicable to its ARRA – State Fiscal Stabilization Funds. Compliance with such requirements is necessary, in our opinion, for the County of Russell, Virginia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, the County of Russell, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-5 and 2011-6 to be material weaknesses.

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

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

Robinson, Faimer, Cox Associates

Blacksburg, Virginia
November 22, 2011

County of Russell, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110, 0950111	\$ 23,420
Temporary Assistance for Needy Families (TANF)	93.558	0400110, 0400111	602,769
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110, 0500111	598
Low-Income Home Energy Assistance	93.568	0600410, 0600411	27,514
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770110	21,771
ARRA - Child Care and Development Block Grant	93.713	0740109	3,048
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110, 0760111	78,269
Child Welfare Services - State Grants	93.645	0900110, 0900111	1,559
Foster Care - Title IV-E	93.658	1100110, 1100111	438,270
ARRA - Foster Care - Title IV-E	93.658	1100110, 1100111	22,612
Foster Care - Title IV-E Subtotal	93.658		<u>460,882</u>
Adoption Assistance	93.659	1120110, 1120111	118,318
ARRA - Adoption Assistance	93.659	1120110, 1120111	6,501
Adoption Assistance Subtotal	93.659		<u>124,819</u>
Social Services Block Grant	93.667	1000110, 1000111	296,107
Chafee Foster Care Independence Program	93.674	9150110, 9150111	12,232
Children's Health Insurance Program	93.767	0540110, 0540111	9,527
Medical Assistance Program	93.778	1200110, 1200111	<u>193,638</u>
Total Department of Health and Human Services			<u>\$ 1,856,153</u>
Department of Agriculture:			
Direct Payments:			
ARRA - Emergency Watershed Protection Program	10.923	Not applicable	<u>\$ 7,514</u>
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution-Schools (Note 3)	10.555	Not applicable	\$ 126,265
Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	40623	873,923
National School Lunch Program Subtotal			<u>\$ 1,000,188</u>
Department of Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	40591	300,481
Fresh Fruit and Vegetable Program	10.582	40599	19,208
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110, 0010111 0040110, 0040111	\$ 325,129
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110, 0010111 0040110, 0040111	3,235
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Subtotal	10.561		<u>\$ 328,364</u>

County of Russell, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass Through Payments: (Continued)			
Total Department of Agriculture - pass-through payments			<u>1,648,241</u>
Total Department of Agriculture			<u>\$ 1,655,755</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	09WFAX0037 10WFAX0041	\$ 38,550
ARRA - Stop Violence Against Women Formula Grants	16.588	09EFS60025	<u>18,061</u>
Total Department of Justice			<u>\$ 56,611</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety (402 Funds)	20.600	AL-2010 50321 3941 SC-2011 51346 4288	\$ 17,186
Total Department of Transportation			<u>\$ 17,186</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 299,213
Title I Cluster:			
Title I: Grants to Local Educational Agencies	84.010	42901	1,180,478
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	508,916
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	728,381
ARRA - Special Education - Grants to States	84.391	61245	501,942
Special Education - Preschool Grants	84.173	62521	35,822
Career and Technical Education: Basic Grants to States	84.048	61095	97,462
Safe and Drug Free Schools and Communities - State Grants	84.186	60511	22,739
Even Start - State Educational Agencies	84.213	42950, 86603	316,196
Twenty-First Century Community Learning Centers	84.287	60565	1,196,134
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	61600	21,488
ARRA - Education Technology State Grants	84.386	60897	14,818
Rural Education	84.358	43481	90,774
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	2,164,135
Education Jobs Funds	84.410	62700	1,049,862
Improving Teacher Quality State Grants	84.367	61480	<u>254,725</u>
Total Department of Education			<u>\$ 8,483,085</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228	50799	\$ 100,846

County of Russell, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Corporation for National Community Service:			
Pass Through Payments:			
Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	60185	\$ 20,442
Department of Labor:			
Pass Through Payments:			
Virginia Community College System:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	53427	\$ 392,777
ARRA - WIA Adult Program	17.258	53427	310,728
WIA Adult Program Subtotal	17.258		<u>703,505</u>
WIA Youth Activities	17.259	53427	508,992
ARRA - WIA Youth Activities	17.259	53427	364,322
WIA Youth Activities Subtotal	17.259		<u>873,314</u>
WIA Dislocated Workers	17.260	53427	231,765
ARRA - WIA Dislocated Workers	17.260	53427	265,169
WIA Dislocated Workers Subtotal	17.260		<u>496,934</u>
Total Department of Labor			<u>\$ 2,073,753</u>
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program (SHSP)	97.073	52707	\$ 19,770
Emergency Management Performance Grant	97.042	52740, 146	68,535
Total U.S. Department of Homeland Security			<u>\$ 88,305</u>
Total Expenditures of Federal Awards			<u>\$ 14,352,136</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Russell County, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Russell County, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Russell County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011 Russell County, Virginia had food commodities totaling \$0 in inventory.

County of Russell, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Note 4 -- Subrecipients

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount</u>
14.228	Community Development Block Gran	\$ 168,820
17.258, 17.259, 17.260	Workforce Investment Act Cluster	1,035,313

Note 5 -- Relationship to the Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,454,979
Workforce Investment Board Fund	<u>2,073,753</u>

Total primary government:	<u>\$ 4,528,732</u>
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Component Unit Schools:

School Operating Fund	<u>\$ 9,823,404</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 14,352,136</u></u>
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County of Russell, Virginia

Schedule of Findings, Responses and Questioned Costs
 Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? Yes

Federal Awards

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

Significant deficiency(ies) identified? No

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.173/84.027/84.391	Special Education Cluster
84.010/84.389	Title I: Part A Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluste
93.667	Social Services Block Grant
84.410	Education Jobs Funds
84.394	ARRA - State Fiscal Stabilization Funds - Education State Grants
84.287	Twenty-first Century Community Learning Centers
17.258/17.259/17.260	Workforce Investment Act Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$430,564

Auditee qualified as low-risk auditee? No

County of Russell, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011

Section II - Financial Statement Findings

2011-1

Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have proper controls in place to detect and correct errors in closing their year end financial statements.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Recommendation:	The County should review the auditors' proposed audit adjustments for 2011 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The County will review the auditors' proposed audit adjustments for 2011 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2011-2

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The School Board lacks proper segregation of duties over payroll.
Cause of Condition:	The School Board lacks the funding to fully support a completely segregated finance department.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over School Board payroll lacks proper segregation of duties, however to alleviate same would require additional staff. Due to cost constraints, the School Board has decided not to address the aforementioned internal control deficiency.

County of Russell, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011

Section II - Financial Statement Findings (continued)

2011-3

Criteria: The Code of Virginia, (1950), as amended requires that an appropriation exist prior to the expenditure of funds.

Condition: The IDA Debt Reduction Fund, VPA Expenditures Fund, Cannery Fund, and Employee Health Insurance Fund overspent the budget. Numerous departments within the General fund also overspent their budget.

Cause of Condition: The County has never posted supplemental appropriations to the accounting system.

Effect of Condition: The County has not met the requirements of the Code of Virginia, (1950), as amended.

Recommendation: The County should budget to include appropriations for all necessary expenditures.

Management's Response: Management will post additional appropriations to the accounting system and pay closer attention to budgeted and actual expenditures.

2011-4

Criteria: The Code of Virginia, (1950), requires that CSA pool expenditures be related to public or private nonresidential or residential services for troubled youths and families. The Auditor of Public Accounts (APA) requires that these expenditures be supported with written contracts or service agreements and an approved amount for the expenditure approved by the local social services board.

Condition: The County did not use the Uniform Documentation Inventory to assist the Community Policy and Management Team (CPMT) with development and maintenance of case documentation.

Context: Twenty five invoices were selected for testing. Fourteen were lacking service agreements and seven were lacking an approval for expenses by the CPMT.

Cause of Condition: Complexity of the program

Effect of Condition: The County was unable to provide service agreements or an amount approved for expense by the CPMT for numerous cases.

Recommendation: The County should use the Uniform Documentation Inventory as recommended by CSA.

Management's Response: Management will begin to use the Uniform Documentation Inventory as recommended to ensure proper documentation is available to support CSA pool expenditures.

County of Russell, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011

Section III - Federal Award Findings and Questioned Costs

<u>2011-5</u>	Twenty-first Century Community Learning Centers - CFDA 84.287 Number S287C090047, Award Year 2009	Award
Statement of Condition:	Allowable costs: The School Board charged an entire bill of \$12,482 for diesel fuel to the program without using an indirect rate or allocating costs to multiple cost centers. The School Board also charged \$33,000 to the program to reimburse the cafeteria for after school snacks without sufficient documentation supporting the request.	
Criteria:	Expenditures submitted for reimbursement should be traced to an exact cost and documented appropriately.	
Context:	Forty invoices were selected for review. The above instances of noncompliance were noted.	
Cause:	Lack of oversight regarding the submission and documenting of costs.	
Effect:	Reimbursement requests are not supported by documentation specifically related to the program.	
Questioned Costs:	The School Board has \$45,482 in questioned costs.	
Recommendation:	The School Board should review each reimbursement request to determine that it is supported appropriately by allowable expenditures.	
Management's Response and Planned Corrective Actions:	The School Board will review each reimbursement request to determine that it is supported appropriately by allowable expenditures.	

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County of Russell, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011

Section III - Federal Award Findings and Questioned Costs (continued)

<u>2011-6</u>	<u>ARRA - State Fiscal Stabilization Funds - Education State Grants - CFDA 84.394</u>
Statement of Condition:	Davis Bacon Act: The School Board did not receive weekly certified payrolls in conjunction with construction related to the schools.
Criteria:	The Davis Bacon Act requires that all contractors and subcontractors performing federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits.
Cause:	The School Board received a form from the Virginia Department of Education that the School Board required contractors to sign to document compliance. The School Board believed this to be the end of their responsibility in relation to the Davis Bacon Act.
Effect:	Although the School Board received signed notifications from contractors agreeing to follow the Davis Bacon Act, without reviewing the certified payrolls as required, there is a likelihood the School Board is not in compliance with the Davis Bacon Act.
Recommendation:	The School Board should require the contractors and subcontractors to submit weekly certified payrolls and review to ensure they meet the required prevailing wage rate clauses in the agreements.
Management's Response:	The School Board will require the contractors and subcontractors to submit weekly certified payrolls and review to ensure they meet the required prevailing wage rate clauses in the agreements.

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Findings 2010-1 and 2010-2 recurred during fiscal year 2011. Federal Award Findings and Questioned Costs 2010-4 recurred during fiscal year 2011. Federal Award Findings and Questioned Costs 2010-3 was corrected.