

COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

**COUNTY OF RUSSELL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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INTRODUCTORY SECTION

COUNTY OF RUSSELL, VIRGINIA

BOARD OF SUPERVISORS

Rebecca Dye, Chairman	Lou Wallace
Steve Breeding, Vice Chairman	David Eaton
Carl Rhea	Harry Ferguson
Tim Lovelace	

COUNTY SCHOOL BOARD

Donnie Ramey, Chairman	Charlie Collins
Wayne Bostic, Vice Chairman	Jeffrey Cook
Cynthia Compton	Alex Zachwieja, Jr.
Tim Ball	

SOCIAL SERVICES BOARD

Brain Ferguson, Chairman	Andrew Hensley
Rebecca Dye, Vice Chairman	Laurel Rasnick
Sharon Owens	

OTHER OFFICIALS

Clerk of the Circuit Court.....	Ann S. McReynolds
Commonwealth's Attorney.....	Zack A. Stoots
Commissioner of the Revenue.....	Randy N. Williams
Treasurer.....	Alicia McGlothlin
Sheriff.....	Steve Dye
Superintendent of Schools.....	Dr. Gregory A. Brown
Director of Social Services.....	Patrick Brunty
County Administrator.....	Lonzo Lester
County Attorney.....	Matthew Crum

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Russell, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements. These financial statements collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Except for the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Units-IDA and Russell County PSA" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit-School Board	Unmodified
Discretely Presented Component Unit-IDA	Disclaimer
Discretely Presented Component Unit-Russell Co PSA	Disclaimer
General Fund	Unmodified
Coal Road Fund	Unmodified
Workforce Investment Board Fund	Unmodified
Dante Fund	Unmodified
Self Health Insurance Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Discretely Presented Component Units-IDA and Russell County PSA

The financial statements of the Industrial Development Authority of the County of Russell, VA (IDA) and the Russell County Public Service Authority (Russell County PSA) have been omitted, and we were not engaged to audit the IDA and the Russell County PSA financial statements as part of our audit of the County's basic financial statements as the IDA and the Russell County PSA are audited by another CPA firm. The amounts by which these omissions would affect the assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenses of the discretely presented component units-IDA and Russell County PSA have not been determined.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Units-IDA and Russell County PSA" paragraph, we have not been able to obtain sufficient appropriate audit evidence from other auditors to provide a basis for an audit opinion on the financial statements of the discretely presented component units-IDA and Russell County PSA. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit-School Board, and the aggregate remaining fund information of the County of Russell, Virginia as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 27 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 105-107 and 108-128 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Russell, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Russell, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Russell, Virginia's internal control over financial reporting and compliance.

Prohaska, Fawcett, Cox Associates

Blacksburg, Virginia
December 31, 2019

Basic Financial Statements

County of Russell, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 6,714,540	\$ -	\$ 6,714,540	\$ 1,024,325
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,773,357	-	10,773,357	-
Accounts receivable	711,124	11,486	722,610	2,824
Due from component unit	1,161,535	-	1,161,535	-
Due from other governmental units	1,922,511	-	1,922,511	1,549,699
Internal balances	(3,447)	3,447	-	-
Prepaid items	-	-	-	326,948
Restricted assets:				
Cash and cash equivalents	674,435	49,575	724,010	-
Investments	360	-	360	-
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Land	643,695	-	643,695	5,636,345
Buildings and improvements	16,243,350	-	16,243,350	9,682,614
Machinery and equipment	1,693,404	7,695	1,701,099	1,601,982
Utility plant in service	-	2,468,507	2,468,507	-
Total assets	<u>\$ 40,534,864</u>	<u>\$ 2,540,710</u>	<u>\$ 43,075,574</u>	<u>\$ 19,824,737</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 783,236	\$ 1,737	\$ 784,973	\$ 3,853,016
OPEB related items	415,669	-	415,669	607,477
Total deferred outflows of resources	<u>\$ 1,198,905</u>	<u>\$ 1,737</u>	<u>\$ 1,200,642</u>	<u>\$ 4,460,493</u>
LIABILITIES				
Accounts payable	\$ 1,367,318	\$ 3,447	\$ 1,370,765	\$ 288,978
Accrued liabilities	-	-	-	1,067,372
Accrued interest payable	150,853	1,404	152,257	-
Due to primary government	-	-	-	961,535
Long-term liabilities:				
Due within one year	1,736,396	23,960	1,760,356	548,105
Due in more than one year	20,408,567	565,142	20,973,709	45,797,861
Total liabilities	<u>\$ 23,663,134</u>	<u>\$ 593,953</u>	<u>\$ 24,257,087</u>	<u>\$ 48,663,851</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 5,574,737	\$ -	\$ 5,574,737	\$ -
Pension related items	790,472	26,508	816,980	3,648,168
OPEB related items	247,021	-	247,021	488,046
Total deferred inflows of resources	<u>\$ 6,612,230</u>	<u>\$ 26,508</u>	<u>\$ 6,638,738</u>	<u>\$ 4,136,214</u>
NET POSITION				
Net investment in capital assets	\$ 8,112,355	\$ 1,896,120	\$ 10,008,475	\$ 16,920,941
Restricted:				
Coal Road	414,459	-	414,459	-
Asset forfeiture funds	336,738	-	336,738	-
Energy Lease Project	360	-	360	-
Debt service and bond covenants	-	49,575	49,575	-
Unrestricted (deficit)	2,594,493	(23,709)	2,570,784	(45,435,776)
Total net position (deficit)	<u>\$ 11,458,405</u>	<u>\$ 1,921,986</u>	<u>\$ 13,380,391</u>	<u>\$ (28,514,835)</u>

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

County of Russell, Virginia
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Government		
						Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,955,177	\$ -	\$ 324,802	\$ -	\$ (1,630,375)	\$ -	\$ (1,630,375)	
Judicial administration	2,461,521	17,283	801,603	-	(1,642,635)	-	(1,642,635)	
Public safety	6,222,716	115,994	2,120,398	50,000	(3,936,324)	-	(3,936,324)	
Public works	3,217,305	199,400	11,460	-	(3,006,445)	-	(3,006,445)	
Health and welfare	8,165,010	-	6,777,410	-	(1,387,600)	-	(1,387,600)	
Education	6,531,101	-	-	-	(6,531,101)	-	(6,531,101)	
Parks, recreation, and cultural	548,374	5,908	98,393	-	(444,073)	-	(444,073)	
Community development	935,883	47,415	-	-	(888,468)	-	(888,468)	
Interest on long-term debt	487,606	-	-	-	(487,606)	-	(487,606)	
Total governmental activities	\$ 30,524,693	\$ 386,000	\$ 10,134,066	\$ 50,000	\$ (19,954,627)	\$ -	\$ (19,954,627)	
Business-type activities:								
Dante Sewer	\$ 351,058	\$ 111,780	\$ -	\$ -	\$ -	\$ (239,278)	\$ (239,278)	
Total primary government	\$ 30,875,751	\$ 497,780	\$ 10,134,066	\$ 50,000	\$ (19,954,627)	\$ (239,278)	\$ (20,193,905)	
COMPONENT UNITS:								
School Board	\$ 41,287,881	\$ 390,754	\$ 34,299,377	\$ -			\$ (6,597,750)	
Total component units	\$ 41,287,881	\$ 390,754	\$ 34,299,377	\$ -			\$ (6,597,750)	
General revenues:								
General property taxes					\$ 17,541,471	\$ -	\$ 17,541,471	
Other local taxes:								
Local sales and use taxes					1,794,619	-	1,794,619	
Coal road and severance taxes					720,869	-	720,869	
Consumers' utility taxes					532,700	-	532,700	
Consumption taxes					76,061	-	76,061	
Grantee tax					75,451	-	75,451	
Other local taxes					50,796	-	50,796	
Unrestricted revenues from use of money and property					282,315	-	282,315	5,107
Miscellaneous					210,687	-	210,687	235,994
Payments from the County of Russell, Virginia					-	-	-	8,039,584
Grants and contributions not restricted to specific programs					2,422,355	-	2,422,355	-
Transfers					(152,233)	152,233	-	-
Total general revenues and transfers					\$ 23,555,091	\$ 152,233	\$ 23,707,324	\$ 8,280,685
Change in net position					\$ 3,600,464	\$ (87,045)	\$ 3,513,419	\$ 1,682,935
Net position (deficit) - beginning, as restated					7,857,941	2,009,031	9,866,972	(30,197,770)
Net position (deficit) - ending					\$ 11,458,405	\$ 1,921,986	\$ 13,380,391	\$ (28,514,835)

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

County of Russell, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,254,619	\$ -	\$ 3,773	\$ 3,258,392
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,773,357	-	-	10,773,357
Accounts receivable	117,862	22,222	-	140,084
Due from other funds	-	65,105	-	65,105
Due from component unit	1,161,535	-	-	1,161,535
Due from other governmental units	1,922,511	-	-	1,922,511
Restricted assets:				
Cash and cash equivalents	336,738	337,697	-	674,435
Investments	360	-	-	360
Total assets	<u>\$ 17,566,982</u>	<u>\$ 425,024</u>	<u>\$ 3,773</u>	<u>\$ 17,995,779</u>
LIABILITIES				
Accounts payable	\$ 492,016	\$ 10,565	\$ -	\$ 502,581
Due to other funds	68,552	-	-	68,552
Total liabilities	<u>\$ 560,568</u>	<u>\$ 10,565</u>	<u>\$ -</u>	<u>\$ 571,133</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>\$ 10,706,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,706,739</u>
FUND BALANCES				
Fund balances:				
Restricted:				
Coal Road	\$ -	\$ 414,459	\$ -	\$ 414,459
Asset forfeiture funds	336,738	-	-	336,738
Energy Lease Project	360	-	-	360
Assigned:				
Sheriff Funds	35,094	-	-	35,094
Library Donations	43,378	-	-	43,378
Law Library	52,537	-	-	52,537
Commonwealth Attorney	500	-	-	500
Housing	12,124	-	-	12,124
Health and Fitness	8,247	-	-	8,247
Unassigned	5,810,697	-	3,773	5,814,470
Total fund balances	<u>\$ 6,299,675</u>	<u>\$ 414,459</u>	<u>\$ 3,773</u>	<u>\$ 6,717,907</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,566,982</u>	<u>\$ 425,024</u>	<u>\$ 3,773</u>	<u>\$ 17,995,779</u>

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

County of Russell, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 6,717,907

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

Land	\$	643,695	
Buildings and improvements		16,243,350	
Machinery and equipment		<u>1,693,404</u>	18,580,449

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

Unavailable revenue - property taxes			5,132,002
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	783,236	
OPEB related items		<u>415,669</u>	1,198,905

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

3,162,451

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

Bonds and literary loans	\$	(8,841,904)	
Capital leases		(5,392,020)	
Unamortized premium		(165,687)	
Accrued interest payable		(150,853)	
Landfill accrued closure and postclosure liability		(293,509)	
Net OPEB liabilities		(2,475,567)	
Compensated absences		(574,111)	
Net pension liability		<u>(4,402,165)</u>	(22,295,816)

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

Pension related items	\$	(790,472)	
OPEB related items		<u>(247,021)</u>	(1,037,493)

Net position of governmental activities

\$ 11,458,405

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, 2019

	<u>General</u>	<u>Coal Road</u>	<u>Workforce Investment Board</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 15,901,393	\$ -	\$ -	\$ 15,901,393
Other local taxes	2,890,062	360,434	-	3,250,496
Permits, privilege fees, and regulatory licenses	43,183	-	-	43,183
Fines and forfeitures	13,545	-	-	13,545
Revenue from the use of money and property	274,536	2,205	-	276,741
Charges for services	329,272	-	-	329,272
Miscellaneous	210,687	-	-	210,687
Recovered costs	1,172,919	-	52,566	1,225,485
Intergovernmental:				
Commonwealth	8,773,771	-	-	8,773,771
Federal	3,396,243	-	436,407	3,832,650
Total revenues	<u>\$ 33,005,611</u>	<u>\$ 362,639</u>	<u>\$ 488,973</u>	<u>\$ 33,857,223</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,153,583	\$ -	\$ -	\$ 2,153,583
Judicial administration	2,680,600	-	-	2,680,600
Public safety	7,267,404	-	-	7,267,404
Public works	2,691,470	202,043	-	2,893,513
Health and welfare	7,711,507	-	591,222	8,302,729
Education	7,365,945	-	-	7,365,945
Parks, recreation, and cultural	543,499	-	-	543,499
Community development	959,458	-	-	959,458
Nondepartmental	421,793	-	-	421,793
Capital projects	283,529	-	-	283,529
Debt service:				
Principal retirement	1,517,548	-	-	1,517,548
Interest and other fiscal charges	549,292	-	-	549,292
Total expenditures	<u>\$ 34,145,628</u>	<u>\$ 202,043</u>	<u>\$ 591,222</u>	<u>\$ 34,938,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,140,017)</u>	<u>\$ 160,596</u>	<u>\$ (102,249)</u>	<u>\$ (1,081,670)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 111,220	\$ 111,220
Transfers out	(263,453)	-	-	(263,453)
Total other financing sources (uses)	<u>\$ (263,453)</u>	<u>\$ -</u>	<u>\$ 111,220</u>	<u>\$ (152,233)</u>
Net change in fund balances	\$ (1,403,470)	\$ 160,596	\$ 8,971	\$ (1,233,903)
Fund balances - beginning	7,703,145	253,863	(5,198)	7,951,810
Fund balances - ending	<u>\$ 6,299,675</u>	<u>\$ 414,459</u>	<u>\$ 3,773</u>	<u>\$ 6,717,907</u>

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

County of Russell, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ (1,233,903)

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

Capital outlay	\$ (2,704,381)	
Reversion of assets back to the School Board (net)	(750,808)	
Depreciation expense	<u>2,159,213</u>	(1,295,976)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets. (162,387)

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

Property taxes	1,640,078
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when obligations is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Principal Payments:		
Bonds, literary loans, and notes	\$ 1,237,824	
Capital leases	279,724	
Decrease (increase) in estimated liability:		
Landfill closure and postclosure liability	<u>(6,599)</u>	1,510,949

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

(Increase) decrease in compensated absences	\$ 5,273	
(Increase) decrease in accrued interest payable	44,882	
Change in OPEB related items	(49,333)	
Amortization of bond premiums	16,804	
Change in pension related items	<u>747,736</u>	765,362

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.

2,376,341

Change in net position of governmental activities	<u><u>\$ 3,600,464</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Russell, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,456,148
Interest receivable	48	-
Accounts receivable, net of allowance for uncollectibles	11,438	571,040
Due from other funds	3,447	-
Total current assets	<u>\$ 14,933</u>	<u>\$ 4,027,188</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (in custody of others)	\$ 49,575	\$ -
Capital assets:		
Utility plant in service	\$ 5,240,699	\$ -
Machinery and equipment	8,148	-
Less accumulated depreciation	(2,772,645)	-
Total capital assets	<u>\$ 2,476,202</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 2,525,777</u>	<u>\$ -</u>
Total assets	<u>\$ 2,540,710</u>	<u>\$ 4,027,188</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	<u>\$ 1,737</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,447	\$ 864,737
Accrued interest payable	1,404	-
Revenue bonds - current portion	23,960	-
Total current liabilities	<u>\$ 28,811</u>	<u>\$ 864,737</u>
Noncurrent liabilities:		
Revenue bonds - net of current portion	\$ 556,122	\$ -
Net pension liability	9,020	-
Total noncurrent liabilities	<u>\$ 565,142</u>	<u>\$ -</u>
Total liabilities	<u>\$ 593,953</u>	<u>\$ 864,737</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	<u>\$ 26,508</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 1,896,120	\$ -
Restricted for debt service and bond covenants	49,575	-
Unrestricted	(23,709)	3,162,451
Total net position	<u>\$ 1,921,986</u>	<u>\$ 3,162,451</u>

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

County of Russell, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Fund	Internal Service Fund
	Dante Fund	Self Health Insurance
OPERATING REVENUES		
Charges for services:		
Sewer revenues	\$ 111,780	\$ -
Insurance premiums	-	7,851,831
Total operating revenues	<u>\$ 111,780</u>	<u>\$ 7,851,831</u>
OPERATING EXPENSES		
Salaries and benefits	\$ 18,857	\$ -
Professional services	60,542	-
Utilities	7,351	-
Materials and supplies	48,604	-
Office expenses	28,777	-
Insurance claims and expenses	-	5,481,064
Depreciation	131,470	-
Total operating expenses	<u>\$ 295,601</u>	<u>\$ 5,481,064</u>
Operating income (loss)	<u>\$ (183,821)</u>	<u>\$ 2,370,767</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ -	\$ 5,574
Contribution to Castlewood PSA	(28,845)	-
Interest expense	(26,612)	-
Total nonoperating revenues (expenses)	<u>\$ (55,457)</u>	<u>\$ 5,574</u>
Income (loss) before transfers	<u>\$ (239,278)</u>	<u>\$ 2,376,341</u>
Transfers in	\$ 152,233	\$ -
Change in net position	<u>\$ (87,045)</u>	<u>\$ 2,376,341</u>
Total net position - beginning, as restated	2,009,031	786,110
Total net position - ending	<u><u>\$ 1,921,986</u></u>	<u><u>\$ 3,162,451</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, 2019

	Enterprise Fund Dante Fund	Internal Service Fund Self Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 132,813	\$ -
Receipts for insurance premiums	-	8,292,570
Payments to suppliers	(168,344)	-
Payments to employees	(30,111)	-
Payments for premiums	-	(6,137,990)
Net cash provided by (used for) operating activities	<u>\$ (65,642)</u>	<u>\$ 2,154,580</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ 152,233	\$ -
Transfers to other funds	-	(423,394)
Net cash provided (used) by noncapital financing activities	<u>\$ 152,233</u>	<u>\$ (423,394)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of assets	\$ (8,148)	\$ -
Principal payments on bonds	(22,903)	-
Contribution to Castlewood PSA	(28,845)	-
Interest payments	(26,695)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (86,591)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ -	\$ 5,574
Net increase (decrease) in cash and cash equivalents	\$ -	\$ 1,736,760
Cash and cash equivalents - beginning	49,575	1,719,388
Cash and cash equivalents - ending	<u>\$ 49,575</u>	<u>\$ 3,456,148</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (183,821)	\$ 2,370,767
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	\$ 131,470	\$ -
(Increase) decrease in accounts receivable	24,480	17,345
(Increase) decrease in deferred outflows of resources	1,550	-
(Increase) decrease in due from other funds	(3,447)	-
Increase (decrease) in accounts payable	(23,070)	(233,532)
Increase (decrease) in deferred inflows of resources	17,994	-
Increase (decrease) in net pension liability	(30,798)	-
Total adjustments	<u>\$ 118,179</u>	<u>\$ (216,187)</u>
Net cash provided by (used for) operating activities	<u>\$ (65,642)</u>	<u>\$ 2,154,580</u>

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

County of Russell, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 68,237
Total assets	<u>\$ 68,237</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 57,630
Amounts held for VASAP	10,607
Total liabilities	<u>\$ 68,237</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, 2019

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

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

The Castlewood Water and Sewage Authority of Russell County provides water and sewer service to residents of Russell County. Effective July 1, 2018, the PSA took over operations of the Water and Sewer Authority. The transactions of the Authority are now part of the PSA.

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail and the Cumberland Mountain Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$2,985,743 to the Regional Jail and \$39,996 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Social Services, Dog Tag, Damage Stamp, Law Library, Knox Creek, Cannery, Health and Fitness, Housing, CSA, Litter, Valley Heights Subdivision, and Road Improvements funds. The aforementioned Funds have been merged with the General Fund for financial reporting purposes.

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

The government reports the following major proprietary fund:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

3. Receivables and Payables

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$681,405 at June 30, 2019 and is comprised solely of property taxes.

6. Use of Estimates

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

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. Interest incurred during the construction phase of capital assets and business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during fiscal year 2019.

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

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

7. Capital Assets (Continued)

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

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

8. Prepaid Items

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

9. Deferred Outflows/Inflows of Resources

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

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

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

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

9. Deferred Outflows/Inflows of Resources (Continued)

resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

10. Compensated Absences

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

11. Pensions

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

12. Other Postemployment Benefits (OPEB)

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

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

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

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

13. Long-term Obligations

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

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

14. Fund Balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

14. Fund Equity (Continued)

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

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

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

15. Net Position

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

16. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

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

A. Budgetary Information (Continued)

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 departmental level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Funds. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

The Litter Fund and Law Library Fund had excess expenditures over appropriations in the current year.

C. Deficit fund equity

At June 30, 2019, there were no funds with deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of and for the year ending June 30, 2019, the County did not have any investments.

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 599,560	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	300,284	-
State sales tax	-	501,105
Non-categorical aid	148,394	-
Categorical aid-shared expenses	228,210	-
Categorical aid-Virginia Public Assistance funds	173,942	-
Categorical aid-other	68,355	-
Categorical aid-Comprehensive Services Act funds	197,712	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	206,054	-
School federal programs	-	1,048,594
Total Amount Due from Other Governmental Units	\$ <u>1,922,511</u>	\$ <u>1,549,699</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 1,161,535
Component Unit:		
School Board	\$ 961,535	\$ -
IDA	200,000	-
Total	<u>\$ 1,161,535</u>	<u>\$ 1,161,535</u>

Interfund transfers and remaining balances for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 263,453
Workforce Investment Board Fund	111,220	-
Dante Fund	152,233	-
Total	<u>\$ 263,453</u>	<u>\$ 263,453</u>
Primary Government:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 68,552
Coal Road Fund	65,105	-
Dante Fund	3,447	-
Total	<u>\$ 68,552</u>	<u>\$ 68,552</u>

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

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2019:

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct borrowings and placements				
General obligation bonds	\$ 5,950,302	\$ -	\$ (777,387)	\$ 5,172,915
Literary loans	401,908	-	(229,246)	172,662
Revenue bonds	3,727,519	-	(231,191)	3,496,328
Deferred Amounts:			-	
Bond premiums	182,491	-	(16,804)	165,687
Total direct borrowings and placements	\$ 10,262,220	\$ -	\$ (1,254,628)	\$ 9,007,592
Other long-term obligations				
Capital leases	5,671,743	-	(279,724)	5,392,019
Landfill closure/ postclosure liability	286,910	6,599	-	293,509
Net OPEB liabilities	2,166,808	674,585	(365,826)	2,475,567
Compensated absences	579,384	429,265	(434,538)	574,111
Net pension liability	4,936,270	2,824,816	(3,358,921)	4,402,165
Total other long-term obligations	\$ 13,641,115	\$ 3,935,265	\$ (4,439,009)	\$ 13,137,371
Total	\$ 23,903,335	\$ 3,935,265	\$ (5,693,637)	\$ 22,144,963

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

Year Ending June 30,	Direct Borrowings and Placements					
	General Obligation Bonds		Literary Loans		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 662,715	\$ 208,742	\$ 102,646	\$ 3,453	\$ 231,187	-
2021	728,164	198,108	45,016	1,400	231,187	-
2022	629,683	166,196	12,500	500	231,187	-
2023	648,148	135,946	12,500	250	231,187	-
2024	391,583	111,563	-	-	231,187	-
2025-2029	1,716,783	275,829	-	-	1,155,935	-
2030-2034	368,659	23,348	-	-	940,342	-
2035-2039	27,180	2,980	-	-	244,116	-
Totals	\$ 5,172,915	\$ 1,122,712	\$ 172,662	\$ 5,603	\$ 3,496,328	-

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:							
General obligation bond	5.75%	1988	2028	\$13,063-41,261 a+	\$ 672,000	\$ 285,448	\$ 27,615
General obligation bond	4.50%	1999	2039	\$2,518-6,183 a+	119,530	84,837	2,755
General obligation bond	4.10%-5.23%	1999	2019	\$25,000 a+	510,000	25,000	25,000
General obligation bond	4.98%-5.10%	2000	2021	\$94,999-115,952 a+	1,802,210	228,438	112,484
General obligation bond	2.35%-5.10%	2002	2023	\$213,799-272,702 a+	4,382,954	1,047,760	251,522
General obligation bond	4.60%-5.10%	2006	2027	\$147,228-197,458 a+	3,205,190	1,456,432	168,339
General obligation bond	4.60%-5.10%	2009	2030	\$55,000-110,000 a+	1,485,000	915,000	-
General obligation bond	3.05%-5.05%	2010	2031	\$55,000-120,000 a+	1,620,000	1,130,000	75,000
Total General Obligation Bonds						\$ 5,172,915	\$ 662,715
Revenue Bonds:							
Revenue bond	0.00%	11/28/2001	2033	\$15,595 sa	\$ 935,690	\$ 405,466	\$ 31,190
Revenue bond	0.00%	11/28/2001	2033	\$27,708 sa	1,678,400	747,850	55,416
Revenue bond	0.00%	11/28/2001	2025	\$8,612 sa	344,477	143,532	11,483
Revenue bond	0.00%	11/1/2002	2033	\$13,707 sa	822,366	370,065	27,412
Revenue bond	0.00%	3/10/2005	2036	\$9,276 sa	556,538	306,096	18,551
Revenue bond	0.00%	10/14/2005	2036	\$1,524 sa	91,439	51,816	3,048
Revenue bond	0.00%	10/14/2005	2037	\$31,779 sa	1,906,717	1,112,252	63,557
Revenue bond	0.00%	4/28/2006	2037	\$6,925 sa	415,513	242,382	13,851
Revenue bond	0.00%	3/30/2007	2037	\$3,340 sa	197,179	116,869	6,679
Total Revenue Bonds						\$ 3,496,328	\$ 231,187
Plus:							
Unamortized Premium						\$ 165,687	\$ 16,804
Total General Obligation and Revenue Bonds						\$ 8,834,930	\$ 910,706

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

(sa) - semi-annual installments including interest, if applicable

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness (Continued)

Details of long-term indebtedness: (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>Literary loans:</u>							
Literary loan	2.00%	1/1/2000	2020	\$57,757 a+	\$ 1,155,140	\$ 57,757	\$ 57,757
Literary loan	2.00%	11/15/2000	2021	\$24,689 a+	493,789	49,387	24,689
Literary loan	3.00%	12/15/2000	2021	\$7,700 a+	154,118	15,518	7,700
Literary loan	2.00%	7/1/2003	2023	\$12,500 a+	250,000	50,000	12,500
Total Literary Loans						\$ 172,662	\$ 102,646
<u>Other Long-term Obligations:</u>							
Capital Leases (Note 7)						\$ 5,392,019	\$ 292,461
Landfill Closure and Postclosure Liability						293,509	-
Net OPEB Liabilities						2,475,567	-
Compensated Absences						574,111	430,583
Net Pension Liability						4,402,165	-
Total Other Long-term Obligations						\$ 13,137,371	\$ 723,044
Total Long-term Obligations						\$ 22,144,963	\$ 1,736,396

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

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

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COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Indebtedness

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2019:

	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
Direct borrowings and placements				
Revenue bonds	\$ 602,985	\$ -	\$ (22,903)	\$ 580,082
Total direct borrowings and placements	\$ 602,985	\$ -	\$ (22,903)	\$ 580,082
Net pension liability	39,818	5,730	(36,528)	9,020
Total	\$ 642,803	\$ 5,730	\$ (59,431)	\$ 589,102

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

Year Ending June 30,	Direct Borrowings and Placements	
	Revenue Bonds	
	Principal	Interest
2020	\$ 23,960	\$ 25,612
2021	25,060	24,512
2022	26,212	23,360
2023	27,416	22,156
2024	28,675	20,897
2025-2029	164,389	83,471
2030-2034	205,781	42,079
2035-2036	78,589	3,085
Totals	\$ 580,082	\$ 245,172

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
<u>Revenue Bonds:</u>						
Revenue bond	4.50%	4/10/1996	2036	\$ 900,000	\$ 580,082	\$ 23,960
<u>Other Obligations:</u>						
Net pension liability					\$ 9,020	\$ -
Total Long-term Obligations					\$ 589,102	\$ 23,960

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)

Component Unit - School Board Indebtedness

The following is a summary of long-term obligation transactions of the discretely presented component unit for the year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Net OPEB liabilities	\$ 12,853,795	\$ 1,423,370	\$ (1,218,834)	\$ 13,058,331
Compensated absences	725,416	549,453	(544,062)	730,807
Net pension liability	<u>33,822,983</u>	<u>7,348,015</u>	<u>(8,614,170)</u>	<u>32,556,828</u>
 Total	 <u>\$ 47,402,194</u>	 <u>\$ 9,320,838</u>	 <u>\$ (10,377,066)</u>	 <u>\$ 46,345,966</u>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB Liabilities	\$ 13,058,331	\$ -
Compensated Absences	730,807	548,105
Net Pension Liability	<u>32,556,828</u>	<u>-</u>
 Total Other Obligations	 <u>\$ 46,345,966</u>	 <u>\$ 548,105</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7-Capital Leases:

Primary Government

The County has entered into a lease agreement to finance energy savings equipment and school buses for the School Board. These lease agreements qualify as a capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments at the dates of inception.

The capital assets acquired through the capital leases are as follows:

	<u>Energy Savings Equipment</u>	<u>School Bus Lease</u>
Machinery and equipment	\$ 5,411,473	\$ 421,811
Less: Accumulated depreciation	<u>(270,574)</u>	<u>(66,024)</u>
Net capital asset	<u>\$ 5,140,899</u>	<u>\$ 355,787</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2020	\$ 535,879
2021	539,722
2022	432,130
2023	435,842
2024	439,482
2025-2029	2,165,780
2030-2034	2,114,983
2035-2037	<u>1,281,921</u>
Subtotal	\$ 7,945,739
Less, amount representing interest	<u>(2,553,720)</u>
Present Value of Lease Agreement	<u>\$ 5,392,019</u>

Note 8-Pension Plans:

Plan Description

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

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

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

Note 8-Pension Plans: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Note 8-Pension Plans: (Continued)

Contributions (Continued)

The County's contractually required contribution rate for the year ended June 30, 2019 was 11.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$681,397 and \$760,630 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the County reported a liability of \$4,411,185 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Credible compensation as of June 30, 2017 and 2016 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2019 and 2018, the County's proportion was 99.2670% and 99.2986%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in Russell County's Retirement Plan and the Russell County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Note 8-Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 8-Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 8-Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Note 8-Pension Plans: (Continued)

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

Mortality rates: (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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Note 8-Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.60%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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Note 8-Pension Plans: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018 the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability	\$ 8,360,236	\$ 4,411,185	\$ 1,122,935

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8-Pension Plans: (Continued)

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

For the year ended June 30, 2019, the County recognized pension expense of \$(77,637). At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 588,276
Net difference between projected and actual earnings on pension plan investments	-	206,236
Change in proportionate share	38,795	22,468
Change in assumptions	64,781	-
Employer contributions subsequent to the measurement date	<u>681,397</u>	<u>-</u>
Total	<u>\$ 784,973</u>	<u>\$ 816,980</u>

\$681,397 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2020	\$ (286,806)
2021	(131,585)
2022	(272,642)
2023	(22,371)
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional)

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

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	141
Inactive members:	
Vested inactive members	8
Non-vested inactive members	13
Inactive members active elsewhere in VRS	14
Total inactive members	35
Active members	115
Total covered employees	291

Contributions

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2019 was 17.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$447,435 and \$443,320 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Changes in Net Pension Liability

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 17,598,372	\$ 11,942,389	\$ 5,655,983
Changes for the year:			
Service cost	\$ 222,182	\$ -	\$ 222,182
Interest	1,189,675	-	1,189,675
Differences between expected and actual experience	21,651	-	21,651
Contributions - employer	-	443,319	(443,319)
Contributions - employee	-	125,060	(125,060)
Net investment income	-	860,829	(860,829)
Benefit payments, including refunds of employee contributions	(1,206,028)	(1,206,028)	-
Administrative expenses	-	(7,790)	7,790
Other changes	-	(755)	755
Net changes	<u>\$ 227,480</u>	<u>\$ 214,635</u>	<u>\$ 12,845</u>
Balances at June 30, 2018	<u>\$ 17,825,852</u>	<u>\$ 12,157,024</u>	<u>\$ 5,668,828</u>

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

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

	Rate		
	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Component Unit School Board (nonprofessional) Net Pension Liability	\$ 7,541,696	\$ 5,668,828	\$ 4,079,621

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

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized pension expense of \$413,430. At June 30, 2019, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Component Unit School Board (nonprofessional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 126,056	\$ 6,258
Change in assumptions	10,525	-
Net difference between projected and actual earnings on pension plan investments	-	75,910
Employer contributions subsequent to the measurement date	<u>447,435</u>	<u>-</u>
Total	<u>\$ 584,016</u>	<u>\$ 82,168</u>

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$447, 435 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2020	\$ 179,531
2021	5,964
2022	(121,587)
2023	(9,495)
Thereafter	-

Component Unit School Board (professional)

Plan Description

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

Additional information regarding the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division’s contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$2,854,000 and \$2,958,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2019, the school division reported a liability of \$26,888,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion was 0.22864% as compared to 0.22904% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$1,304,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,300,000
Net difference between projected and actual earnings on pension plan investments	-	570,000
Change of assumptions	321,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,000	696,000
Employer contributions subsequent to the measurement date	<u>2,854,000</u>	<u>-</u>
Total	<u>\$ 3,269,000</u>	<u>\$ 3,566,000</u>

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

\$2,854,000 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2020	\$	(570,000)
2021		(718,000)
2022		(1,323,000)
2023		(438,000)
Thereafter		(102,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

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

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

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

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

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 41,072,000	\$ 26,888,000	\$ 15,148,000

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9-Primary Government Other Postemployment Benefits-Health Insurance:

Plan Description

In addition to the pension benefits described in Note 8, the County administers a single-employer defined benefit healthcare plan, The Russell County OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Active Employees	160
Retirees and Spouses	<u>5</u>
Total	<u>165</u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board of Supervisors. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2019 was \$17,342.

Note 9-Primary Government Other Postemployment Benefits-Health Insurance: (Continued)

Total OPEB Liability

The County’s total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal, level percentage of pay
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.00% in 2018 and gradually declines to 4.20% by the year 2095.
Salary Increase Rates	The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% increase for 20 or more years of service.
Retirement Age	The average age at retirement is 62.
Mortality Rates	The mortality rates for active and healthy retirees were calculated using the RP-2014 Employee Rates Table with scale BB to 2020; males 90% of rates; females set forward 1 year. 35% of death are assumed to be service related. The mortality rates for disabled retirees were calculated using the RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male. The mortality rates for retirees were calculated using the RP-2014 Post-Retirement Mortality Rates projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

The date of the most recent actuarial experience study for which significant assumptions were based is not available

Discount Rate

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

Note 9-Primary Government Other Postemployment Benefits-Health Insurance: (Continued)

Changes in Total OPEB Liability

	<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2018	\$ 363,657
Changes during Year:	
Service Cost	15,523
Interest on Total OPEB Liability	14,342
Effect of Assumptions Changes or Inputs	11,569
Benefit Payments	(17,342)
Net Changes	<u>\$ 24,092</u>
Balances at June 30, 2019	<u>\$ 387,749</u>

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

<u>Rate</u>		
<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
\$ 420,941	\$ 387,749	\$ 357,362

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

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to an ultimate rate of 3.20%) or one percentage point higher (7.00% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

<u>Rates</u>		
<u>Healthcare Cost Trend</u>		
<u>1% Decrease (5.00% decreasing to 3.20%)</u>	<u>(6.00% decreasing to 4.20%)</u>	<u>1% Increase (7.00% decreasing to 5.20%)</u>
\$ 341,442	\$ 387,749	\$ 442,430

Note 9-Primary Government Other Postemployment Benefits-Health Insurance: (Continued)

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

For the year ended June 30, 2019, the County recognized OPEB expense in the amount of \$30,210. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 9,466	\$ 7,911

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

<u>Year ended June 30</u>	
2020	\$ 345
2021	345
2022	345
2023	345
2024	175
Thereafter	-

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

Note 10-Component Unit School Board Other Postemployment Benefits-Health Insurance:

Plan Description

In addition to the pension benefits described in Note 8, the School Board administers a single-employer defined benefit healthcare plan, the Russell County Public Schools OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Schools Board’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

Note 10-Component Unit School Board Other Postemployment Benefits-Health Insurance:
(Continued)

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Active employees	555
Retirees and Spouses	<u>77</u>
Total	<u><u>632</u></u>

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$496,549.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

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**Note 10-Component Unit School Board Other Postemployment Benefits-Health Insurance:
 (Continued)**

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal, level percentage of pay
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.00% in 2018 and gradually declines to 4.20% by the year 2095.
Salary Increase Rates	The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% for 20 or more years of service.
Retirement Age	The average age at retirement is 62.
Mortality Rates	The mortality rates for active and healthy retirees were calculated using the RP-2014 Employee Rates Table with scale BB to 2020; males 90% of rates; females set forward 1 year. 35% of death are assumed to be service related. The mortality rates for disabled retirees were calculated using the RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male. The mortality rates for retirees were calculated using the RP-2014 Post-Retirement Mortality Rates projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

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

**Note 10-Component Unit School Board Other Postemployment Benefits-Health Insurance:
 (Continued)**

Changes in Total OPEB Liability

	Component Unit School Board Total OPEB Liability
Balances at June 30, 2018	\$ 7,707,795
Changes during Year:	
Service Cost	226,831
Interest on Total OPEB Liability	297,553
Effect of Assumptions Changes or Inputs	201,429
Benefit Payments	(496,549)
Net Changes	\$ 229,264
Balances at June 30, 2019	\$ 7,937,059

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

Rate		
1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 8,498,925	\$ 7,937,059	\$ 7,402,125

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to an ultimate rate of 3.20%) or one percentage point higher (7.00% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost Trend		
1% Decrease (5.00% decreasing to 3.20%)	(6.00% decreasing to 4.20%)	1% Increase (7.00% decreasing to 5.20%)
\$ 7,043,974	\$ 7,937,059	\$ 8,983,619

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 10-Component Unit School Board Other Postemployment Benefits-Health Insurance:
(Continued)

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$529,695. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ <u>161,933</u>	\$ <u>136,740</u>

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

<u>Year ended June 30</u>	
2020	\$ 5,311
2021	5,311
2022	5,311
2023	5,311
2024	3,949
Thereafter	-

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

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Note 11—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the GLI Program from the County were \$31,276 and \$32,161 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board (nonprofessional) were \$13,543 and \$13,673 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board (professional) were \$96,000 and \$95,556 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the County reported a liability of \$494,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2019, the Component Unit School Board (nonprofessional) reported a liability of \$210,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2019, the Component Unit School Board (professional) reported a liability of \$1,468,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2018, the County's proportion was 0.03252% as compared to 0.03093% at June 30, 2017.

At June 30, 2018, the Component Unit School Board (nonprofessional) proportion was 0.01383% as compared to 0.01439% at June 30, 2017.

At June 30, 2018, the Component Unit School Board (professional) proportion was 0.09777% as compared to 0.09664% at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$7,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized GLI OPEB expense of \$(1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2019, the Component Unit School Board (professional) recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,000	\$ 9,000	\$ 10,000	\$ 3,000	\$ 72,000	\$ 26,000
Changes in proportion	23,000	-	-	12,000	-	40,000
Changes in assumptions	-	21,000	-	9,000	-	61,000
Net difference between projected and actual earnings on OPEB plan investments	-	16,000	-	7,000	-	48,000
Employer contributions subsequent to the measurement date	31,276	-	13,543	-	96,000	-
Total	<u>\$ 78,276</u>	<u>\$ 46,000</u>	<u>\$ 23,543</u>	<u>\$ 31,000</u>	<u>\$ 168,000</u>	<u>\$ 175,000</u>

\$31,276, \$13,543, and \$96,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the County’s, Component Unit School Board (nonprofessional), and Component Unit School Board (professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2020	\$ (3,000)	\$ (5,000)	\$ (31,000)
2021	(3,000)	(5,000)	(31,000)
2022	(3,000)	(5,000)	(31,000)
2023	1,000	(3,000)	(17,000)
2024	6,000	-	1,000
Thereafter	3,000	(3,000)	6,000

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

		GLI OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Proportionate share of the Group Life Insurance Program Net OPEB Liability:			
County	\$ 645,000	\$ 494,000	\$ 370,000
Component Unit School Board (nonprofessional)	\$ 274,000	\$ 210,000	\$ 157,000
Component Unit School Board (professional)	\$ 1,918,000	\$ 1,468,000	\$ 1,102,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Program Notes

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

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

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	15	66
Inactive members:		
Vested inactive members	2	-
Total inactive members	<u>17</u>	<u>66</u>
Active members	39	115
Total covered employees	<u><u>56</u></u>	<u><u>181</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County’s contractually required employer contribution rate for the year ended June 30, 2019 was 0.21% of covered employee compensation. The Component Unit School Board’s (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the HIC Program were \$2,763 and \$4,374 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from the Component Unit School Board (nonprofessional) to the Health Insurance Credit Program were \$32,001 and \$31,329 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

Net HIC OPEB Liability

The County and Component Unit School Board’s (nonprofessional) net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

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

Changes in Net HIC OPEB Liability - Primary Government

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 109,885	\$ 88,734	\$ 21,151
Changes for the year:			
Service cost	\$ 1,884	\$ -	\$ 1,884
Interest	7,367	-	7,367
Differences between expected and actual experience	(4,641)	-	(4,641)
Contributions - employer	-	4,374	(4,374)
Net investment income	-	6,182	(6,182)
Benefit payments	(9,286)	(9,286)	-
Administrative expenses	-	(141)	141
Other changes	-	(472)	472
Net changes	\$ -4,676	\$ 657	\$ (5,333)
Balances at June 30, 2018	\$ 105,209	\$ 89,391	\$ 15,818

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

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

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 534,000	\$ (35,000)	\$ 569,000
Changes for the year:			
Service cost	\$ 9,113	\$ -	\$ 9,113
Interest	18,227	-	18,227
Differences between expected and actual experience	(1,089)	-	(1,089)
Contributions - employer	-	31,329	(31,329)
Net investment income	-	-	-
Benefit payments	(33,696)	(33,696)	-
Other changes	(5,145)	(495)	(4,650)
Net changes	\$ (12,590)	\$ (2,862)	\$ (9,728)
Balances at June 30, 2018	\$ 521,410	\$ (37,862)	\$ 559,272

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's Net HIC OPEB Liability	\$ 25,231	\$ 15,818	\$ 7,684
Component Unit School Board's (nonprofessional) Net HIC OPEB Liability	\$ 616,736	\$ 559,272	\$ 510,528

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

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

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized Health Insurance Credit Program OPEB expense of \$1,891 and \$18,876, respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the County’s and Component Unit School Board’s (nonprofessional) HIC Program from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,757	\$ -	\$ 854
Net difference between projected and actual earnings on HIC OPEB plan investments	-	2,302	-	3,501
Change in assumptions	-	1,051	-	26,951
Employer contributions subsequent to the measurement date	2,763	-	32,001	-
Total	\$ 2,763	\$ 7,110	\$ 32,001	\$ 31,306

\$2,763 and \$32,001 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and Component Unit School Board (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ (1,955)	\$ (11,032)
2021	(1,955)	(11,032)
2022	(1,957)	(8,581)
2023	(1,022)	(661)
2024	(221)	-

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

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

HIC Program Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$222,000 and \$225,953 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$2,884,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.27150% as compared to 0.22781% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$222,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	2,000
Change in assumptions	-	25,000
Change in proportion	-	73,000
Employer contributions subsequent to the measurement date	<u>222,000</u>	<u>-</u>
Total	<u>\$ 222,000</u>	<u>\$ 114,000</u>

\$222,000 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (21,000)
2021	(21,000)
2022	(21,000)
2023	(19,000)
2024	(20,000)
Thereafter	(12,000)

Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.08%

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

Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u><u>7.30%</u></u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

The following presents the school division’s proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,221,000	\$ 2,884,000	\$ 2,597,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Line of Duty Act (LODA) Program:

Plan Description

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

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

Note 14—Line of Duty Act (LODA) Program: (Continued)

Eligible Employees

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

Benefit Amounts

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

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$72,164 and \$53,616 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2019, the entity reported a liability of \$1,578,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.50337% as compared to 0.50108% at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 14—Line of Duty Act (LODA) Program: (Continued)

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

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$130,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 227,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	4,000
Change in assumptions	-	182,000
Change in proportion	26,000	-
Employer contributions subsequent to the measurement date	<u>72,164</u>	<u>-</u>
Total	<u>\$ 325,164</u>	<u>\$ 186,000</u>

\$72,164 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ 8,000
2021	8,000
2022	8,000
2023	9,000
2024	9,000
Thereafter	25,000

Note 14—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, net of OPEB plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Note 14—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 14—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the LODA Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	<u>1,889</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 313,506</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

Note 14—Line of Duty Act (LODA) Program: (Continued)

Net LODA OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,808,000	\$ 1,578,000	\$ 1,392,000

Note 14—Line of Duty Act (LODA) Program: (Continued)

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

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
County’s proportionate share of the total LODA Net OPEB Liability	\$ 1,344,000	\$ 1,578,000	\$ 1,868,000

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15-Aggregate Pension Information:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense
IS Pension Plans:								
Primary Government	\$ 784,973	\$ 816,980	\$ 4,411,185	\$ (77,637)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	584,016	82,168	5,668,828	413,430
School Board Professional	-	-	-	-	3,269,000	3,566,000	26,888,000	1,304,000
Totals	<u>\$ 784,973</u>	<u>\$ 816,980</u>	<u>\$ 4,411,185</u>	<u>\$ (77,637)</u>	<u>\$ 3,853,016</u>	<u>\$ 3,648,168</u>	<u>\$ 32,556,828</u>	<u>\$ 1,717,430</u>

COUNTY OF RUSSELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 16-Aggregate OPEB Information:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
County Stand-Alone Plan (Note 9)	\$ 9,466	\$ 7,911	\$ 387,749	\$ 30,210	\$ -	\$ -	\$ -	\$ -
School Stand-Alone Plan (Note 10)	-	-	-	-	161,933	136,740	7,937,059	529,695
VRS OPEB Plans:								
Group Life Insurance Program (Note 11):								
County	78,276	46,000	494,000	7,000	-	-	-	-
School Board Nonprofessional	-	-	-	-	23,543	31,000	210,000	(1,000)
School Board Professional	-	-	-	-	168,000	175,000	1,468,000	1,000
County Health Insurance Credit Program (Note 12)	2,763	7,110	15,818	1,891	32,001	31,306	559,272	18,876
Teacher Health Insurance Credit Program (Note 13)	-	-	-	-	222,000	114,000	2,884,000	222,000
Line of Duty Act (LODA) Program (Note 14)	325,164	186,000	1,578,000	130,000	-	-	-	-
Totals	\$ 415,669	\$ 247,021	\$ 2,475,567	\$ 169,101	\$ 607,477	\$ 488,046	\$ 13,058,331	\$ 770,571

Note 17-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 643,695	\$ -	\$ -	\$ 643,695
Total capital assets not being depreciated	\$ 643,695	\$ -	\$ -	\$ 643,695
Capital assets, being depreciated:				
Buildings and improvements	\$ 29,983,568	\$ 78,028	\$ (3,100,000)	\$ 26,961,596
Machinery and equipment	5,313,712	317,591	(199,449)	5,431,854
Total capital assets being depreciated	\$ 35,297,280	\$ 395,619	\$ (3,299,449)	\$ 32,393,450
Accumulated depreciation:				
Buildings and improvements	\$ (12,609,697)	\$ (779,049)	\$ 2,670,500	\$ (10,718,246)
Machinery and equipment	(3,292,466)	(483,046)	37,062	(3,738,450)
Total accumulated depreciation	\$ (15,902,163)	\$ (1,262,095)	\$ 2,707,562	\$ (14,456,696)
Total capital assets being depreciated, net	\$ 19,395,117	\$ (866,476)	\$ (591,887)	\$ 17,936,754
Governmental activities capital assets, net	\$ 20,038,812	\$ (866,476)	\$ (591,887)	\$ 18,580,449

During the fiscal year, the County transferred three buildings to the Component Unit - School Board with an original cost of \$3,100,000 and accumulated depreciation of \$2,670,500 (net book value of \$429,500).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 17-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, being depreciated:				
Utility plant	\$ 5,240,699	\$ -	\$ -	\$ 5,240,699
Machinery and equipment	-	8,148	-	8,148
Total capital assets being depreciated	<u>\$ 5,240,699</u>	<u>\$ 8,148</u>	<u>\$ -</u>	<u>\$ 5,248,847</u>
Accumulated depreciation:				
Utility plant	\$ (2,641,175)	\$ (131,017)	\$ -	\$ (2,772,192)
Machinery and equipment	-	(453)	-	(453)
Total accumulated depreciation	<u>\$ (2,641,175)</u>	<u>\$ (131,470)</u>	<u>\$ -</u>	<u>\$ (2,772,645)</u>
Total capital assets being depreciated, net	<u>\$ 2,599,524</u>	<u>\$ (123,322)</u>	<u>\$ -</u>	<u>\$ 2,476,202</u>
Business-type activities capital assets, net	<u>\$ 2,599,524</u>	<u>\$ (123,322)</u>	<u>\$ -</u>	<u>\$ 2,476,202</u>

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

Governmental activities:	
General government administration	\$ 26,780
Judicial administration	11,916
Public safety	278,675
Public works	122,772
Health and welfare	35,760
Education	750,808
Parks, recreation, and cultural	31,152
Community development	4,232
Total depreciation expense-governmental activities	<u>\$ 1,262,095</u>
Business-type activities:	
Sewer Authority	<u>\$ 131,470</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 17-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2019 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 5,636,345	\$ -	\$ -	\$ 5,636,345
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,615,444	\$ 3,611,348	\$ -	\$ 29,226,792
Machinery and equipment	7,656,878	243,619	-	7,900,497
Total capital assets being depreciated	\$ 33,272,322	\$ 3,854,967	\$ -	\$ 37,127,289
Accumulated depreciation:				
Buildings and improvements	\$ (16,081,119)	\$ (3,463,059)	\$ -	\$ (19,544,178)
Machinery and equipment	(5,831,228)	(467,287)	-	(6,298,515)
Total accumulated depreciation	\$ (21,912,347)	\$ (3,930,346)	\$ -	\$ (25,842,693)
Total capital assets being depreciated, net	\$ 11,359,975	\$ (75,379)	\$ -	\$ 11,284,596
Governmental activities capital assets, net	\$ 16,996,320	\$ (75,379)	\$ -	\$ 16,920,941

During the fiscal year, the County transferred three buildings to the Component Unit - School Board with an original cost of \$3,100,000 and accumulated depreciation of \$2,670,500 (net book value of \$429,500).

Note 18-Risk Management:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 19-Contingent Liabilities:

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

Note 20-Surety Bonds:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Ann S. McReynolds, Clerk of the Circuit Court	\$ 1,010,000
Alicia McGlothlin, 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 21-Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The total estimated closure and postclosure care liability at June 30, 2019 is \$293,509. 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 2019. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 22-Deferred/Unavailable Revenue:

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

	Statement of Net Position Governmental Activities	Balance Sheet Governmental Funds
2nd half taxes due December 2019	\$ 5,254,356	\$ 5,254,356
Delinquent taxes due prior to June 30, 2019	-	5,132,002
Prepaid taxes	320,381	320,381
Total deferred/unavailable revenue	\$ 5,574,737	\$ 10,706,739

Note 23-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 2019, a total of \$5,481,064 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, 2019, 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 \$864,737 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 2019 and the two preceding fiscal years were as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2018-19	\$ 1,098,269	\$ 5,247,532	\$ (5,481,064)	\$ 864,737
2017-18	929,201	7,676,237	(7,507,169)	1,098,269
2016-17	683,320	8,033,165	(7,787,284)	929,201

Note 24-Moral Obligation:

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

In addition, the Board of Supervisors also provides financing guarantees to the Castlewood Water and Sewage Authority, which is now part of the Russell County Public Service Authority.

Note 25-Operating Lease:

The County has signed a lease agreement with the Industrial Development Authority of Russell County to pay rent equivalent to the required debt service as it relates to the Russell County Government Center. To date, the County of Russell, Virginia has provided funds sufficient to cover such debt service. As of June 30, 2019, the outstanding balance of the loan was \$3,001,300.

Future required rent payments are as follows:

Year Ending June 30,	Operating Lease	
	Principal	Interest
2020	\$ 399,100	\$ 65,825
2021	408,700	56,199
2022	418,400	46,514
2023	428,300	36,600
2024	438,400	26,510
2025-2026	908,400	21,487
Totals	<u>\$ 3,001,300</u>	<u>\$ 253,135</u>

Note 26-Litigation:

As of June 30, 2019, the County’s Attorney reports matters to be disclosed as a possible liability to the County.

A company, located in the County, has appealed its 2014 business personal property tax assessment issued by the Commissioner of the Revenue of Russell County, Virginia. The company claims the assessment is based on equipment that is used to support manufacturing and is therefore non-taxable. The company is seeking a refund of their payment in the amount of \$677,914. The company has also appealed its 2017 business personal property tax of \$1,192,916 making a similar claim as noted above. As of June 30, 2019, this amount had not been paid but was included in property tax receivables of the County. Both cases are set to be heard by the Circuit Court of Russell County.

The company asserted appeals of their machine and tool tax assessment to the Tax Commissioner for the fiscal years of 2015, 2016, and 2018. The Tax Commissioner ruled that the appeals for the fiscal years of 2015 and 2016 were not timely filed. The Tax Commissioner also remanded the matter back to the Commissioner of Revenue for the fiscal year of 2018. On November 26, 2019, the Commissioner of Revenue received an appeal of the 2019 assessment by the company. There will most likely be litigation as it relates to each of those fiscal years, but as of this date no formal proceedings have been initiated.

The County’s attorney estimates the risk of loss to the County on both claims to be low to fair and therefore, no liability has been booked for either amount.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 27-Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 28-Restatement of Prior Financial Statements:

Beginning balances have been restated for the current fiscal year as detailed below:

	<u>Net Position</u> <u>Business-type</u> <u>Activities</u>
Net Position, July 1, 2018, as previously stated	\$ 1,982,514
Adjustment related to fund receivables	<u>26,517</u>
Net Position, July 1, 2018, as restated	<u>\$ 2,009,031</u>

Note 29-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Note 29-Upcoming Pronouncements: (Continued)

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Required Supplementary Information

County of Russell, Virginia
 General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 16,054,000	\$ 16,054,000	\$ 15,901,393	\$ (152,607)
Other local taxes	3,057,100	3,057,100	2,890,062	(167,038)
Permits, privilege fees, and regulatory licenses	36,000	36,000	43,183	7,183
Fines and forfeitures	18,000	18,000	13,545	(4,455)
Revenue from the use of money and property	256,000	256,000	274,536	18,536
Charges for services	334,100	334,100	329,272	(4,828)
Miscellaneous	187,200	187,200	210,687	23,487
Recovered costs	365,284	365,284	1,172,919	807,635
Intergovernmental:				
Commonwealth	9,119,685	9,200,140	8,773,771	(426,369)
Federal	3,270,953	3,270,953	3,396,243	125,290
Total revenues	<u>\$ 32,698,322</u>	<u>\$ 32,778,777</u>	<u>\$ 33,005,611</u>	<u>\$ 226,834</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,934,006	\$ 2,109,606	\$ 2,153,583	\$ (43,977)
Judicial administration	2,207,171	2,658,171	2,680,600	(22,429)
Public safety	6,048,010	7,331,510	7,267,404	64,106
Public works	2,629,235	2,732,435	2,691,470	40,965
Health and welfare	8,120,033	8,752,533	7,711,507	1,041,026
Education	8,048,477	8,048,477	7,365,945	682,532
Parks, recreation, and cultural	540,126	551,496	543,499	7,997
Community development	967,144	983,504	959,458	24,046
Nondepartmental	252,000	563,000	421,793	141,207
Capital projects	-	288,400	283,529	4,871
Debt service:				
Principal retirement	1,392,627	1,392,627	1,517,548	(124,921)
Interest and other fiscal charges	359,493	359,493	549,292	(189,799)
Total expenditures	<u>\$ 32,498,322</u>	<u>\$ 35,771,252</u>	<u>\$ 34,145,628</u>	<u>\$ 1,625,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 200,000</u>	<u>\$ (2,992,475)</u>	<u>\$ (1,140,017)</u>	<u>\$ 1,852,458</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (200,000)	\$ (200,000)	\$ (263,453)	\$ (63,453)
Total other financing sources (uses)	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (263,453)</u>	<u>\$ (63,453)</u>
Net change in fund balances	\$ -	\$ (3,192,475)	\$ (1,403,470)	\$ 1,789,005
Fund balances - beginning	-	3,192,475	7,703,145	4,510,670
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,299,675</u>	<u>\$ 6,299,675</u>

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 150,000	\$ 150,000	\$ 360,434	\$ 210,434
Revenue from the use of money and property	-	-	2,205	2,205
Total revenues	\$ 150,000	\$ 150,000	\$ 362,639	\$ 212,639
EXPENDITURES				
Current:				
Public works	\$ 150,000	\$ 206,850	\$ 202,043	\$ 4,807
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (56,850)	\$ 160,596	\$ 217,446
Net change in fund balances	\$ -	\$ (56,850)	\$ 160,596	\$ 217,446
Fund balances - beginning	-	56,850	253,863	197,013
Fund balances - ending	\$ -	\$ -	\$ 414,459	\$ 414,459

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Recovered costs	\$ -	\$ -	\$ 52,566	\$ 52,566
Intergovernmental:				
Federal	2,835,083	2,835,083	436,407	(2,398,676)
Total revenues	\$ 2,835,083	\$ 2,835,083	\$ 488,973	\$ (2,346,110)
EXPENDITURES				
Current:				
Health and welfare	\$ 2,835,083	\$ 2,835,083	\$ 591,222	\$ 2,243,861
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (102,249)	\$ (102,249)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	111,220	\$ 111,220
Total other financing sources (uses)	\$ -	\$ -	\$ 111,220	\$ 111,220
Net change in fund balances	\$ -	\$ -	\$ 8,971	\$ 8,971
Fund balances (deficit) - beginning	-	-	(5,198)	(5,198)
Fund balances (deficit) - ending	\$ -	\$ -	\$ 3,773	\$ 3,773

County of Russell, Virginia
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 For the Measurement Dates of June 30, 2014 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2018	99.2670%	\$ 4,411,185	\$ 6,123,587	72.04%	84.04%
2017	99.2986%	4,976,088	4,808,206	103.49%	77.80%
2016	98.6202%	6,835,305	5,467,426	125.02%	77.80%
2015	99.1179%	5,970,089	5,368,165	111.21%	80.39%
2014	99.1179%	5,782,839	5,440,419	106.29%	80.53%
Component Unit School Board (professional)					
2018	0.22864%	\$ 26,888,000	\$ 18,374,518	146.33%	74.81%
2017	0.22904%	28,167,000	17,982,879	156.63%	72.92%
2016	0.23491%	32,921,000	17,914,579	183.77%	68.28%
2015	0.23337%	29,373,000	17,363,701	169.16%	70.68%
2014	0.23360%	28,229,000	17,083,236	165.24%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 222,182	\$ 241,584	\$ 228,855	\$ 261,697	\$ 263,958
Interest	1,189,675	1,149,952	1,151,059	1,132,997	1,116,022
Differences between expected and actual experience	21,651	340,261	(240,897)	20,402	-
Changes in assumptions	-	32,003	-	-	-
Benefit payments, including refunds of employee contributions	(1,206,028)	(1,186,620)	(1,123,037)	(1,191,112)	(1,083,833)
Net change in total pension liability	\$ 227,480	\$ 577,180	\$ 15,980	\$ 223,984	\$ 296,147
Total pension liability - beginning	17,598,372	17,021,192	17,005,212	16,781,228	16,485,081
Total pension liability - ending (a)	\$ 17,825,852	\$ 17,598,372	\$ 17,021,192	\$ 17,005,212	\$ 16,781,228
Plan fiduciary net position					
Contributions - employer	\$ 443,319	\$ 450,897	\$ 460,715	\$ 425,544	\$ 423,435
Contributions - employee	125,060	127,268	128,274	120,010	130,388
Net investment income	860,829	1,325,272	187,821	515,108	1,629,758
Benefit payments, including refunds of employee contributions	(1,206,028)	(1,186,620)	(1,123,037)	(1,191,112)	(1,083,833)
Administrative expense	(7,790)	(8,059)	(7,361)	(7,577)	(9,166)
Other	(755)	(1,167)	(82)	(108)	86
Net change in plan fiduciary net position	\$ 214,635	\$ 707,591	\$ (353,670)	\$ (138,135)	\$ 1,090,668
Plan fiduciary net position - beginning	11,942,389	11,234,798	11,588,468	11,726,603	10,635,935
Plan fiduciary net position - ending (b)	\$ 12,157,024	\$ 11,942,389	\$ 11,234,798	\$ 11,588,468	\$ 11,726,603
School Division's net pension liability - ending (a) - (b)	\$ 5,668,828	\$ 5,655,983	\$ 5,786,394	\$ 5,416,744	\$ 5,054,625
Plan fiduciary net position as a percentage of the total pension liability	68.20%	67.86%	66.00%	68.15%	69.88%
Covered payroll	\$ 2,610,768	\$ 2,147,811	\$ 2,648,956	\$ 2,434,577	\$ 2,612,301
School Division's net pension liability as a percentage of covered payroll	217.13%	263.34%	218.44%	222.49%	193.49%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
 Schedule of Employer Contributions - Pension Plans
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 681,397	\$ 681,397	\$ -	\$ 6,020,423	11.32%
2018	760,630	760,630	-	6,123,587	12.42%
2017	718,233	718,233	-	4,808,206	14.94%
2016	807,684	807,684	-	5,467,426	14.77%
2015	794,360	794,360	-	5,368,165	14.80%
Component Unit School Board (nonprofessional)					
2019	\$ 447,435	\$ 447,435	\$ -	\$ 2,601,655	17.20%
2018	443,320	443,320	-	2,610,768	16.98%
2017	457,088	457,088	-	2,147,811	21.28%
2016	464,892	464,892	-	2,648,956	17.55%
2015	425,544	425,544	-	2,434,577	17.48%
2014	424,238	424,238	-	2,612,301	16.24%
2013	434,345	434,345	-	2,674,538	16.24%
2012	386,243	386,243	-	2,745,156	14.07%
2011	384,524	384,524	-	2,732,933	14.07%
2010	412,281	412,281	-	2,823,842	14.60%
Component Unit School Board (professional)					
2019	\$ 2,854,000	\$ 2,854,000	\$ -	\$ 18,519,029	15.41%
2018	2,958,000	2,958,000	-	18,374,518	16.10%
2017	2,607,000	2,607,000	-	17,982,879	14.50%
2016	2,503,615	2,503,615	-	17,914,579	13.98%
2015	2,509,000	2,509,000	-	17,363,701	14.45%
2014	1,991,484	1,991,484	-	17,083,236	11.66%
2013	2,037,610	2,037,610	-	17,475,216	11.66%
2012	1,164,108	1,164,108	-	18,390,325	6.33%
2011	700,575	700,575	-	17,826,341	3.93%
2010	1,685,523	1,685,523	-	19,131,926	8.81%

Contributions are from County/School Board records.

Schedule is intended to show information for 10 years. Prior to 2015, VASAP's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

County of Russell, Virginia
Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Russell, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 15,523	\$ 16,038
Interest	14,342	13,000
Changes in assumptions	11,569	(11,427)
Benefit payments	(17,342)	(18,508)
Net change in total OPEB liability	\$ 24,092	\$ (897)
Total OPEB liability - beginning	363,657	364,554
Total OPEB liability - ending	\$ 387,749	\$ 363,657
Covered payroll	\$ 6,190,566	\$ 6,190,566
County's total OPEB liability (asset) as a percentage of covered payroll	6.26%	5.87%

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

County of Russell, Virginia
 Notes to Required Supplementary Information - County OPEB
 For the Year Ended June 30, 2019

Valuation Date: 7/1/2017
 Measurement Date: 6/30/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal, level percentage of pay
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.00% in 2018 and gradually declines to 4.20% by the year 2095.
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service.
Retirement Age	The average age at retirement is 62.
Mortality Rates	The mortality rates for active and healthy retirees were calculated using the RP-2014 Employee Rates Table with scale BB to 2020; males 90% of rates; females set forward 1 year. 35% of death are assumed to be service related. The mortality rates for disabled retirees were calculated using the RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male. The mortality rates for retirees were calculated using the RP-2014 Post-Retirement Mortality Rates projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

County of Russell, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Measurement Dates of June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 226,831	\$ 235,586
Interest	297,553	275,959
Changes in assumptions	201,429	(205,110)
Benefit payments	(496,549)	(490,936)
Net change in total OPEB liability	\$ 229,264	\$ (184,501)
Total OPEB liability - beginning	7,707,795	7,892,296
Total OPEB liability - ending	\$ 7,937,059	\$ 7,707,795
Covered payroll	\$ 20,503,347	\$ 20,503,347
School Board's total OPEB liability (asset) as a percentage of covered payroll	38.71%	37.59%

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

County of Russell, Virginia
 Notes to Required Supplementary Information - School OPEB
 For the Year Ended June 30, 2019

Valuation Date: 7/1/2017
 Measurement Date: 6/30/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal, level percentage of pay
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.00% in 2018 and gradually declines to 4.20% by the year 2095.
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service.
Retirement Age	The average age at retirement is 62.
Mortality Rates	The mortality rates for active and healthy retirees were calculated using the RP-2014 Employee Rates Table with scale BB to 2020; males 90% of rates; females set forward 1 year. 35% of death are assumed to be service related. The mortality rates for disabled retirees were calculated using the RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male. The mortality rates for retirees were calculated using the RP-2014 Post-Retirement Mortality Rates projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

County of Russell, Virginia
 Schedule of Employer's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2017 through June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2018	0.0325%	\$ 494,000	\$ 6,184,666	7.99%	51.22%
2017	0.0309%	465,000	5,704,306	8.15%	48.86%
Component Unit School Board (nonprofessional)					
2018	0.0138%	\$ 210,000	\$ 2,629,348	7.99%	51.22%
2017	0.0144%	216,000	2,654,927	8.14%	48.86%
Component Unit School Board (professional)					
2018	0.0966%	\$ 1,468,000	\$ 18,376,099	7.99%	51.22%
2017	0.0978%	1,471,000	18,034,586	8.16%	48.86%

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

County of Russell, Virginia
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 31,276	\$ 31,276	\$ -	\$ 6,028,822	0.52%
2018	32,161	32,161	-	6,184,666	0.52%
2017	29,665	29,665	-	5,704,306	0.52%
2016	26,515	26,515	-	5,524,027	0.48%
2015	26,057	26,057	-	5,428,571	0.48%
2014	26,130	26,130	-	5,443,723	0.48%
2013	26,774	26,774	-	5,577,961	0.48%
2012	15,361	15,361	-	5,486,088	0.28%
2011	15,435	15,435	-	5,512,595	0.28%
2010	11,068	11,068	-	5,497,130	0.20%
Component Unit School Board (nonprofessional)					
2019	\$ 13,543	\$ 13,543	\$ -	\$ 2,604,399	0.52%
2018	13,673	13,673	-	2,629,348	0.52%
2017	13,806	13,806	-	2,654,927	0.52%
2016	12,715	12,715	-	2,648,956	0.48%
2015	11,849	11,849	-	2,468,575	0.48%
2014	12,548	12,548	-	2,614,141	0.48%
2013	12,838	12,838	-	2,674,538	0.48%
2012	7,686	7,686	-	2,745,156	0.28%
2011	7,652	7,652	-	2,735,933	0.28%
2010	5,527	5,527	-	2,832,847	0.20%
Component Unit School Board (professional)					
2019	\$ 96,000	\$ 96,000	\$ -	\$ 18,519,029	0.52%
2018	95,556	95,556	-	18,376,099	0.52%
2017	93,780	93,780	-	18,034,586	0.52%
2016	86,114	86,114	-	17,940,378	0.48%
2015	83,384	83,384	-	17,371,656	0.48%
2014	82,222	82,222	-	17,129,577	0.48%
2013	83,953	83,953	-	14,490,261	0.58%
2012	51,461	51,461	-	18,378,975	0.28%
2011	49,914	49,914	-	17,826,341	0.28%
2010	36,866	36,866	-	19,131,926	0.19%

County of Russell, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Russell, Virginia
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Primary Government
Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2017 through June 30, 2018

	2018	2017
Total HIC OPEB Liability		
Service cost	\$ 1,884	\$ 1,785
Interest	7,367	7,343
Changes in assumptions	-	(1,681)
Differences between expected and actual experience	(4,641)	-
Benefit payments	(9,286)	(4,926)
Net change in total HIC OPEB liability	\$ (4,676)	\$ 2,521
Total HIC OPEB Liability - beginning	109,885	107,364
Total HIC OPEB Liability - ending (a)	\$ 105,209	\$ 109,885
Plan fiduciary net position		
Contributions - employer	\$ 4,374	\$ 3,731
Net investment income	6,182	9,214
Benefit payments	(9,286)	(4,926)
Administrative expense	(141)	(148)
Other	(472)	472
Net change in plan fiduciary net position	\$ 657	\$ 8,343
Plan fiduciary net position - beginning	88,734	80,391
Plan fiduciary net position - ending (b)	\$ 89,391	\$ 88,734
Employer's net HIC OPEB liability - ending (a) - (b)	\$ 15,818	\$ 21,151
Plan fiduciary net position as a percentage of the total HIC OPEB liability	84.97%	80.75%
Covered payroll	\$ 1,562,251	\$ 1,332,239
Employer's net HIC OPEB liability as a percentage of covered payroll	1.01%	1.59%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
 Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2018

	2018	2017
Total HIC OPEB Liability		
Service cost	\$ 9,113	\$ 12,000
Interest	18,227	17,000
Changes in assumptions	-	(42,000)
Differences between expected and actual experience	(1,089)	-
Benefit payments	(33,696)	(34,000)
Benefit payments	(5,145)	-
Net change in total HIC OPEB liability	\$ (12,590)	\$ (47,000)
Total HIC OPEB Liability - beginning	534,000	581,000
Total HIC OPEB Liability - ending (a)	\$ <u>521,410</u>	\$ <u>534,000</u>
Plan fiduciary net position		
Contributions - employer	\$ 31,329	\$ 32,000
Benefit payments	(33,696)	(34,000)
Other	(495)	-
Net change in plan fiduciary net position	\$ (2,862)	\$ (2,000)
Plan fiduciary net position - beginning	(35,000)	(33,000)
Plan fiduciary net position - ending (b)	\$ <u>(37,862)</u>	\$ <u>(35,000)</u>
Employer's net HIC OPEB liability - ending (a) - (b)	\$ 559,272	\$ 569,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	-7.26%	-6.55%
Covered payroll	\$ 2,610,768	\$ 2,645,183
Employer's net HIC OPEB liability as a percentage of covered payroll	21.42%	21.51%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

County of Russell, Virginia
 Schedule of Employer Contributions
 Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 2,763	\$ 2,763	\$ -	\$ 1,327,521	0.21%
2018	4,374	4,374	-	1,562,251	0.28%
2017	3,736	3,736	-	1,332,239	0.28%
2016	3,572	3,572	-	1,190,516	0.30%
2015	3,321	3,321	-	1,106,909	0.30%
2014	757	757	-	1,081,402	0.07%
2013	3,902	3,902	-	5,574,375	0.07%
2012	3,289	3,289	-	5,481,250	0.06%
2011	3,304	3,304	-	5,506,789	0.06%
2010	7,661	7,661	-	5,472,384	0.14%
Component Unit School Board (nonprofessional)					
2019	\$ 32,001	\$ 32,001	\$ -	\$ 2,601,655	1.23%
2018	31,329	31,329	-	2,610,768	1.20%
2017	31,742	31,742	-	2,645,183	1.20%
2016	25,165	25,165	-	2,648,956	0.95%
2015	23,128	23,128	-	2,434,577	0.95%
2014	15,413	15,413	-	2,612,301	0.59%
2013	15,780	15,780	-	2,674,538	0.59%

County of Russell, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Russell, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2017 through 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.02715%	\$ 2,884,000	\$ 18,370,145	15.70%	8.08%
2017	0.22781%	2,890,000	17,978,510	16.07%	7.04%

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

County of Russell, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 222,000	\$ 222,000	\$ -	\$ 18,519,029	1.20%
2018	225,953	225,953	-	18,370,145	1.23%
2017	199,561	199,561	-	17,978,510	1.11%
2016	189,859	189,859	-	17,911,244	1.06%
2015	183,923	183,923	-	17,351,215	1.06%
2014	189,622	189,622	-	17,083,023	1.11%
2013	193,975	193,975	-	17,475,216	1.11%
2012	110,342	110,342	-	18,390,325	0.60%
2011	106,958	106,958	-	17,826,341	0.60%
2010	142,001	142,001	-	19,131,926	0.74%

County of Russell, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Russell, Virginia
 Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2018	0.50337% \$	1,578,000	N/A	N/A	0.60%
2017	0.50108%	1,317,000	N/A	N/A	1.30%

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

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

County of Russell, Virginia
 Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2016 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2019	\$ 72,164	\$ 72,164	\$ -	N/A	N/A
2018	53,616	53,616	-	N/A	N/A
2017	54,041	54,041	-	N/A	N/A
2016	47,993	47,993	-	N/A	N/A

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

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

County of Russell, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Employees in the Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Other Supplementary Information

FIDUCIARY FUNDS

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

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

County of Russell, Virginia
 Combined Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 61,336	\$ 134,172	\$ (137,878)	\$ 57,630
VASAP Fund	11,302	185,925	(186,620)	10,607
Total Assets	<u>\$ 72,638</u>	<u>\$ 320,097</u>	<u>\$ (324,498)</u>	<u>\$ 68,237</u>
Liabilities				
Amounts held for Social Services clients	\$ 61,336	\$ 134,172	\$ (137,878)	\$ 57,630
Amounts held for VASAP	11,302	185,925	(186,620)	10,607
Total Liabilities	<u>\$ 72,638</u>	<u>\$ 320,097</u>	<u>\$ (324,498)</u>	<u>\$ 68,237</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
Governmental Funds - Discretely Presented Component Unit - School Board
June 30, 2019

		<u>School Operating Fund</u>
ASSETS		
Cash and cash equivalents	\$	1,024,325
Receivables (net of allowance for uncollectibles):		
Accounts receivable		2,824
Due from other governmental units		1,549,699
Prepaid items		326,948
Total assets	<u>\$</u>	<u>2,903,796</u>
LIABILITIES		
Accounts payable	\$	288,978
Accrued liabilities		1,067,372
Due to primary government		961,535
Total liabilities	<u>\$</u>	<u>2,317,885</u>
FUND BALANCES		
Nonspendable:		
Prepaid items	\$	326,948
Committed:		
Textbook purchases		29,950
Regional Adult Education		255,798
School food		300,163
Unassigned		(326,948)
Total fund balances	<u>\$</u>	<u>585,911</u>
Total liabilities and fund balances	<u>\$</u>	<u>2,903,796</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	585,911
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	5,636,345
Buildings and improvements		9,682,614
Machinery and equipment		1,601,982
		<u>16,920,941</u>
Deferred outflows of resources are not available to apy for current period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	3,853,016
OPEB related items		607,477
		<u>4,460,493</u>
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(730,807)
Net OPEB liabilities		(13,058,331)
Net pension liability		(32,556,828)
		<u>(46,345,966)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(3,648,168)
OPEB related items		(488,046)
		<u>(4,136,214)</u>
Net position of governmental activities	<u>\$</u>	<u>(28,514,835)</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, 2019

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 5,107
Charges for services	390,754
Miscellaneous	235,994
Recovered costs	1,015,231
Intergovernmental:	
Local government	7,288,776
Commonwealth	28,826,415
Federal	5,472,962
Total revenues	<u>\$ 43,235,239</u>
EXPENDITURES	
Current:	
Education	<u>\$ 43,147,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 87,711</u>
Net change in fund balances	\$ 87,711
Fund balances - beginning	498,200
Fund balances - ending	<u><u>\$ 585,911</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	\$ 87,711
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital outlays	\$ 754,967
Reversion of assets back to the School Board (net)	1,180,308
Depreciation expense	<u>(2,010,654)</u> (75,379)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	\$ (5,391)
Change in OPEB related items	93,990
Change in pension related items	<u>1,582,004</u> 1,670,603
Change in net position of governmental activities	<u><u>\$ 1,682,935</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, 2019

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 6,000	\$ 6,000	\$ 5,107	\$ (893)
Charges for services	559,554	559,554	390,754	(168,800)
Miscellaneous	165,000	165,000	235,994	70,994
Recovered costs	571,914	571,914	1,015,231	443,317
Intergovernmental:				
Local government	7,956,528	7,956,528	7,288,776	(667,752)
Commonwealth	28,323,975	28,323,975	28,826,415	502,440
Federal	6,068,621	6,068,621	5,472,962	(595,659)
Total revenues	<u>\$ 43,651,592</u>	<u>\$ 43,651,592</u>	<u>\$ 43,235,239</u>	<u>\$ (416,353)</u>
EXPENDITURES				
Current:				
Education	\$ 43,651,592	\$ 43,651,592	\$ 43,147,528	\$ 504,064
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 87,711	\$ 87,711
Net change in fund balances	\$ -	\$ -	\$ 87,711	\$ 87,711
Fund balances - beginning	-	-	498,200	498,200
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,911</u>	<u>\$ 585,911</u>

Supporting Schedules

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Schedule 1
 Page 1 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 8,000,000	\$ 8,000,000	\$ 7,907,128	\$ (92,872)
Real and Personal PSC Tax	1,900,000	1,900,000	1,971,983	71,983
Personal Property Tax	3,543,000	3,543,000	3,731,384	188,384
Mobile Home Tax	114,000	114,000	111,621	(2,379)
Machinery and Tools Tax	950,000	950,000	839,002	(110,998)
Merchants Capital	36,000	36,000	42,432	6,432
Mineral Tax	1,050,000	1,050,000	900,904	(149,096)
Penalties	146,000	146,000	130,844	(15,156)
Interest	315,000	315,000	266,095	(48,905)
Total general property taxes	<u>\$ 16,054,000</u>	<u>\$ 16,054,000</u>	<u>\$ 15,901,393</u>	<u>\$ (152,607)</u>
Other local taxes:				
Local Sales and Use Tax	\$ 2,057,100	\$ 2,057,100	\$ 1,794,619	\$ (262,481)
Consumers' Utility Tax	550,000	550,000	532,700	(17,300)
Consumption Taxes	75,000	75,000	76,061	1,061
Coal Severance Tax	250,000	250,000	360,435	110,435
Bank Stock Tax	11,000	11,000	16,838	5,838
Grantee tax	87,000	87,000	75,451	(11,549)
Motor Vehicle Licenses	-	-	9,684	9,684
Taxes on Recordation and Wills	27,000	27,000	24,274	(2,726)
Total other local taxes	<u>\$ 3,057,100</u>	<u>\$ 3,057,100</u>	<u>\$ 2,890,062</u>	<u>\$ (167,038)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,800	\$ 1,800	\$ 1,732	\$ (68)
Building permits	31,000	31,000	39,002	8,002
Other permits and other licenses	3,200	3,200	2,449	(751)
Total permits, privilege fees, and regulatory licenses	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>\$ 43,183</u>	<u>\$ 7,183</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 18,000	\$ 18,000	\$ 13,545	\$ (4,455)
Revenue from use of money and property:				
Revenue from use of money	\$ 256,000	\$ 256,000	\$ 87,394	\$ (168,606)
Revenue from use of property	-	-	187,142	187,142
Total revenue from use of money and property	<u>\$ 256,000</u>	<u>\$ 256,000</u>	<u>\$ 274,536</u>	<u>\$ 18,536</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 195,000	\$ 195,000	\$ 188,985	\$ (6,015)
Charges for courthouse security	45,000	45,000	37,435	(7,565)
Charges for cannery operations	65,000	65,000	44,966	(20,034)
Charges for commonwealth attorney	7,500	7,500	12,087	4,587
Charges for courthouse maintenance	8,500	8,500	10,415	1,915
Charges for jail and inmate fees	4,500	4,500	20,131	15,631
Charges for district court	-	-	5,196	5,196
Charges for library	5,200	5,200	5,908	708
Other charges for services	3,400	3,400	4,149	749
Total charges for services	<u>\$ 334,100</u>	<u>\$ 334,100</u>	<u>\$ 329,272</u>	<u>\$ (4,828)</u>
Miscellaneous:				
Other miscellaneous revenue	\$ 187,200	\$ 187,200	\$ 72,890	\$ (114,310)
Sale of property/surplus	-	-	130,692	130,692
Valley Heights revenue	-	-	7,105	7,105
Total miscellaneous	<u>\$ 187,200</u>	<u>\$ 187,200</u>	<u>\$ 210,687</u>	<u>\$ 23,487</u>

County of Russell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

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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)				
Recovered costs:				
Social services	\$ 246,000	\$ 246,000	\$ 56,069	\$ (189,931)
Health department	15,000	15,000	40,500	25,500
School resource officer	58,284	58,284	207,975	149,691
Insurance recoveries	-	-	36,443	36,443
Industrial development	18,000	18,000	27,807	9,807
Other Recovered Costs	28,000	28,000	804,125	776,125
Total recovered costs	<u>\$ 365,284</u>	<u>\$ 365,284</u>	<u>\$ 1,172,919</u>	<u>\$ 807,635</u>
Total revenue from local sources	<u>\$ 20,307,684</u>	<u>\$ 20,307,684</u>	<u>\$ 20,835,597</u>	<u>\$ 527,913</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 135,250	\$ 135,250	\$ 135,819	\$ 569
Mobile home titling tax	78,000	78,000	89,476	11,476
Motor vehicle rental tax	2,000	2,000	3,277	1,277
Communications tax	848,000	848,000	730,302	(117,698)
State recordation tax	21,000	21,000	26,478	5,478
Personal property tax relief act funds	1,437,003	1,437,003	1,437,003	-
Total noncategorical aid	<u>\$ 2,521,253</u>	<u>\$ 2,521,253</u>	<u>\$ 2,422,355</u>	<u>\$ (98,898)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 438,404	\$ 438,404	\$ 408,466	\$ (29,938)
Sheriff	1,620,000	1,620,000	1,461,284	(158,716)
Commissioner of revenue	203,778	203,778	160,950	(42,828)
Treasurer	112,000	112,000	113,726	1,726
Registrar/electoral board	43,000	43,000	42,436	(564)
Clerk of the Circuit Court	293,000	293,000	336,497	43,497
Total Shared Expenses	<u>\$ 2,710,182</u>	<u>\$ 2,710,182</u>	<u>\$ 2,523,359</u>	<u>\$ (186,823)</u>
Other categorical aid:				
Victim witness grant	\$ 64,000	\$ 64,000	\$ 24,405	\$ (39,595)
GIS	3,700	3,700	2,890	(810)
JAG grants	-	-	840	840
E911 state funds	45,000	45,000	91,354	46,354
Asset forfeiture funds	-	-	26,557	26,557
EMS grants	-	-	30,084	30,084
Fire Program Funds	2,000	82,455	82,455	-
Library grants	91,000	91,000	98,393	7,393
Litter control grants	15,000	15,000	11,460	(3,540)
Public assistance	2,389,956	2,389,956	2,293,423	(96,533)
Comprehensive services act	1,250,094	1,250,094	1,031,534	(218,560)
School resource officer grants	-	-	84,929	84,929
Workforce investment	27,500	27,500	-	(27,500)
Health department	-	-	44,933	44,933
Other state funds	-	-	4,800	4,800
Total other categorical aid	<u>\$ 3,888,250</u>	<u>\$ 3,968,705</u>	<u>\$ 3,828,057</u>	<u>\$ (140,648)</u>
Total categorical aid	<u>\$ 6,598,432</u>	<u>\$ 6,678,887</u>	<u>\$ 6,351,416</u>	<u>\$ (327,471)</u>
Total revenue from the Commonwealth	<u>\$ 9,119,685</u>	<u>\$ 9,200,140</u>	<u>\$ 8,773,771</u>	<u>\$ (426,369)</u>

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
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 For the Year Ended June 30, 2019

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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)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forfeited Assets	\$ -	\$ -	\$ 260,547	\$ 260,547
Emergency management grants	89,000	89,000	9,944	(79,056)
Law enforcement grants	-	-	46,615	46,615
Violence against women	-	-	24,881	24,881
Victim witness grant	-	-	32,235	32,235
USDA Rural Development grant	-	-	50,000	50,000
DMV ground transportation safety grant	18,500	18,500	908	(17,592)
Comprehensive services act	136,309	136,309	136,309	-
Public assistance	3,027,144	3,027,144	2,834,804	(192,340)
Total categorical aid	<u>\$ 3,270,953</u>	<u>\$ 3,270,953</u>	<u>\$ 3,396,243</u>	<u>\$ 125,290</u>
Total revenue from the federal government	<u>\$ 3,270,953</u>	<u>\$ 3,270,953</u>	<u>\$ 3,396,243</u>	<u>\$ 125,290</u>
Total General Fund	<u>\$ 32,698,322</u>	<u>\$ 32,778,777</u>	<u>\$ 33,005,611</u>	<u>\$ 226,834</u>
Special Revenue Funds:				
Coal Road Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 150,000	\$ 150,000	\$ 360,434	\$ 210,434
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,205	\$ 2,205
Total revenue from local sources	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 362,639</u>	<u>\$ 212,639</u>
Total Coal Road Fund	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 362,639</u>	<u>\$ 212,639</u>
Workforce Investment Board Fund:				
Revenue from local sources:				
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 52,566	\$ 52,566
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Workforce Investment	\$ 2,835,083	\$ 2,835,083	\$ 436,407	\$ (2,398,676)
Total revenue from the federal government	<u>\$ 2,835,083</u>	<u>\$ 2,835,083</u>	<u>\$ 436,407</u>	<u>\$ (2,398,676)</u>
Total Workforce Investment Board Fund	<u>\$ 2,835,083</u>	<u>\$ 2,835,083</u>	<u>\$ 488,973</u>	<u>\$ (2,346,110)</u>
Total Primary Government	<u>\$ 35,683,405</u>	<u>\$ 35,763,860</u>	<u>\$ 33,857,223</u>	<u>\$ (1,906,637)</u>

County of Russell, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2019

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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:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 107	\$ 107
Revenue from the use of property	6,000	6,000	5,000	(1,000)
Total revenue from use of money and property	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 5,107</u>	<u>\$ (893)</u>
Charges for services:				
Cafeteria sales	\$ 400,000	\$ 400,000	\$ 357,866	\$ (42,134)
Tuition payments	5,000	5,000	-	(5,000)
Drivers Ed fees	14,000	14,000	10,920	(3,080)
Other charges for services	-	-	168	168
Regional Adult Education	138,554	138,554	21,095	(117,459)
GED Testing fees	2,000	2,000	705	(1,295)
Total charges for services	<u>\$ 559,554</u>	<u>\$ 559,554</u>	<u>\$ 390,754</u>	<u>\$ (168,800)</u>
Miscellaneous:				
Other miscellaneous	\$ 165,000	\$ 165,000	\$ 235,994	\$ 70,994
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 42,015	\$ 42,015
Extra duties revenue	23,000	23,000	15,109	(7,891)
Dual Enrollment	300,000	300,000	454,732	154,732
Sale of Equipment and Supplies	10,000	10,000	4,516	(5,484)
Reimburse Health Services	187,414	187,414	254,287	66,873
Other recovered costs	51,500	51,500	244,572	193,072
Total recovered costs	<u>\$ 571,914</u>	<u>\$ 571,914</u>	<u>\$ 1,015,231</u>	<u>\$ 443,317</u>
Total revenue from local sources	<u>\$ 1,302,468</u>	<u>\$ 1,302,468</u>	<u>\$ 1,647,086</u>	<u>\$ 344,618</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Russell, Virginia	\$ 7,956,528	\$ 7,956,528	\$ 7,288,776	\$ (667,752)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,202,407	\$ 4,202,407	\$ 4,243,805	\$ 41,398
Basic Aid	12,930,951	12,930,951	13,079,012	148,061
Remedial summer education	254,054	254,054	260,356	6,302
Regular foster care	23,660	23,660	6,612	(17,048)
Gifted and talented	134,288	134,288	135,731	1,443
Remedial education	518,353	518,353	523,920	5,567
Special education	1,826,320	1,826,320	1,845,935	19,615
Textbook payment	270,430	270,430	273,334	2,904
Career and Technical Education	67,262	67,262	25,008	(42,254)
Alternative education	924,464	924,464	924,464	-
Algebra readiness	67,524	67,524	70,547	3,023
Mentor teacher program	2,689	2,689	2,064	(625)
Social security fringe benefits	835,273	835,273	844,244	8,971
Group life	56,401	56,401	57,007	606
Retirement fringe benefits	1,845,120	1,845,120	1,864,938	19,818
Early reading intervention	87,259	87,259	87,259	-
Adult Education	31,197	31,197	45,605	14,408
Homebound education	27,005	27,005	25,716	(1,289)
Vocation education	502,490	502,490	555,850	53,360
At risk payments	610,603	610,603	684,501	73,898
Primary class size	730,755	730,755	718,324	(12,431)
Technology	362,000	362,000	334,858	(27,142)
Jobs for Virginia Graduates	25,000	25,000	25,000	-
Industry Certification Costs	4,341	4,341	4,229	(112)
At risk four-year olds	592,567	592,567	558,567	(34,000)
School Food	27,818	27,818	27,299	(519)

County of Russell, Virginia
 Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Noncategorical aid: (Continued)				
English as a second language	\$ 7,232	\$ 7,232	\$ 7,748	\$ 516
Project graduation	7,309	7,309	7,309	-
GED prep programs	77,239	77,239	77,962	723
Lottery payments	902,632	902,632	988,525	85,893
Tobacco Commission	30,000	30,000	47,905	17,905
Adult literacy	82,515	82,515	82,515	-
Special education-foster care	-	-	12,207	12,207
Other state funds	256,817	256,817	378,059	121,242
Total categorical aid	<u>\$ 28,323,975</u>	<u>\$ 28,323,975</u>	<u>\$ 28,826,415</u>	<u>\$ 502,440</u>
Total revenue from the Commonwealth	<u>\$ 28,323,975</u>	<u>\$ 28,323,975</u>	<u>\$ 28,826,415</u>	<u>\$ 502,440</u>
Revenue from the federal government:				
Categorical aid:				
Basic Adult Education	\$ 261,451	\$ 261,451	\$ 281,271	\$ 19,820
Title I	1,271,153	1,271,153	1,284,286	13,133
Special Education	1,152,259	1,152,259	1,013,139	(139,120)
Title VI-B, preschool	35,432	35,432	32,035	(3,397)
Vocational education	83,592	83,592	735	(82,857)
School Food Program	1,320,000	1,320,000	1,728,790	408,790
Improving teacher quality	222,735	222,735	199,540	(23,195)
Title IV part A	-	-	21,140	21,140
21st century grant	1,432,757	1,432,757	826,745	(606,012)
Rural and low income schools	65,242	65,242	79,070	13,828
Other federal funds	224,000	224,000	6,211	(217,789)
Total categorical aid	<u>\$ 6,068,621</u>	<u>\$ 6,068,621</u>	<u>\$ 5,472,962</u>	<u>\$ (595,659)</u>
Total revenue from the federal government	<u>\$ 6,068,621</u>	<u>\$ 6,068,621</u>	<u>\$ 5,472,962</u>	<u>\$ (595,659)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 43,651,592</u>	<u>\$ 43,651,592</u>	<u>\$ 43,235,239</u>	<u>\$ (416,353)</u>

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 203,652	\$ 288,652	\$ 284,753	\$ 3,899
General and financial administration:				
County administrator	\$ 329,914	\$ 357,914	\$ 382,194	\$ (24,280)
Independent auditor	68,250	86,250	85,850	400
Commissioner of the revenue	309,271	309,771	318,306	(8,535)
Real estate assessor	282,658	282,658	283,093	(435)
Treasurer	427,060	442,060	465,733	(23,673)
Auto decals	-	-	1,230	(1,230)
Procurement	124,506	143,506	139,771	3,735
Total general and financial administration	<u>\$ 1,541,659</u>	<u>\$ 1,622,159</u>	<u>\$ 1,676,177</u>	<u>\$ (54,018)</u>
Board of elections:				
Electoral Board	\$ 73,675	\$ 73,775	\$ 50,587	\$ 23,188
General Registrar	115,020	125,020	142,066	(17,046)
Total board of elections	<u>\$ 188,695</u>	<u>\$ 198,795</u>	<u>\$ 192,653</u>	<u>\$ 6,142</u>
Total general government administration	<u>\$ 1,934,006</u>	<u>\$ 2,109,606</u>	<u>\$ 2,153,583</u>	<u>\$ (43,977)</u>
Judicial administration:				
Courts:				
Circuit Court	\$ 124,909	\$ 140,909	\$ 143,151	\$ (2,242)
General District Court	21,088	21,088	16,219	4,869
Special Magistrates	8,400	8,400	8,365	35
Clerk's Office	415,059	482,059	490,258	(8,199)
Sheriff Courts	934,214	1,072,214	1,095,723	(23,509)
Victim and Witness Assistance	60,559	60,559	59,555	1,004
Law Library	-	-	397	(397)
Total courts	<u>\$ 1,564,229</u>	<u>\$ 1,785,229</u>	<u>\$ 1,813,668</u>	<u>\$ (28,439)</u>
Commonwealth's attorney:				
Commonwealth's Attorney	\$ 642,942	\$ 872,942	\$ 866,932	\$ 6,010
Total judicial administration	<u>\$ 2,207,171</u>	<u>\$ 2,658,171</u>	<u>\$ 2,680,600</u>	<u>\$ (22,429)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,066,648	\$ 2,733,648	\$ 2,721,180	\$ 12,468
Dare program	3,000	3,000	2,957	43
Total law enforcement and traffic control	<u>\$ 2,069,648</u>	<u>\$ 2,736,648</u>	<u>\$ 2,724,137</u>	<u>\$ 12,511</u>
Fire and rescue services:				
Volunteer Fire Departments	\$ 203,200	\$ 289,700	\$ 289,555	\$ 145
Ambulance Rescue Squad	190,875	190,875	188,910	1,965
Total fire and rescue services	<u>\$ 394,075</u>	<u>\$ 480,575</u>	<u>\$ 478,465</u>	<u>\$ 2,110</u>
Correction and detention:				
Operation of Jail	\$ 2,488,745	\$ 2,985,745	\$ 2,985,743	\$ 2
Probation Office	208,261	209,761	209,753	8
Total correction and detention	<u>\$ 2,697,006</u>	<u>\$ 3,195,506</u>	<u>\$ 3,195,496</u>	<u>\$ 10</u>
Inspections:				
Building inspector	\$ 116,091	\$ 116,091	\$ 114,174	\$ 1,917
Other protection:				
Forestry Service	\$ 11,804	\$ 12,304	\$ 12,239	\$ 65
Enhanced 911	573,130	573,130	508,487	64,643
Medical Examiner	400	400	340	60

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection: (Continued)				
Emergency Services	\$ 147,625	\$ 147,625	\$ 117,276	\$ 30,349
Animal Control	38,231	69,231	116,790	(47,559)
Total other protection	<u>\$ 771,190</u>	<u>\$ 802,690</u>	<u>\$ 755,132</u>	<u>\$ 47,558</u>
Total public safety	<u>\$ 6,048,010</u>	<u>\$ 7,331,510</u>	<u>\$ 7,267,404</u>	<u>\$ 64,106</u>
Public works:				
Sanitation and waste removal:				
Landfill	\$ 1,704,465	\$ 1,807,465	\$ 1,716,128	\$ 91,337
Litter Coordinator	-	-	75,856	(75,856)
Total sanitation and waste removal	<u>\$ 1,704,465</u>	<u>\$ 1,807,465</u>	<u>\$ 1,791,984</u>	<u>\$ 15,481</u>
Maintenance of general buildings and grounds:				
General properties	\$ 924,770	\$ 924,970	\$ 899,486	\$ 25,484
Total public works	<u>\$ 2,629,235</u>	<u>\$ 2,732,435</u>	<u>\$ 2,691,470</u>	<u>\$ 40,965</u>
Health and welfare:				
Health:				
Health Department	\$ 340,000	\$ 340,000	\$ 380,500	\$ (40,500)
Mental health and mental retardation:				
Cumberland Mountain Community Services Board	\$ 40,000	\$ 40,000	\$ 39,996	\$ 4
Welfare:				
Social services	\$ 5,942,100	\$ 6,354,100	\$ 5,607,190	\$ 746,910
Comprehensive Services Act	1,714,458	1,934,158	1,599,510	334,648
Appalachian Agency for Senior Citizens	83,475	83,475	82,711	764
Other health and welfare	-	800	1,600	(800)
Total welfare	<u>\$ 7,740,033</u>	<u>\$ 8,372,533</u>	<u>\$ 7,291,011</u>	<u>\$ 1,081,522</u>
Total health and welfare	<u>\$ 8,120,033</u>	<u>\$ 8,752,533</u>	<u>\$ 7,711,507</u>	<u>\$ 1,041,026</u>
Education:				
Other instructional costs:				
Contributions to County School Board	\$ 7,956,528	\$ 7,956,528	\$ 7,288,776	\$ 667,752
SVCC Contribution	91,949	91,949	77,169	14,780
Total education	<u>\$ 8,048,477</u>	<u>\$ 8,048,477</u>	<u>\$ 7,365,945</u>	<u>\$ 682,532</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Park	\$ 154,837	\$ 155,687	\$ 141,646	\$ 14,041
Health and fitness	63,970	67,570	69,054	(1,484)
Total parks and recreation	<u>\$ 218,807</u>	<u>\$ 223,257</u>	<u>\$ 210,700</u>	<u>\$ 12,557</u>
Library:				
Public Library	\$ 321,319	\$ 328,239	\$ 332,799	\$ (4,560)
Total parks, recreation, and cultural	<u>\$ 540,126</u>	<u>\$ 551,496</u>	<u>\$ 543,499</u>	<u>\$ 7,997</u>
Community development:				
Planning and community development:				
Planning Commission	\$ 18,000	\$ 18,000	\$ 16,275	\$ 1,725
Community Development	36,050	36,050	33,075	2,975
Industrial Development	510,500	510,500	480,823	29,677
PSA Contributions	222,985	222,985	244,853	(21,868)
Cumberland Plateau	35,000	35,000	35,000	-
Regional Housing	-	550	550	-
Highway Safety Commission	4,200	4,200	3,500	700
Canneries	30,000	45,800	45,330	470

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Tourism	6,000	6,000	4,408	1,592
Total planning and community development	\$ 862,735	\$ 879,085	\$ 863,814	\$ 15,271
Environmental management:				
Soil and Water Conservation	\$ 33,233	\$ 33,243	\$ 33,236	\$ 7
Cooperative extension program:				
VPI Extension	\$ 71,176	\$ 71,176	\$ 62,408	\$ 8,768
Total community development	\$ 967,144	\$ 983,504	\$ 959,458	\$ 24,046
Nondepartmental:				
Nondepartmental	\$ 252,000	\$ 563,000	\$ 421,793	\$ 141,207
Capital projects:				
Other capital projects	\$ -	\$ 288,400	\$ 283,529	\$ 4,871
Total capital projects	\$ -	\$ 288,400	\$ 283,529	\$ 4,871
Debt service:				
Principal payments	\$ 1,392,627	\$ 1,392,627	\$ 1,517,548	\$ (124,921)
Interest Expense	359,493	359,493	549,292	(189,799)
Total debt service	\$ 1,752,120	\$ 1,752,120	\$ 2,066,840	\$ (314,720)
Total General Fund	\$ 32,498,322	\$ 35,771,252	\$ 34,145,628	\$ 1,625,624
Special Revenue Funds:				
Coal Road Fund:				
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Maintenance of highways, streets, bridges and sidewalks	\$ 125,000	\$ 125,000	\$ -	\$ 125,000
Virginia coalfield	25,000	81,850	202,043	(120,193)
Total Public Works	\$ 150,000	\$ 206,850	\$ 202,043	\$ 4,807
Total Coal Road Fund	\$ 150,000	\$ 206,850	\$ 202,043	\$ 4,807
Workforce Investment Board Fund:				
Health and Welfare:				
Welfare:				
Workforce Investment	\$ 2,835,083	\$ 2,835,083	\$ 591,222	\$ 2,243,861
Total Primary Government	\$ 35,483,405	\$ 38,813,185	\$ 34,938,893	\$ 3,874,292
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,934,012	\$ 1,934,012	\$ 1,893,998	\$ 40,014
Instruction costs:				
Instructional costs	\$ 31,788,663	\$ 31,788,663	\$ 31,716,365	\$ 72,298
Technology	872,175	872,175	779,333	92,842
Total instruction costs	\$ 32,660,838	\$ 32,660,838	\$ 32,495,698	\$ 165,140

County of Russell, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 2,887,406	\$ 2,887,406	\$ 2,479,120	\$ 408,286
Operation and maintenance of school plant	4,507,671	4,507,671	4,275,896	231,775
Food service and non-instructional	1,661,665	1,661,665	2,002,816	(341,151)
Total operating costs	<u>\$ 9,056,742</u>	<u>\$ 9,056,742</u>	<u>\$ 8,757,832</u>	<u>\$ 298,910</u>
 Total education	 <u>\$ 43,651,592</u>	 <u>\$ 43,651,592</u>	 <u>\$ 43,147,528</u>	 <u>\$ 504,064</u>
 Total School Operating Fund	 <u>\$ 43,651,592</u>	 <u>\$ 43,651,592</u>	 <u>\$ 43,147,528</u>	 <u>\$ 504,064</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 43,651,592</u>	 <u>\$ 43,651,592</u>	 <u>\$ 43,147,528</u>	 <u>\$ 504,064</u>

Other Statistical Information

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare (1)	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sewer Authority	Total
2018-19	\$ 1,955,177	\$ 2,461,521	\$ 6,222,716	\$ 3,217,305	\$ 8,165,010	\$ 6,531,101	\$ 548,374	\$ 935,883	\$ 487,606	\$ 351,058	\$ 30,875,751
2017-18	2,003,925	2,259,365	6,409,699	3,262,221	9,191,297	8,613,945	583,009	957,043	499,803	388,981	34,169,288
2016-17	2,085,083	2,290,688	6,395,713	3,152,142	9,535,001	9,519,958	552,562	992,839	515,428	454,634	35,494,048
2015-16	2,099,001	2,080,921	5,999,917	3,547,942	8,926,570	7,744,464	481,145	1,025,246	342,729	441,642	32,689,577
2014-15	1,772,163	1,945,227	6,352,397	3,725,640	8,115,359	7,596,324	514,678	1,023,371	385,445	430,426	31,861,030
2013-14	1,702,984	2,039,186	6,005,354	4,381,728	7,169,883	8,943,324	546,171	1,687,428	457,095	403,848	33,337,001
2012-13	1,269,473	2,097,469	5,908,601	4,592,807	8,285,584	7,484,972	529,959	2,173,719	498,401	441,349	33,282,334
2011-12	2,267,145	2,119,900	5,296,188	6,060,973	8,397,896	4,589,631	539,126	3,493,655	522,300	410,664	33,697,478
2010-11	1,691,031	2,112,758	5,091,612	4,003,987	8,592,042	5,681,243	563,123	3,191,256	756,064	423,945	32,107,061
2009-10	1,828,631	2,219,866	4,234,145	5,549,934	6,070,091	5,897,486	560,735	1,491,257	728,202	434,552	29,014,899

(1) 2010-2011 is the first year the Workforce Investment Board is included.

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

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 Revenue from use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs (1)	
2018-19	\$ 497,780	\$ 10,134,066	\$ 50,000	\$ 17,541,471	\$ 3,250,496	\$ 282,315	\$ 210,687	\$ 2,422,355	\$ 34,389,170	
2017-18	546,610	11,391,778	-	17,446,217	3,390,189	254,538	233,890	2,340,315	35,603,537	
2016-17	414,700	11,862,113	-	17,065,361	3,297,225	185,677	91,300	2,493,045	35,409,421	
2015-16	430,589	10,616,989	61,200	15,198,122	3,781,925	223,008	180,343	2,501,627	32,993,803	
2014-15	468,117	9,648,228	-	15,762,013	4,635,427	257,108	226,621	2,553,497	33,551,011	
2013-14	445,727	8,991,231	320,311	15,749,617	4,873,857	359,952	86,115	2,562,116	33,388,926	
2012-13	398,711	9,822,073	-	14,686,993	5,079,612	45,865	60,479	2,580,839	32,674,572	
2011-12	488,408	9,677,480	761,738	13,142,777	6,881,302	77,226	138,135	2,445,435	33,612,501	
2010-11	337,064	10,635,876	-	13,683,476	6,340,919	89,819	177,669	2,638,202	33,903,025	
2009-10	393,362	7,473,127	-	13,004,381	6,123,807	106,848	173,322	2,465,451	29,740,298	

(1) 2009-10 is the first year State Communications tax is classified as grants and contributions not restricted to specific programs.

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare (3)	Education (2)	Parks, Recreation, and Cultural	Community Development (4)	Non-departmental	Debt Service	Total
2018-19	\$ 2,153,583	\$ 2,680,600	\$ 7,267,404	\$ 2,893,513	\$ 8,302,729	\$ 43,224,697	\$ 543,499	\$ 959,458	\$ 421,793	\$ 2,066,840	\$ 70,514,116
2017-18	2,177,595	2,397,387	6,554,101	3,331,380	9,601,443	42,484,928	566,272	1,083,779	158,828	1,893,421	70,249,134
2016-17	1,829,925	2,326,471	7,012,800	3,480,788	9,950,089	40,397,495	522,426	1,008,002	147,991	1,935,190	68,611,177
2015-16	1,787,592	2,193,822	6,914,427	3,529,620	9,209,141	39,874,115	468,670	1,048,554	515,527	1,747,721	67,289,189
2014-15	1,717,342	2,011,601	6,839,477	3,962,315	8,354,018	39,320,723	480,741	1,046,895	112,482	1,946,577	65,792,171
2013-14	1,651,589	2,039,720	5,955,754	4,500,894	7,412,261	38,945,001	507,694	1,701,241	112,027	1,810,023	64,636,204
2012-13	1,797,929	2,096,382	5,742,101	4,744,331	8,334,736	40,161,416	488,706	2,283,910	423,737	2,869,820	68,943,068
2011-12	2,060,380	2,114,097	5,509,998	6,515,152	8,518,725	40,540,127	484,891	2,442,356	305,904	2,526,021	71,017,651
2010-11	1,712,850	2,106,641	5,226,797	4,102,279	8,662,052	40,273,694	556,723	2,311,048	103,820	2,537,376	67,593,280
2009-10	1,837,926	2,213,724	4,100,376	5,491,432	6,906,934	41,066,362	497,417	1,557,445	9,095	2,504,631	66,185,342

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

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

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

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

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
2018-19	\$ 15,901,393	\$ 3,250,496	\$ 43,183	\$ 13,545	\$ 281,848	\$ 720,026	\$ 446,681	\$ 2,240,716	\$ 46,905,798	\$ 69,803,686
2017-18	16,390,872	3,390,189	68,668	16,708	259,642	710,045	534,953	1,531,418	46,735,222	69,637,717
2016-17	17,415,482	3,297,225	32,009	18,804	186,397	684,981	342,528	1,651,000	46,597,608	70,226,034
2015-16	15,071,101	3,781,925	30,258	14,136	223,772	676,644	426,624	1,607,321	44,977,461	66,809,242
2014-15	15,746,635	4,635,427	40,342	2,334	251,962	776,757	472,339	1,338,279	44,426,079	67,690,154
2013-14	16,011,500	4,873,857	40,292	31,151	352,852	803,470	307,398	1,121,491	41,977,914	65,519,925
2012-13	14,696,587	5,079,612	34,152	14,955	39,878	951,229	352,993	1,588,307	44,418,919	67,176,632
2011-12	12,813,407	6,881,302	28,272	24,567	65,238	1,162,800	394,657	1,139,070	46,119,628	68,628,941
2010-11	13,548,896	6,340,919	22,834	1,206	73,514	1,101,993	416,883	898,399	47,717,709	70,122,353
2009-10	12,841,457	6,123,807	45,877	1,049	74,279	998,548	293,467	1,732,861	43,856,378	65,967,723

(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 Outstanding Delinquent Taxes to Tax Levy
2018-19	\$ 18,755,991	\$ 15,878,451	84.66%	\$ 1,063,006	\$ 16,941,457	90.33%	\$ 6,126,347	32.66%
2017-18	17,975,777	16,002,677	89.02%	1,377,820	17,380,497	96.69%	4,476,207	24.90%
2016-17	18,121,006	16,441,108	90.73%	1,946,062	18,387,170	101.47%	3,734,590	20.61%
2015-16	17,361,249	14,744,908	84.93%	1,312,236	16,057,144	92.49%	4,096,565	23.60%
2014-15	17,704,326	15,716,165	88.77%	994,555	16,710,720	94.39%	3,823,404	21.60%
2013-14	17,616,878	16,022,072	90.95%	895,532	16,917,604	96.03%	3,914,585	22.22%
2012-13	16,328,495	14,812,738	90.72%	953,671	15,766,409	96.56%	4,786,523	29.31%
2011-12	14,681,089	13,185,991	89.82%	723,190	13,909,181	94.74%	4,693,121	31.97%
2010-11	14,682,949	13,329,182	90.78%	1,330,697	14,659,879	99.84%	3,847,456	26.20%
2009-10	14,169,807	13,038,906	92.02%	886,480	13,925,386	98.28%	3,624,318	25.58%

(1) Exclusive of penalties and interest.

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
2018-19	\$ 1,425,907,354	\$ 340,126,676	\$ 54,399,602	\$ 5,701,488	\$ 21,270,790	\$ 251,848,360	\$ 2,099,254,270
2017-18	1,437,419,342	321,810,049	56,429,665	5,992,268	20,380,636	288,824,827	2,130,856,787
2016-17	1,424,285,595	327,638,704	57,050,690	5,716,770	20,726,176	265,575,303	2,100,993,238
2015-16	1,435,763,539	298,654,470	58,791,092	5,876,008	21,377,908	243,897,231	2,064,360,248
2014-15	1,426,948,990	300,976,802	71,451,300	6,084,205	21,500,580	240,244,298	2,067,206,175
2013-14	1,420,301,334	297,609,286	92,212,643	6,061,014	21,820,581	315,700,293	2,153,705,151
2012-13	1,323,141,655	292,809,049	86,317,454	5,631,601	23,486,868	230,027,520	1,961,414,147
2011-12	1,214,673,535	251,383,699	60,747,073	5,340,902	23,401,571	269,503,982	1,825,050,762
2010-11	1,197,720,260	235,114,151	82,948,411	5,136,529	23,320,148	326,871,285	1,871,110,784
2009-10	1,181,352,276	224,871,200	96,552,183	5,402,115	22,864,821	253,750,196	1,784,792,791

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

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

Table 7

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

Fiscal Year	Real Estate (2)	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes
2018-19	\$ 0.63	\$ 1.95	\$ 1.65	\$ 0.65	0.63
2017-18	0.63	1.95	1.65	0.65	0.63
2016-17	0.63	1.95	1.65	0.65	0.63
2015-16	0.63	1.65	1.65	0.65	0.63
2014-15	0.63	1.65	1.65	0.65	0.63
2013-14	0.56/0.63	1.65	2.00	0.65	0.56
2012-13	0.70/0.56	1.65	1.65	0.65	0.70
2011-12	0.61/0.70	1.65	1.65	0.65	0.61
2010-11	0.61	1.65	1.65	0.65	0.61
2009-10	0.61	1.65	1.65	0.65	0.61

(1) Per \$100 of assessed value.

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

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
2018-19	28,897	\$ 2,099,254	\$ 4,975,292	\$ 4,975,292	0.24%	\$ 172
2017-18	28,897	2,130,857	5,953,218	5,953,218	0.28%	206
2016-17	28,897	2,100,993	6,906,780	6,906,780	0.33%	239
2015-16	28,897	2,064,360	7,930,656	7,930,656	0.38%	274
2014-15	28,897	2,067,206	8,951,609	8,951,609	0.43%	310
2013-14	28,897	2,153,705	9,955,282	9,955,282	0.46%	345
2012-13	28,897	1,961,414	10,865,788	10,865,788	0.55%	376
2011-12	28,897	1,825,051	12,666,629	12,666,629	0.69%	438
2010-11	28,897	1,871,111	14,066,729	14,066,729	0.75%	487
2009-10	28,790	1,784,793	15,315,245	15,315,245	0.86%	532

(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
2018-19	\$ 2,066,840	\$ 70,514,116	2.93%
2017-18	1,893,421	70,249,134	2.70%
2016-17	1,935,190	68,611,177	2.82%
2015-16	1,747,721	67,289,189	2.60%
2014-15	1,946,577	65,792,171	2.96%
2013-14	1,810,023	64,636,204	2.80%
2012-13	2,869,820	68,943,068	4.16%
2011-12	2,526,021	71,017,651	3.56%
2010-11	2,537,376	67,593,280	3.75%
2009-10	2,504,631	66,185,342	3.78%

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

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Russell, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Russell, Virginia's basic financial statements and have issued our report thereon dated December 31, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses [2019-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Russell, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County of Russell, Virginia's Response to Findings

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

Purpose of this Report

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

Prohaska, Famer, Cox Associates

Blacksburg, Virginia
December 31, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Russell, Virginia's compliance with the types of compliance requirements described in the *OMB 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, 2019. County of Russell, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Russell, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Russell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Russell, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-002, that we consider to be a material weakness.

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

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

Polina, Fane, Cox Associates

Blacksburg, Virginia
December 31, 2019

County of Russell, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950117, 0950118	\$ 22,829	\$ -
TANF Cluster				
Temporary Assistance for Needy Families	93.558	0400118, 0400119	346,047	-
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118, 0500119	247	-
Low-Income Home Energy Assistance	93.568	0600418, 0600419	57,135	-
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118, 0760119	62,635	-
Chafee Education and Training Vouchers	93.599	9160118	885	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118	426	-
Foster Care - Title IV-E	93.658	1100118, 1100119	585,463	-
Adoption Assistance	93.659	1120118, 1120119	623,735	-
Social Services Block Grant	93.667	1000118, 1000119	400,048	-
Chafee Foster Care Independence Program	93.674	9150118	7,156	-
Children's Health Insurance Program	93.767	0540118, 0540119	9,730	-
Medicaid Cluster				
Medical Assistance Program	93.778	1200118, 1200119	454,727	-
Total Department of Health and Human Services			<u>\$ 2,571,063</u>	<u>\$ -</u>
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Agriculture:				
Food Distribution-Schools (Note 3)	10.555	Not available	\$ 104,981	
Department of Education:				
National School Lunch Program	10.555	40254	938,269	\$ 1,043,250
School Breakfast Program	10.553	40253		350,913
Summer Food Service Program for Children	10.559	60302, 60303		<u>68,639</u>
Total Child Nutrition Cluster			<u>\$ 1,462,802</u>	<u>-</u>
Department of Education:				
Child and Adult Care Food Program	10.558	70027, 70028	265,988	-
Child Nutrition Discretionary Grants Limited Availability	10.579	86804	6,211	-
Department of Social Services:				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118, 0010119 0040118, 0040119	400,050	-
Water and Waste Disposal Systems for Rural Communities	10.760	Not available	50,000	-
Total Department of Agriculture			<u>\$ 2,185,051</u>	<u>\$ -</u>
Department of Justice:				
Direct Payments:				
Equitable Sharing Program	16.922	Not applicable	\$ 193,516	\$ -
To Units of Local Government				
Pass Through Payments:				
Department of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	Not available	\$ 24,881	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available	46,615	-
Crime Victim Assistance	16.575	Not available	32,235	-
Total Department of Justice			<u>\$ 297,247</u>	<u>\$ -</u>
Department of Transportation:				
Pass Through Payments:				
Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	Not available	\$ 908	\$ -
Department of Education:				
Pass Through Payments:				
Department of Education:				
Adult Education - Basic Grants to States	84.002	42801, 61111	\$ 281,271	\$ -
Title I: Grants to Local Educational Agencies	84.010	42901	1,284,286	-
Special Education Cluster:				
Special Education - Grants to States	84.027	43071	\$ 1,013,139	-
Special Education - Preschool Grants	84.173	62521	32,035	-
Total Special Education Cluster			<u>1,045,174</u>	<u>-</u>
Career and Technical Education: Basic Grants to States	84.048	61095, 86650	735	-
Twenty-First Century Community Learning Centers	84.287	60565	826,745	-
Rural Education	84.358	43481	79,070	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	61480	199,540	-
Student Support and Academic Enrichment Program	84.424	60281	21,140	-
Total Department of Education			<u>\$ 3,737,961</u>	<u>\$ -</u>

County of Russell, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Labor:				
Pass Through Payments:				
Virginia Community College System:				
Workforce Investment Act Cluster:				
WIOA Adult Program	17.258	LWA 1-16-02, 1-17-02	\$ 111,271	\$ 67,980
WIOA Youth Activities	17.259	LWA 1-16-02, 1-17-02	145,697	81,005
WIOA Dislocated Worker Formula Grants	17.278	LWA 1-16-02, 1-17-02	100,550	18,311
Workforce Investment Act Cluster Total			<u>\$ 357,518</u>	<u>\$ 167,296</u>
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	Not available	28,873	-
H-1B Job Training Grants	17.268	Not available	<u>38,031</u>	<u>-</u>
Total Department of Labor			<u>\$ 424,422</u>	<u>\$ 167,296</u>
Appalachian Regional Commission:				
Pass Through Payments:				
Virginia Community College System:				
Appalachian Area Development	23.002	Not available	<u>\$ 11,985</u>	<u>\$ -</u>
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Management:				
Emergency Management Performance Grants	97.042	Not available	\$ 7,500	-
Homeland Security Grant Program	97.067	Not available	<u>2,444</u>	<u>-</u>
Total Department of Homeland Security			<u>\$ 9,944</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 9,238,581</u>	<u>\$ 167,296</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of County of Russell, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Russell, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Russell, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, Russell County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- 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	\$ 3,396,243
Less: Equitable sharing program difference	(67,031)
Workforce Investment Board Fund	<u>436,407</u>
Total primary government	<u>\$ 3,765,619</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 5,472,962</u>
Total expenditures of federal awards per the basic financial statements	<u>\$ 9,238,581</u>

County of Russell, Virginia

Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified: governmental activities; business-type activities; each major fund; discretely presented component unit-School Board; and aggregate remaining fund information

Disclaimer: discretely presented component units-IDA and Russell County PSA

Internal control over financial reporting:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

No

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

No

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

No

County of Russell, Virginia

Schedule of Findings and Questioned Costs (Continued)
For The Year Ended June 30, 2019

Section II - Financial Statement Findings

2019-001

Criteria:	Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP).
Cause 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 a reasonable possibility 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 2019 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The County Administrator will review the auditors' proposed audit adjustments for 2019 and will develop a plan of action with the Treasurer to ensure that all adjusting entries are made prior to final audit fieldwork next year.

County of Russell, Virginia

Schedule of Findings and Questioned Costs (Continued)
For The Year Ended June 30, 2019

Section III - Federal Award Findings and Questioned Costs

2019-002

Program Titles:	Child Nutrition Cluster
CFDA Numbers:	10.553/10.555/10.559
Pass-through Entities:	Departments of Agriculture and Education
Compliance Requirement:	Eligibility
Finding Type:	Noncompliance and Material Weakness
Criteria:	Free and reduced lunch applications should be entered in the system exactly as the amounts are shown on the application.
Condition:	A review of 25 free and reduced lunch applications resulted in 3 individuals being inappropriately classified as denied/reduced/free in the system due to a clerical error in entering the amounts in the system.
Context:	Amounts per free and reduced lunch applications are keyed into a system that determines whether individual's qualify for assistance based on income levels and family size information provided.
Effect:	Applications were not appropriately keyed in the system. This resulted in two applications being denied when they should have been reduced. Also, one application was not marked as to whether it was free, reduced, or denied.
Cause:	The School Board does not have sufficient controls in place for review of free and reduced applications.
Recommendation:	Management should establish a system to review amounts keyed in the system to ensure that totals agree to underlying applications.
Views of Responsible Officials and Planned Corrective Action:	Management acknowledges that there were errors in the input of information on the applications and is working to establish a process to ensure that this is corrected going forward.

Section IV - Status of Prior Audit Findings and Questioned Costs

Finding 2018-001 was repeated in the current year as 2019-001.