

**COUNTY OF RUSSELL, VIRGINIA**  
**ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2010**

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**COUNTY OF RUSSELL, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010**

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## **INTRODUCTORY SECTION**

# COUNTY OF RUSSELL, VIRGINIA

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## BOARD OF SUPERVISORS

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	Mike Puckett, Chair	
Danny Brown, Vice Chair		Jon Bowerbank
Bob Keene		Earnest (Shy) Kennedy
Billy Wayne Wampler		

## COUNTY SCHOOL BOARD

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

## SOCIAL SERVICES BOARD

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	Harry Ferguson, Jr., Chair	
Authur Lawson, Vice Chair		Bill W. Wampler
Raymond Edward Harrison, Jr., Secretary		

## OTHER OFFICIALS

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Clerk of the Circuit Court .....	Ann S. McReynolds
Commonwealth's Attorney .....	Brian Patton
Commissioner of the Revenue .....	Randy N. Williams
Treasurer .....	Patrick Thompson
Sheriff .....	Steve Dye
Acting Superintendent of Schools.....	Mike Puckett
Director of Social Services.....	Raymond E. Harrison, Jr.
County Administrator .....	Jim Gillespie
County Attorney .....	Dennis Jones

## **FINANCIAL SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, the major funds, and the aggregate remaining fund information of the County of Russell, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Russell, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Russell County Public Service Authority, which represents 24.3% and 6.6% of the total net assets and program revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements insofar as they relate to the amount included for the Russell County Public Service Authority in the aggregate discretely presented component unit, are based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, , the business-type activities the discretely presented component units, the major funds, and the aggregate remaining fund information of the County of Russell, Virginia as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2011, on our consideration of the County of Russell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The County has elected to omit Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America.

The budgetary comparison information and the schedules of OPEB and pension funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 and the other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Russell, Virginia. The schedule of expenditures of federal awards 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. The introductory section and other supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Fauner, Cox Associates*

Christiansburg, Virginia  
January 26, 2011

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## **Basic Financial Statements**

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County of Russell, Virginia  
Statement of Net Assets  
June 30, 2010

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Russell County Public Service Authority	Castlewood Water and Sewage Authority
<b>ASSETS</b>							
Cash and cash equivalents	\$ 8,145,621	\$ 49,575	\$ 8,195,196	\$ 1,879,511	\$ 1,119,028	\$ 1,569,766	\$ 134,066
Investments in custody of others	1,730,417	-	1,730,417	-	-	-	-
Receivables (net of allowance for uncollectibles):							
Taxes receivable	6,915,930	-	6,915,930	-	-	-	-
Accounts receivable	453,351	6,331	459,682	82,221	9,932	739,806	223,373
Notes receivable	4,344	-	4,344	-	-	-	-
Due from primary government	-	-	-	-	425,000	-	-
Due from component unit	365,000	-	365,000	-	-	-	-
Due from other governmental units	1,296,930	-	1,296,930	1,681,471	-	-	-
inventories	-	-	-	-	-	20,473	-
Lease purchase receivable	-	-	-	-	578,160	-	-
Prepaid expenses	-	-	-	-	-	-	19,114
Other assets:							
Bond issuance costs	-	-	-	-	34,518	-	-
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents	2,286,757	-	2,286,757	-	426,439	-	117,317
Investments (in custody of others)	-	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-	-
Noncurrent assets:							
Lease purchase receivable - net of current portion	-	-	-	-	981,372	-	-
Capital assets (net of accumulated depreciation):							
Land	1,541,333	-	1,541,333	4,643,707	1,439,397	106,332	102,830
Buildings and improvements	15,412,448	-	15,412,448	11,320,900	6,310,110	2,440,501	-
Improvements other than buildings	-	-	-	-	-	-	-
Machinery and equipment	1,527,586	-	1,527,586	1,753,256	497,577	-	-
Infrastructure	-	-	-	-	-	12,635,185	-
Utility plant in service	-	3,647,661	3,647,661	-	-	-	8,653,513
Construction in progress	2,445,645	-	2,445,645	90,571	1,176,839	571,611	-
Less: Accumulated Depreciation	-	-	-	-	-	(2,752,659)	-
Total assets	\$ 42,125,362	\$ 3,703,567	\$ 45,828,929	\$ 21,451,637	\$ 12,998,172	\$ 15,331,015	\$ 9,250,213
<b>LIABILITIES</b>							
Accounts payable	\$ 1,845,561	\$ 27,050	\$ 1,872,611	\$ 618,225	\$ 43,838	\$ 387,627	\$ 55,694
Accrued liabilities	-	-	-	980,529	-	129,842	8,622
Customer deposits	-	-	-	-	-	10,738	43,408
Accrued interest payable	323,118	1,858	324,976	-	126,614	23,181	9,216
Due to primary government	-	-	-	-	200,000	-	185,000
Due to component unit	425,000	-	425,000	-	-	-	-
Unearned revenue	4,313,714	-	4,313,714	-	-	-	-
Long-term liabilities:							
Due within one year	2,013,436	17,867	2,031,303	-	2,972,910	3,870,603	233,235
Due in more than one year	20,941,961	751,554	21,693,515	1,064,578	10,781,137	3,680,992	3,928,791
Total liabilities	\$ 29,862,790	\$ 798,329	\$ 30,661,119	\$ 2,663,332	\$ 14,124,499	\$ 8,102,983	\$ 4,443,966
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 6,670,389	\$ 2,878,240	\$ 9,548,629	\$ 17,808,434	\$ 3,889,731	\$ 5,449,375	\$ 4,604,201
Restricted for:							
Coal Road	1,514,134	-	1,514,134	-	-	-	-
School Construction	909,791	-	909,791	-	-	-	-
Debt service and bond covenants	-	-	-	-	426,439	1,113,658	117,317
Unrestricted (deficit)	3,188,258	26,998	3,195,256	979,871	(5,442,497)	664,999	84,729
Total net assets	\$ 12,262,572	\$ 2,905,238	\$ 15,167,810	\$ 18,788,305	\$ (1,126,327)	\$ 7,228,032	\$ 4,806,247

The 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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	School Board	Component Units		
					Governmental Activities	Business-type Activities			Industrial Development Authority	Russell County Public Service Authority	Castlewood Water and Sewerage Authority
<b>PRIMARY GOVERNMENT:</b>											
Governmental activities:											
General government administration	\$ 1,828,631	\$ 727	\$ 312,752	\$ -	\$ (1,515,152)	\$ -	\$ (1,515,152)	\$ -	\$ -	\$ -	\$ -
Judicial administration	2,219,866	6,998	551,817	-	(1,661,051)	-	(1,661,051)	-	-	-	-
Public safety	4,234,145	85,827	1,633,396	-	(2,514,922)	-	(2,514,922)	-	-	-	-
Public works	5,549,934	195,440	71,690	-	(5,282,804)	-	(5,282,804)	-	-	-	-
Health and welfare	6,070,091	28,897	4,573,749	-	(1,467,445)	-	(1,467,445)	-	-	-	-
Education	5,897,486	-	-	-	(5,897,486)	-	(5,897,486)	-	-	-	-
Parks, recreation, and cultural	560,735	10,313	85,639	-	(464,783)	-	(464,783)	-	-	-	-
Community development	1,491,257	-	244,084	-	(1,247,173)	-	(1,247,173)	-	-	-	-
Interest on long-term debt	728,202	-	-	-	(728,202)	-	(728,202)	-	-	-	-
Total governmental activities	\$ 28,580,347	\$ 328,202	\$ 7,473,127	\$ -	\$ (20,779,018)	\$ -	\$ (20,779,018)	\$ -	\$ -	\$ -	\$ -
Business-type activities:											
Service Authority	\$ 434,552	\$ 65,160	\$ -	\$ -	\$ -	\$ (369,392)	\$ (369,392)	\$ -	\$ -	\$ -	\$ -
Total primary government	\$ 29,014,899	\$ 393,362	\$ 7,473,127	\$ -	\$ (20,779,018)	\$ (369,392)	\$ (21,148,410)	\$ -	\$ -	\$ -	\$ -
<b>COMPONENT UNITS:</b>											
School Board	\$ 41,560,110	\$ 717,272	\$ 33,917,800	\$ -	\$ -	\$ -	\$ (6,925,038)	\$ -	\$ -	\$ -	\$ -
Industrial Development Authority	1,757,836	318,158	284,793	-	-	-	-	(1,154,885)	-	-	-
Russell County Public Service Authority	1,643,245	1,048,857	-	1,534,705	-	-	-	-	940,317	-	-
Castlewood Water and Sewer	1,351,709	1,017,454	441,781	-	-	-	-	-	-	-	107,526
Total component units	\$ 46,312,900	\$ 3,101,741	\$ 34,644,374	\$ 1,534,705	\$ -	\$ -	\$ (6,925,038)	\$ (1,154,885)	\$ 940,317	\$ -	\$ 107,526
General revenues:											
General property taxes					\$ 13,004,381	\$ -	\$ 13,004,381	\$ -	\$ -	\$ -	\$ -
Other local taxes:											
Local sales and use taxes					1,839,057	-	1,839,057	-	-	-	-
Coal severance taxes					1,606,851	-	1,606,851	-	-	-	-
Coal road taxes					1,573,947	-	1,573,947	-	-	-	-
Consumers' utility taxes					593,616	-	593,616	-	-	-	-
Motor vehicle taxes					295,866	-	295,866	-	-	-	-
Other local taxes					214,470	-	214,470	-	-	-	-
Unrestricted revenues from use of money and property					106,694	154	106,848	1,500	103,152	18,153	3,347
Miscellaneous					173,322	-	173,322	230,840	326,354	-	222,214
Payments from the County of Russell, Virginia					-	-	-	5,739,577	192,014	366,464	-
Grants and contributions not restricted to specific programs					2,465,451	-	2,465,451	-	-	-	-
Gain (loss) on disposal of capital assets					-	-	-	-	-	-	9,172
Transfers					(254,728)	254,728	-	-	-	-	-
Total general revenues					\$ 21,618,927	\$ 254,882	\$ 21,873,809	\$ 5,971,917	\$ 621,520	\$ 386,617	\$ 234,733
Change in net assets					\$ 839,909	\$ (114,510)	\$ 725,399	\$ (953,121)	\$ (533,365)	\$ 1,326,934	\$ 342,259
Net assets - beginning, as restated					11,422,663	3,019,748	14,442,411	19,741,426	(592,962)	5,901,098	4,463,988
Net assets - ending					\$ 12,262,572	\$ 2,905,238	\$ 15,167,810	\$ 18,788,305	\$ (1,126,327)	\$ 7,228,032	\$ 4,806,247

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

County of Russell, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2010

	<u>General</u>	<u>Industrial Development</u>	<u>Coal Road</u>	<u>Rental Assistance</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,619,377	\$ 586,042	\$ -	\$ -	\$ 5,205,419
Investments in custody of others	1,730,417	-	-	-	1,730,417
Receivables (net of allowance for uncollectibles):					
Taxes receivable	6,915,930	-	-	-	6,915,930
Accounts receivable	278,235	-	169,008	-	447,243
Notes receivable	4,344	-	-	-	4,344
Due from other funds	321,487	1,260,000	-	-	1,581,487
Due from component unit	365,000	-	-	-	365,000
Due from other governmental units	1,296,930	-	-	-	1,296,930
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	909,791	-	1,376,966	-	2,286,757
Total assets	<u>\$ 16,441,511</u>	<u>\$ 1,846,042</u>	<u>\$ 1,545,974</u>	<u>\$ -</u>	<u>\$ 19,833,527</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,434,225	\$ -	\$ 28,935	\$ -	\$ 1,463,160
Due to other funds	1,578,582	-	2,905	-	1,581,487
Due to component unit	425,000	-	-	-	425,000
Deferred revenue	6,765,542	-	-	-	6,765,542
Total liabilities	<u>\$ 10,203,349</u>	<u>\$ -</u>	<u>\$ 31,840</u>	<u>\$ -</u>	<u>\$ 10,235,189</u>
Fund balances:					
Reserved for:					
Coal Road	\$ -	\$ -	\$ 1,514,134	\$ -	\$ 1,514,134
School Construction	909,791	-	-	-	909,791
Unreserved:					
Designated, reported in:					
Special revenue funds	-	1,846,042	-	-	1,846,042
General fund	814,129	-	-	-	814,129
Undesignated, reported in:					
General fund	4,514,242	-	-	-	4,514,242
Total fund balances	<u>\$ 6,238,162</u>	<u>\$ 1,846,042</u>	<u>\$ 1,514,134</u>	<u>\$ -</u>	<u>\$ 9,598,338</u>
Total liabilities and fund balances	<u>\$ 16,441,511</u>	<u>\$ 1,846,042</u>	<u>\$ 1,545,974</u>	<u>\$ -</u>	<u>\$ 19,833,527</u>

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

County of Russell, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 9,598,338
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,927,012
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,451,828
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,563,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(23,278,515)
Net assets of governmental activities	<u>\$ 12,262,572</u>

The 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, 2010**

	General	Industrial Development	Coal Road	Rental Assistance	Total
<b>REVENUES</b>					
General property taxes	\$ 12,841,457	\$ -	\$ -	\$ -	12,841,457
Other local taxes	4,549,860	-	1,573,947	-	6,123,807
Permits, privilege fees, and regulatory licenses	45,877	-	-	-	45,877
Fines and forfeitures	1,049	-	-	-	1,049
Revenue from the use of money and property	61,156	3,397	8,226	-	72,779
Charges for services	281,276	-	-	-	281,276
Miscellaneous	62,627	-	-	-	62,627
Recovered costs	1,158,913	-	-	-	1,158,913
Intergovernmental revenues:					
Commonwealth	7,457,973	-	-	37,617	7,495,590
Federal	2,442,988	-	-	-	2,442,988
Total revenues	<u>\$ 28,903,176</u>	<u>\$ 3,397</u>	<u>\$ 1,582,173</u>	<u>\$ 37,617</u>	<u>\$ 30,526,363</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 1,837,926	\$ -	\$ -	\$ -	1,837,926
Judicial administration	2,213,724	-	-	-	2,213,724
Public safety	4,100,376	-	-	-	4,100,376
Public works	3,526,556	-	1,964,876	-	5,491,432
Health and welfare	6,812,493	-	-	94,441	6,906,934
Education	4,829,713	-	-	-	4,829,713
Parks, recreation, and cultural	497,417	-	-	-	497,417
Community development	1,557,445	-	-	-	1,557,445
Nondepartmental	9,095	-	-	-	9,095
Capital projects	2,418,799	-	-	-	2,418,799
Debt service:					
Principal retirement	1,747,568	-	-	-	1,747,568
Interest and other fiscal charges	757,063	-	-	-	757,063
Total expenditures	<u>\$ 30,308,175</u>	<u>\$ -</u>	<u>\$ 1,964,876</u>	<u>\$ 94,441</u>	<u>\$ 32,367,492</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (1,404,999)</u>	<u>\$ 3,397</u>	<u>\$ (382,703)</u>	<u>\$ (56,824)</u>	<u>\$ (1,841,129)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ -	\$ -	\$ -	43,326	43,326
Transfers out	(298,054)	-	-	-	(298,054)
Issuance of general obligation bonds	1,620,000	-	-	-	1,620,000
Bond premium	129,582	-	-	-	129,582
Issuance of capital leases	306,975	-	-	-	306,975
Total other financing sources (uses)	<u>\$ 1,758,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,326</u>	<u>\$ 1,801,829</u>
Net change in fund balances	\$ 353,504	\$ 3,397	\$ (382,703)	\$ (13,498)	\$ (39,300)
Fund balances - beginning	5,884,658	1,842,645	1,896,837	13,498	9,637,638
Fund balances - ending	<u>\$ 6,238,162</u>	<u>\$ 1,846,042</u>	<u>\$ 1,514,134</u>	<u>\$ -</u>	<u>\$ 9,598,338</u>

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

County of Russell, Virginia  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$ (39,300)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	1,273,936
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	162,924
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(317,776)
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.	(143,897)
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.	(95,978)
Change in net assets of governmental activities	<u>\$ 839,909</u>

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



County of Russell, Virginia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010

	<u>Enterprise Fund Service Authority</u>	<u>Internal Service Fund Health Insurance</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 49,575	\$ 2,940,202
Interest receivable	538	6,108
Accounts receivable, net of allowance for uncollectibles	5,793	-
Total current assets	<u>\$ 55,906</u>	<u>\$ 2,946,310</u>
Noncurrent assets:		
Capital assets:		
Utility plant in service	\$ 5,240,699	\$ -
Machinery and equipment	75,470	-
Less accumulated depreciation	(1,668,508)	-
Total capital assets	<u>\$ 3,647,661</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 3,647,661</u>	<u>\$ -</u>
Total assets	<u>\$ 3,703,567</u>	<u>\$ 2,946,310</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 27,050	\$ 382,401
Accrued interest payable	1,858	-
Bonds payable - current portion	17,867	-
Total current liabilities	<u>\$ 46,775</u>	<u>\$ 382,401</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 751,554	\$ -
Total liabilities	<u>\$ 798,329</u>	<u>\$ 382,401</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 2,878,240	\$ -
Unrestricted	26,998	2,563,909
Total net assets	<u>\$ 2,905,238</u>	<u>\$ 2,563,909</u>

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

County of Russell, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2010

	Enterprise Fund Service Authority	Internal Service Fund Health Insurance
<b>OPERATING REVENUES</b>		
Charges for services:		
Sewer revenues	\$ 65,160	\$ -
Insurance premiums	-	5,171,358
Total operating revenues	<u>\$ 65,160</u>	<u>\$ 5,171,358</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	\$ 101,350	\$ -
Professional services	67,392	-
Utilities	19,556	-
Materials and supplies	10,154	-
Office expenses	70,209	-
Travel expenses	154	-
Insurance claims and expenses	-	5,301,251
Depreciation	131,491	-
Total operating expenses	<u>\$ 400,306</u>	<u>\$ 5,301,251</u>
Change in net assets	<u>\$ (335,146)</u>	<u>\$ (129,893)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 154	\$ 33,915
Interest expense	(34,246)	-
Total nonoperating revenues (expenses)	<u>\$ (34,092)</u>	<u>\$ 33,915</u>
Income before contributions and transfers	<u>\$ (369,238)</u>	<u>\$ (95,978)</u>
Transfers in	\$ 254,728	\$ -
Change in net assets	<u>\$ (114,510)</u>	<u>\$ (95,978)</u>
Total net assets - beginning, as restated	<u>\$ 3,019,748</u>	<u>\$ 2,659,887</u>
Total net assets - ending	<u>\$ 2,905,238</u>	<u>\$ 2,563,909</u>

The 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, 2010

	Enterprise Fund Service Authority	Internal Service Fund Health Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 64,878	\$ -
Receipts for insurance premiums	-	5,171,358
Payments to suppliers	(166,809)	-
Payments to employees	(101,350)	-
Payments for premiums	-	(5,316,589)
Net cash provided (used) by operating activities	<u>\$ (203,281)</u>	<u>\$ (145,231)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	<u>\$ 254,728</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on bonds	\$ (17,165)	\$ -
Interest payments	(34,282)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (51,447)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	\$ -	\$ 40,417
Net increase (decrease) in cash and cash equivalents	\$ -	\$ (104,814)
Cash and cash equivalents - beginning	\$ 49,575	\$ 3,045,016
Cash and cash equivalents - ending	<u>\$ 49,575</u>	<u>\$ 2,940,202</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	<u>\$ (335,146)</u>	<u>\$ (129,893)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 131,491	\$ -
(Increase) decrease in accounts receivable	(282)	-
Increase (decrease) in accounts payable	656	(15,338)
Total adjustments	<u>\$ 131,865</u>	<u>\$ (15,338)</u>
Net cash provided (used) by operating activities	<u>\$ (203,281)</u>	<u>\$ (145,231)</u>

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

County of Russell, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2010

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 54,533
Total assets	<u>\$ 54,533</u>
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 54,533
Total liabilities	<u>\$ 54,533</u>

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

COUNTY OF RUSSELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

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

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

A. Reporting Entity

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

Blended component units - None

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

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

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

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

The Russell County Public Service Authority (PSA) provides water and sewer service to residents of Russell County. The Authority is fiscally dependent on the County because the County appoints the governing body and has financing guarantees involving the Authority. Complete financial statements of the PSA were not available at the report date.

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

A. Reporting Entity (continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail and the Cumberland Mountain Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$1,127,786 to the Regional Jail and \$58,912 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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



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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

2. Receivables and Payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$984,939 at June 30, 2010 and is comprised solely of property taxes.

5. Use of Estimates

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

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

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

6. Capital Assets

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

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

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

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

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

7. Compensated Absences

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

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

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

8. Long-term Obligations

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

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(23,278,515) and \$(1,064,578) differences for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	School Board
	<u>                    </u>	<u>                    </u>
Bonds and literary loans payable	\$ (20,162,294)	\$ -
Lease purchase agreements	(701,310)	-
Unamortized premium	(316,923)	-
Accrued interest payable	(323,118)	-
Landfill accrued closure and postclosure monitoring costs	(1,264,062)	-
Net OPEB Obligation	(4,949)	(34,000)
Compensated absences	<u>(505,859)</u>	<u>(1,030,578)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (23,278,515)</u>	<u>\$ (1,064,578)</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$1,273,936 and \$(17,183) for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	Component Unit School Board
	<u>                    </u>	<u>                    </u>
Capital outlays	\$ 2,592,345	\$ 475,740
School debt financed assets (net)	(72,762)	72,762
Capital asset deletions (net)	(11,659)	-
Depreciation expense	<u>(1,233,988)</u>	<u>(565,685)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u>1,273,936</u>	 \$ <u>(17,183)</u>

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(317,776) difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or Incurred:	
Issuance of general obligation bonds, literary loans, and notes	\$ (1,749,582)
Lease purchase agreement	(306,975)
Accrued landfill closure/postclosure	(8,787)
Principal Payments:	
Bonds, literary loans, and notes	1,385,262
Lease purchase agreements	<u>362,306</u>
Net adjustment to increase (decrease) <i>net changes in fund balances</i> - <i>total governmental funds</i> to arrive at <i>changes in net assets of</i> <i>governmental activities</i>	<u>\$ (317,776)</u>

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(143,897) and \$(140,649) difference for the primary government and discretely presented component unit-School Board, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (172,754)	\$ (140,621)
(Increase) decrease in accrued interest	28,861	-
(Increase) decrease in net OPEB obligation	<u>(4)</u>	<u>(28)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(143,897)</u>	\$ <u>(140,649)</u>

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**Note 3-Stewardship, Compliance, and Accountability:**

A. Budgetary Information

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

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

B. Excess of expenditures over appropriations

The Social Services, Damage Stamp, Dante and Law Library Funds had excess expenditures over appropriations in the current year.

C. Deficit fund equity

At June 30, 2010, there were no funds which had deficit fund equity.



**Note 4-Deposits and Investments:**

Deposits:

All cash of the County is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments:

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments at June 30, 2010 were held in the County's name by the County's custodial bank. The State Non-Arbitrage (SNAP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2010 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA<sub>m</sub></u>
SNAP	\$ 1,730,417

Concentration of Credit Risk

At June 30, 2010, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

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

Interest Rate Risk

There are no interest rate risk disclosures required for the year ended June 30, 2010.

**Note 5-Due from Other Governmental Units:**

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

	Primary Government	Component Unit School Board
<u>Workforce Investment Board:</u>		
Workforce Investment funds	\$ 38,728	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	336,150	-
State sales tax	-	536,656
Non-categorical aid	163,278	-
Categorical aid-shared expenses	189,687	-
Categorical aid-Virginia Public Assistance funds	177,844	-
Categorical aid-Comprehensive Services Act funds	211,359	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	130,037	-
Categorical aid-other	49,847	1,144,815
 Total Amount Due from Other Governmental Units	 \$ 1,296,930	 \$ 1,681,471

**Note 6-Interfund/Component-Unit Obligations:**

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 425,000	\$ 365,000
Component Unit:		
IDA	\$ 200,000	\$ 425,000
Castlewood Water and Sewage Authority	165,000	-
 Total	 \$ 365,000	 \$ 425,000

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

Interfund transfers and remaining balances for the year ended June 30, 2010, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 298,054
Dante Fund	254,728	-
Rental Assistance Fund	43,326	-
Total	<u>\$ 298,054</u>	<u>\$ 298,054</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.

**Note 7-Long-Term Debt:**

Primary Government - Governmental Activity Indebtedness

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

Year Ending June 30,	General Obligation Bonds		Literary Loans		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 645,069	\$ 512,393	\$ 426,281	\$ 80,807	\$ 201,688	\$ -
2012	738,745	475,010	426,278	70,259	201,688	-
2013	717,972	439,060	375,977	59,711	201,688	-
2014	606,026	406,231	375,977	50,671	201,688	-
2015	627,696	375,145	375,977	41,632	201,688	-
2016-2020	3,329,673	1,399,194	1,366,638	82,539	1,008,442	-
2021-2025	2,605,335	654,843	70,016	2,229	1,008,442	-
2026-2030	1,404,948	201,074	-	-	1,008,442	-
2031-2035	230,000	5,463	-	-	684,101	-
2036-2037	-	-	-	-	129,181	-
Totals	<u>\$ 10,905,464</u>	<u>\$ 4,468,413</u>	<u>\$ 3,417,144</u>	<u>\$ 387,848</u>	<u>\$ 4,847,048</u>	<u>\$ -</u>

**Note 7-Long-Term Debt: (continued)**

Primary Government - Governmental Activity Indebtedness (continued)

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
General obligation bonds	\$ 9,942,289	\$ 1,620,000	\$ (656,825)	\$ 10,905,464
Literary loans	3,943,893	-	(526,749)	3,417,144
Revenue bonds	5,048,736	-	(201,688)	4,847,048
Literary anticipation note	992,638	-	-	992,638
Deferred Amounts:				
Bond premiums	197,666	129,582	(10,325)	316,923
Lease purchase agreements	756,641	306,975	(362,306)	701,310
Landfill closure/ postclosure liability	1,255,275	8,787	-	1,264,062
OPEB obligation	4,945	4	-	4,949
Compensated absences	333,105	422,583	(249,829)	505,859
<b>Total</b>	<b>\$ 22,475,188</b>	<b>\$ 2,487,931</b>	<b>\$ (2,007,722)</b>	<b>\$ 22,955,397</b>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 7-Long-Term Debt: (continued)**

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

General Obligation and Revenue Bonds:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
General obligation bond	4.85%-6.60%	1991	2012	\$ 133,833	\$ 18,937	\$ 9,256
General obligation bond	4.90%-6.35%	1992	2013	1,812,215	351,812	112,378
General obligation bond	6.4%-7.167%	1994	2012	3,620,000	85,000	50,000
General obligation bond	5.1%-6.1%	1995	2016	325,000	90,000	15,000
General obligation bond	5.1%-6.1%	1997	2016	140,000	40,000	5,000
General obligation bond	4.10%-5.225%	1999	2019	510,000	250,000	25,000
General obligation bond	4.975%-5.1%	2000	2021	1,802,210	1,110,132	87,750
General obligation bond	2.35%-5.1%	2002	2023	4,382,954	3,037,887	203,219
General obligation bond	4.6%-5.1%	2006	2027	3,205,190	2,816,696	137,466
General obligation bond	4.6%-5.1%	2009	2030	1,485,000	1,485,000	-
General obligation bond	3.05%-5.05%	2010	2031	1,620,000	1,620,000	-
General obligation/Revenue bond	0.00%	11/28/2001	2033	935,690	686,173	31,190
General obligation/Revenue bond	0.00%	11/28/2001	2033	1,678,400	1,236,425	55,947
General obligation/Revenue bond	0.00%	11/1/2002	2033	822,366	616,774	27,412
General obligation/Revenue bond	0.00%	10/14/2005	2036	91,439	79,247	3,048
General obligation/Revenue bond	0.00%	10/14/2005	2037	1,906,717	1,684,267	63,557
General obligation/Revenue bond	0.00%	4/28/2006	2037	415,513	367,035	13,851
General obligation/Revenue bond	0.00%	3/30/2007	2037	197,179	177,127	6,683
Subtotal General Obligation and Revenue Bonds					\$ 15,752,512	\$ 846,757
Plus:						
Unamortized Premium					\$ 316,923	\$ 16,754
Total General Obligation and Revenue Bonds					\$ 16,069,435	\$ 863,511

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 7-Long-Term Debt: (continued)**

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness: (continued)

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<u>Literary loans:</u>						
Literary loan	3%	12/15/1981	2012	\$ 176,504	\$ 10,557	\$ 5,280
Literary loan	3%	12/15/1981	2012	293,797	17,528	8,764
Literary loan	3%	12/15/1981	2012	194,990	11,656	5,828
Literary loan	3%	12/15/1981	2012	1,019,500	60,864	30,432
Literary loan	3%	7/15/1986	2017	960,000	211,554	30,222
Literary loan	3%	7/15/1986	2017	2,000,000	440,741	62,963
Literary loan	3%	2/1/1988	2018	530,999	148,176	18,522
Literary loan	3%	2/1/1988	2018	358,151	100,648	12,581
Literary loan	3%	2/1/1988	2018	84,805	24,040	3,005
Literary loan	3%	2/1/1988	2018	281,079	79,960	9,995
Literary loan	3%	2/1/1988	2018	196,873	55,912	6,989
Literary loan	2%	1/1/2000	2020	1,155,140	577,570	57,757
Literary loan	2%	3/15/1999	2019	1,114,086	501,386	55,700
Literary loan	2%	3/15/1999	2019	161,449	71,249	8,200
Literary loan	2%	6/15/1999	2019	422,680	190,206	21,134
Literary loan	2%	6/15/1999	2019	880,411	396,191	44,020
Literary loan	2%	11/15/2000	2021	493,789	271,588	24,689
Literary loan	3%	12/15/2000	2021	154,118	84,818	7,700
Literary loan	2%	7/1/2003	2023	250,000	162,500	12,500
Total Literary loans					<u>\$ 3,417,144</u>	<u>\$ 426,281</u>
Literary anticipation note	4%	9/4/2008	9/4/2013	\$ 992,638	\$ 992,638	\$ -
<u>Other Obligations:</u>						
Capital Leases (Note 8)					\$ 701,310	\$ 344,250
Landfill Closure and Postclosure Monitoring Liability					1,264,062	-
OPEB Obligation					4,949	-
Compensated Absences					505,859	379,394
Total Other Obligations					<u>\$ 2,476,180</u>	<u>\$ 723,644</u>
Total Long-Term Obligations					<u>\$ 22,955,397</u>	<u>\$ 2,013,436</u>

**Note 7-Long-Term Debt: (continued)**

Primary Government – Enterprise Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2011	\$ 17,867	\$ 33,580
2012	18,602	32,845
2013	19,371	32,076
2014	20,174	31,273
2015	21,015	30,432
2016-2020	116,288	138,134
2021-2025	137,354	110,507
2026-2030	171,940	75,921
2031-2035	215,233	32,627
2036	31,577	511
Totals	\$ 769,421	\$ 517,906

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Revenue bonds	\$ 786,586	\$ -	\$ (17,165)	\$ 769,421
Total	\$ 786,584	\$ -	\$ (17,165)	\$ 769,421

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 7-Long-Term Debt: (continued)**

Primary Government – Enterprise Fund Indebtedness (continued)

Details of long-term indebtedness:

Revenue Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Revenue bond	0%	3/24/1999	2019	\$ 37,500	\$ 15,938	\$ 1,875
Revenue bond	4.50%	4/10/1996	2036	900,000	753,483	15,992
Total Revenue Bonds					<u>\$ 769,421</u>	<u>\$ 17,867</u>

Component Unit – School Board Indebtedness

The following is a summary of long-term debt transactions of the discretely presented component unit for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
OPEB obligation	\$ 33,972	\$ 28	\$ -	\$ 34,000
Compensated absences	889,957	808,089	(667,468)	1,030,578
Total	<u>\$ 923,929</u>	<u>\$ 808,117</u>	<u>\$ (667,468)</u>	<u>\$ 1,064,578</u>

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**Note 8-Capital Leases:**

Primary Government

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

The assets acquired through capital leases are as follows:

	<u>Machinery &amp; Equipment</u>
Machinery and equipment	\$ 1,182,093
Less: Accumulated depreciation	<u>(199,368)</u>
Net Asset	<u>\$ 982,725</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2011	\$ 366,529
2012	264,010
2013	<u>108,527</u>
Subtotal	\$ 739,066
Less, amount representing interest	<u>(37,756)</u>
Present Value of Lease Agreement	<u>\$ 701,310</u>

**Note 9-Employee Retirement System and Pension Plans:**

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70 % of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County of Russell, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Russell, Virginia's contribution rate for the fiscal year ended 2010 was 8.00% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2010 was 14.60% of annual covered payroll.

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

C. Annual Pension Cost

For fiscal year 2010, the County of Russell, Virginia's annual pension cost of \$437,791 and \$412,281 was equal to the County of Russell, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2008	\$ 289,428	100.00%	\$ -
	6/30/2009	432,914	100.00%	-
	6/30/2010	437,791	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2008	\$ 416,704	100.00%	\$ -
	6/30/2009	422,641	100.00%	-
	6/30/2010	412,281	100.00%	-

<sup>1</sup> Employer portion only

Primary Government:

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was within a period of 20 years.

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

C. Annual Pension Cost (continued)

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

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was within a period of 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2009, the most recent actuarial valuation date, the plan was 83.74% funded. The actuarial accrued liability for benefits was \$22,803,518, and the actuarial value of assets was \$19,933,712, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,869,806. The covered payroll (annual payroll of active employees covered by the plan) was \$5,559,094, and ratio of the UAAL to the covered payroll was 69.61%.

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

As of June 30, 2009, the most recent actuarial valuation date, the plan was 71.78% funded. The actuarial accrued liability for benefits was \$14,751,035, and the actuarial value of assets was \$10,588,117, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,162,918. The covered payroll (annual payroll of active employees covered by the plan) was \$2,878,696, and ratio of the UAAL to the covered payroll was 144.61%.

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

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

E. Discretely Presented Component Unit School Board

Professional Employees:

Plan Description

The Russell County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. That report may be downloaded from the System's web site at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$1,202,914, 1,766,705, and 1,853,860 for the fiscal years ended 2010, 2009, and 2008, respectively. Employer contributions represented 8.81% for July 2009 through March 2010 and zero (0.00%) for April through June 2010, 8.81%, and 10.30% of covered payroll for the fiscal years ended 2010, 2009, and 2008, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,430,638	\$ 110,695	\$ -	\$ 1,541,333
Construction in progress	428,749	2,016,896	-	2,445,645
Total capital assets not being depreciated	<u>\$ 1,859,387</u>	<u>\$ 2,127,591</u>	<u>\$ -</u>	<u>\$ 3,986,978</u>
Capital assets, being depreciated:				
Buildings	\$ 26,761,071	\$ 14,595	\$ -	\$ 26,775,666
Machinery and equipment	3,798,539	450,159	(465,634)	3,783,064
Total capital assets being depreciated	<u>\$ 30,559,610</u>	<u>\$ 464,754</u>	<u>\$ (465,634)</u>	<u>\$ 30,558,730</u>
Less: accumulated depreciation for:				
Buildings	\$ (10,697,955)	\$ (665,263)	\$ -	\$ (11,363,218)
Machinery and equipment	(2,067,966)	(568,725)	381,213	(2,255,478)
Total accumulated depreciation	<u>\$ (12,765,921)</u>	<u>\$ (1,233,988)</u>	<u>\$ 381,213</u>	<u>\$ (13,618,696)</u>
Total capital assets being depreciated, net	<u>\$ 17,793,689</u>	<u>\$ (769,234)</u>	<u>\$ (84,421)</u>	<u>\$ 16,940,034</u>
Governmental activities capital assets, net	<u><u>\$ 19,653,076</u></u>	<u><u>\$ 1,358,357</u></u>	<u><u>\$ (84,421)</u></u>	<u><u>\$ 20,927,012</u></u>

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**Note 10-Capital Assets: (continued)**

Primary Government: (continued)

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Utility plant	\$ 5,240,699	\$ -	\$ -	\$ 5,240,699
Machinery and equipment	75,470	-	-	75,470
Total capital assets being depreciated	<u>\$ 5,316,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,316,169</u>
Less: accumulated depreciation for:				
Utility plant	\$ (1,462,020)	\$ (131,018)	\$ -	\$ (1,593,038)
Machinery and equipment	(74,997)	(473)	-	(75,470)
Total accumulated depreciation	<u>\$ (1,537,017)</u>	<u>\$ (131,491)</u>	<u>\$ -</u>	<u>\$ (1,668,508)</u>
Total capital assets being depreciated, net	<u>\$ 3,779,152</u>	<u>\$ (131,491)</u>	<u>\$ -</u>	<u>\$ 3,647,661</u>
Business-Type activities capital assets, net	<u>\$ 3,779,152</u>	<u>\$ (131,491)</u>	<u>\$ -</u>	<u>\$ 3,647,661</u>

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

Governmental activities:	
General government administration	\$ 3,477
Judicial administration	6,142
Public safety	185,873
Public works	51,495
Health and welfare	39,081
Education	884,602
Parks, recreation, and cultural	<u>63,318</u>
Total depreciation expense-governmental activities	<u>\$ 1,233,988</u>
Business-Type activities:	
Sewer Authority	<u>\$ 131,491</u>

**Note 10-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2010 was as follows:

Discretely Presented Component Unit – School Board:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,643,707	\$ -	\$ -	\$ 4,643,707
Construction in progress	-	90,571	-	90,571
Total capital assets not being depreciated	<u>\$ 4,643,707</u>	<u>\$ 90,571</u>	<u>\$ -</u>	<u>\$ 4,734,278</u>
Capital assets, being depreciated:				
Buildings	\$ 18,640,322	\$ 73,600	\$ -	\$ 18,713,922
Machinery and equipment	4,693,637	675,383	(162,196)	5,206,824
Total capital assets being depreciated	<u>\$ 23,333,959</u>	<u>\$ 748,983</u>	<u>\$ (162,196)</u>	<u>\$ 23,920,746</u>
Less: accumulated depreciation for:				
Buildings	\$ (6,950,552)	\$ (442,470)	\$ -	\$ (7,393,022)
Machinery and equipment	(3,201,497)	(414,267)	162,196	(3,453,568)
Total accumulated depreciation	<u>\$ (10,152,049)</u>	<u>\$ (856,737)</u>	<u>\$ 162,196</u>	<u>\$ (10,846,590)</u>
Total capital assets being depreciated, net	<u>\$ 13,181,910</u>	<u>\$ (107,754)</u>	<u>\$ -</u>	<u>\$ 13,074,156</u>
Governmental activities capital assets, net	<u>\$ 17,825,617</u>	<u>\$ (17,183)</u>	<u>\$ -</u>	<u>\$ 17,808,434</u>

**Note 11-Risk Management:**

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



**Note 12-Contingent Liabilities:**

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

**Note 13-Surety Bonds:**

Fidelity & Deposit Company of Maryland-Surety:

Dollie Compton, Clerk of the Circuit Court	\$ 1,010,000
Patrick Thompson, Treasurer	400,000
Randy N. Williams, Commissioner of the Revenue	3,000
Steve Dye, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000

Hartford Company - Surety:

Tammy Caldwell - Clerk of the School Board	\$ 10,000
All school employees: blanket bond	10,000

USF&G Insurance Co. - Surety:

All Social Services employees-blanket bond	\$ 100,000
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**Note 14-Landfill Closure and Postclosure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$1,264,062 is the total estimated closure and postclosure care liability at June 30, 2010. 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 2010. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 15-Deferred (Unearned) Revenue:**

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 6,728,379	\$ 4,276,551
Prepaid taxes	37,163	37,163
Total deferred/unearned revenue for governmental funds	<u>\$ 6,765,542</u>	<u>\$ 4,313,714</u>

**Note 16-Self Health Insurance:**

The County of Russell, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2010, a total of \$5,301,251 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, 2010, 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 \$382,401 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 2010 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2009-10	\$ 397,739	\$ 5,285,913	\$ (5,301,251)	\$ 382,401

**Note 17-Commitments and Contingencies:**

The School Board has obligated funds for the projects described below as of June 30, 2010:

	<u>Original Contract</u>	<u>Amount Paid As of 6/30/2010</u>	<u>Remaining Contract Amount</u>	<u>Accounts Payable</u>	<u>Retainage Payable</u>
Honaker High Renovation	\$ 1,241,500	\$ 77,371	\$ 1,164,129	\$ 734,701	\$ 42,598

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

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

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

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

B. Funding Policy

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

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

	Medical & Rx	
	Retiree	Spouse
Under 65	\$ 8,600	\$ 8,600

  

	COBRA	
	Retiree	Family
Under 65	\$ 490	\$ 1,123

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

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 42,985
Interest on net OPEB obligation	198
Adjustment to annual required contribution	(202)
Annual OPEB cost (expense)	<u>42,981</u>
Contributions made	<u>42,977</u>
Increase in net OPEB obligation	4
Net OPEB obligation - beginning of year	4,945
Net OPEB obligation - end of year	<u>\$ 4,949</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 42,981	88%	\$ 4,949

\*only available for one year

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

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

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

Annual required contribution	\$ 295,315
Interest on net OPEB obligation	1,359
Adjustment to annual required contribution	(1,387)
Annual OPEB cost (expense)	<u>295,287</u>
Contributions made	<u>295,259</u>
Increase in net OPEB obligation	28
Net OPEB obligation - beginning of year	33,972
Net OPEB obligation - end of year	<u>\$ 34,000</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 295,287	88%	\$ 34,000

\*only available for one year

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of July 1, 2008, is as follows:

Actuarial accrued liability (AAL)	\$ 546,570
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 546,570
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 4,198,697
UAAL as a percentage of covered payroll	13.02%

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

D. Funded Status and Funding Progress (continued)

The funded status of the Plan for the School Board as of July 1, 2008, is as follows:

Actuarial accrued liability (AAL)	\$	3,755,059
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	3,755,059
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	24,186,441
UAAL as a percentage of covered payroll		15.53%

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

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

E. Actuarial Methods and Assumptions

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

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

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.50 percent, plus productivity component of 1.25 percent, and investments rate of return at 4.00 percent, and a health care trend rate of 10.00 percent graded to 5.00 percent over 8 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2009 was 29 years.

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

A. Plan Description

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

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

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

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2010 was 0.14% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation:

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

For 2010, the County's contribution of \$996 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010:

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

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

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	72,718
Actuarial value of plan assets	\$	60,586
Unfunded actuarial accrued liability (UAAL)	\$	12,132
Funded ratio (actuarial value of plan assets/AAL)		83.32%
Covered payroll (active plan members)	\$	5,559,094
UAAL as a percentage of covered payroll		0.22%

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

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2009 was 27 years.

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

F. Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2010 was \$22,459 and equaled the required contributions.

**Note 20-Reserved/Designated Fund Balance and Restricted Net Assets:**

Primary Government:	
Reserved for:	
Coal Road Fund	\$ <u>1,514,134</u>
Designated, Reported in:	
General Fund for:	
Honaker Library	\$ 76,716
DARE Funds	83,242
Sheriff Funds	41,341
Sheriff Forfeited Assets	34,034
Commonwealth Attorney's Forfeited Assets	49,049
Library Donations	90,511
Dante CDBG	165,676
Damage Stamp	8,786
Knox Coal Insurance	234,538
Law Library	22,875
Housing	<u>7,361</u>
Total General Fund Designations	\$ <u>814,129</u>
Industrial Development Fund for:	
Industrial development	\$ <u>1,846,042</u>
Total Primary Government Designations	\$ <u>2,660,171</u>

**Note 21-Restatement of Beginning Fund Balance/Net Assets:**

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>School Board</u>
Net Assets, as previously reported	\$ 19,432,909	\$ 3,024,137	\$ 19,607,338
Adjustments:			
Capital assets	(8,010,246)	(4,389)	149,465
Accumulated depreciation	-	-	(15,377)
Net Assets, as restated	<u>\$ 11,422,663</u>	<u>\$ 3,019,748</u>	<u>\$ 19,741,426</u>

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**Required Supplementary Information**

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County of Russell, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 11,856,409	\$ 11,856,409	\$ 12,841,457	\$ 985,048
Other local taxes	4,771,986	4,771,986	4,549,860	(222,126)
Permits, privilege fees, and regulatory licenses	34,313	34,313	45,877	11,564
Fines and forfeitures	1,000	1,000	1,049	49
Revenue from the use of money and property	100,000	100,000	61,156	(38,844)
Charges for services	260,317	260,317	281,276	20,959
Miscellaneous	150,200	150,200	62,627	(87,573)
Recovered costs	6,490,349	6,490,349	1,158,913	(5,331,436)
Intergovernmental revenues:				
Commonwealth	6,009,970	5,888,672	7,457,973	1,569,301
Federal	-	-	2,442,988	2,442,988
Total revenues	\$ 29,674,544	\$ 29,553,246	\$ 28,903,176	\$ (650,070)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,924,151	\$ 2,023,957	\$ 1,837,926	\$ 186,031
Judicial administration	2,236,896	2,293,301	2,213,724	79,577
Public safety	4,600,754	4,717,644	4,100,376	617,268
Public works	4,314,653	4,370,151	3,526,556	843,595
Health and welfare	2,733,725	2,733,725	6,812,493	(4,078,768)
Education	5,030,296	5,030,296	4,829,713	200,583
Parks, recreation, and cultural	476,420	499,412	497,417	1,995
Community development	4,101,443	3,289,240	1,557,445	1,731,795
Nondepartmental	-	289,857	9,095	280,762
Capital projects	3,794,205	3,794,205	2,418,799	1,375,406
Debt service:				
Principal retirement	1,375,388	1,375,388	1,747,568	(372,180)
Interest and other fiscal charges	577,230	577,230	757,063	(179,833)
Total expenditures	\$ 31,165,161	\$ 30,994,406	\$ 30,308,175	\$ 686,231
Excess (deficiency) of revenues over (under) expenditures	\$ (1,490,617)	\$ (1,441,160)	\$ (1,404,999)	\$ 36,161
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (112,600)	\$ (162,057)	\$ (298,054)	\$ (135,997)
Issuance of general obligation bonds	1,603,217	1,603,217	1,620,000	16,783
Bond premium	-	-	129,582	129,582
Issuance of capital leases	-	-	306,975	306,975
Total other financing sources and uses	\$ 1,490,617	\$ 1,441,160	\$ 1,758,503	\$ 317,343
Net change in fund balances	\$ -	\$ -	\$ 353,504	\$ 353,504
Fund balances - beginning	-	-	5,884,658	5,884,658
Fund balances - ending	\$ -	\$ -	\$ 6,238,162	\$ 6,238,162

County of Russell, Virginia  
 Special Revenue Fund - Industrial Development Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,397	\$ 3,397
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 3,397	\$ 3,397
Net change in fund balances	\$ -	\$ -	\$ 3,397	\$ 3,397
Fund balances - beginning	-	-	1,842,645	1,842,645
Fund balances - ending	\$ -	\$ -	\$ 1,846,042	\$ 1,846,042

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other local taxes	\$ 3,075,000	\$ 3,075,000	\$ 1,573,947	\$ (1,501,053)
Revenue from the use of money and property	-	-	8,226	8,226
Total revenues	<u>\$ 3,075,000</u>	<u>\$ 3,075,000</u>	<u>\$ 1,582,173</u>	<u>\$ (1,492,827)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 3,075,600	\$ 3,075,600	\$ 1,964,876	\$ 1,110,724
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (600)</u>	<u>\$ (600)</u>	<u>\$ (382,703)</u>	<u>\$ (382,103)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 600	\$ 600	\$ -	\$ (600)
Net change in fund balances	\$ -	\$ -	\$ (382,703)	\$ (382,703)
Fund balances - beginning	-	-	1,896,837	1,896,837
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,514,134</u>	<u>\$ 1,514,134</u>

County of Russell, Virginia  
 Special Revenue Fund - Rental Assistance Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues:				
Commonwealth	\$ 86,397	\$ 86,397	\$ 37,617	\$ (48,780)
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 86,397	\$ 94,391	\$ 94,441	\$ (50)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (7,994)	\$ (56,824)	\$ (48,830)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 7,994	\$ 43,326	\$ 35,332
Net change in fund balances	\$ -	\$ -	\$ (13,498)	\$ (13,498)
Fund balances - beginning	-	-	13,498	13,498
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

County of Russell, Virginia  
Required Supplementary Information

Schedules of OPEB and Pension Funding Progress  
For the Year Ended June 30, 2010

Primary Government

County Retirement Plan:

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ 19,933,712	\$ 23,803,518	\$ 3,869,806	83.74%	\$ 5,559,094	69.61%
June 30, 2008	19,979,433	22,063,871	2,084,438	90.55%	5,013,469	41.58%
June 30, 2007	18,329,611	18,933,887	604,276	96.81%	5,121,001	11.80%

County Other Postemployment Benefits-Health Insurance:

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

County Other Postemployment Benefits-VRS Health Insurance Credit:

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ 60,586	\$ 72,718	\$ 12,132	83.32%	\$ 5,559,094	0.22%
June 30, 2008	75,699	132,923	57,224	56.95%	5,013,469	1.14%
June 30, 2007	52,044	136,250	84,206	38.20%	5,121,001	1.64%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan:

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ 10,588,117	\$ 14,751,035	\$ 4,162,918	71.78%	\$ 2,878,696	144.61%
June 30, 2008	10,678,577	13,994,136	3,315,559	76.31%	2,603,882	127.33%
June 30, 2007	9,884,747	13,292,383	3,407,636	74.36%	2,477,872	137.52%

School Board Other Postemployment Benefits-Health Insurance:

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

\*Only one year available



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## Other Supplementary Information

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**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

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**MAJOR GOVERNMENTAL FUNDS**

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

County of Russell, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2010

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,879,511
Receivables (net of allowance Accounts receivable)	82,221
Due from other governmental units	1,681,471
Total assets	<u>\$ 3,643,203</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 618,225
Salaries payable	980,529
Total liabilities	<u>\$ 1,598,754</u>
Fund balances:	
Unreserved:	
Designated balances	\$ 2,044,449
Total fund balances	<u>\$ 2,044,449</u>
Total liabilities and fund balances	<u>\$ 3,643,203</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,044,449
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,808,434
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,064,578)
Net assets of governmental activities	<u>\$ 18,788,305</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, 2010

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 1,500
Charges for services	717,272
Miscellaneous	230,840
Recovered costs	573,948
Intergovernmental revenues:	
Local government	4,782,213
Commonwealth	26,283,660
Federal	7,634,140
Total revenues	<u>\$ 40,223,573</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 41,018,862</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (795,289)</u>
Net change in fund balances	\$ (795,289)
Fund balances - beginning	2,839,738
Fund balances - ending	<u><u>\$ 2,044,449</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	\$ (795,289)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(17,183)
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.	(140,649)
Change in net assets of governmental activities	<u><u>\$ (953,121)</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, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 50,318	\$ 50,318	\$ 1,500	\$ (48,818)
Charges for services	791,844	791,844	717,272	(74,572)
Miscellaneous	152,046	152,046	230,840	78,794
Recovered costs	414,642	414,642	573,948	159,306
Intergovernmental revenues:				
Local government	4,982,796	4,982,796	4,782,213	(200,583)
Commonwealth	28,227,545	28,250,045	26,283,660	(1,966,385)
Federal	8,565,005	9,477,329	7,634,140	(1,843,189)
Total revenues	<u>\$ 43,184,196</u>	<u>\$ 44,119,020</u>	<u>\$ 40,223,573</u>	<u>\$ (3,895,447)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 43,184,196	\$ 44,119,020	\$ 41,018,862	\$ 3,100,158
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (795,289)	\$ (795,289)
Net change in fund balances	\$ -	\$ -	\$ (795,289)	\$ (795,289)
Fund balances - beginning	-	-	2,839,738	2,839,738
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,044,449</u>	<u>\$ 2,044,449</u>

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## Supporting Schedules

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County of Russell, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 5,317,663	\$ 5,317,663	\$ 6,229,645	\$ 911,982
Real and Personal PSC Tax	1,410,000	1,410,000	1,583,060	173,060
Personal Property Tax	2,468,279	2,468,279	2,056,106	(412,173)
Mobile Home Tax	109,737	109,737	105,965	(3,772)
Machinery and Tools Tax	1,535,941	1,535,941	1,556,747	20,806
Merchants Capital	34,789	34,789	26,942	(7,847)
Mineral Tax	830,000	830,000	929,918	99,918
Penalties	50,000	50,000	135,593	85,593
Interest	100,000	100,000	217,481	117,481
Total general property taxes	<u>\$ 11,856,409</u>	<u>\$ 11,856,409</u>	<u>\$ 12,841,457</u>	<u>\$ 985,048</u>
Other local taxes:				
Local Sales and Use Tax	\$ 1,831,492	\$ 1,831,492	\$ 1,839,057	\$ 7,565
Consumers' Utility Tax	594,960	594,960	593,616	(1,344)
Consumption Taxes	85,333	85,333	95,363	10,030
Franchise License Tax	-	-	18,443	18,443
Coal Severance Tax	1,820,021	1,820,021	1,606,851	(213,170)
Grantee tax	115,180	115,180	85,307	(29,873)
Motor Vehicle Licenses	325,000	325,000	295,866	(29,134)
Taxes on Recordation and Wills	-	-	15,357	15,357
Total other local taxes	<u>\$ 4,771,986</u>	<u>\$ 4,771,986</u>	<u>\$ 4,549,860</u>	<u>\$ (222,126)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,000	\$ 1,000	\$ 1,515	\$ 515
Transfer fees	750	750	793	43
Building permits	32,000	32,000	37,358	5,358
Other permits and other licenses	563	563	6,211	5,648
Total permits, privilege fees, and regulatory licenses	<u>\$ 34,313</u>	<u>\$ 34,313</u>	<u>\$ 45,877</u>	<u>\$ 11,564</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,000	\$ 1,000	\$ 1,049	\$ 49
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 61,156	\$ (38,844)
Charges for services:				
Charges for law enforcement and traffic control	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Charges for Commonwealth's Attorney	1,500	1,500	2,052	552
Miscellaneous jail and inmate fees	-	-	3,156	3,156
District court fees	-	-	3,045	3,045
Clerk's collections	-	-	852	852
Charges for sanitation and waste removal	164,155	164,155	188,585	24,430
Charges for library	33,617	33,617	10,313	(23,304)
Courthouse maintenance fees	6,045	6,045	6,855	810
Courthouse security fees	-	-	36,794	36,794
Cannery charges	30,000	30,000	28,897	(1,103)
Other charges for services	-	-	727	727
Total charges for services	<u>\$ 260,317</u>	<u>\$ 260,317</u>	<u>\$ 281,276</u>	<u>\$ 20,959</u>

County of Russell, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Sale of maps, ordinances	\$ -	\$ -	\$ 202	\$ 202
Donations	-	-	14,814	14,814
Miscellaneous other	150,200	150,200	8,911	(141,289)
Sale of property/surplus	-	-	38,700	38,700
Total miscellaneous revenue	<u>\$ 150,200</u>	<u>\$ 150,200</u>	<u>\$ 62,627</u>	<u>\$ (87,573)</u>
Recovered costs:				
Housing Fund	\$ -	\$ -	\$ 2,043	\$ 2,043
Telephone	-	-	4,223	4,223
Extradition expense	-	-	1,875	1,875
Recovered Cost - Social Services	20,000	20,000	430,353	410,353
Recovered Cost - Health Department	42,407	42,407	137,231	94,824
Recovered Cost - Tax Collections	121,295	121,295	8,700	(112,595)
Recovered Cost - Sheriff	4,500	4,500	92,959	88,459
Insurance recoveries	-	-	41,376	41,376
Restitution	-	-	4,161	4,161
Recovered Cost - Alcohol Safety	323,366	323,366	4,860	(318,486)
Recovered Cost - Regional Jail	-	-	70,737	70,737
Recovered Cost - Workforce Investment	3,017,264	3,017,264	265,050	(2,752,214)
Recovered Cost - Swords Creek	261,517	261,517	-	(261,517)
Recovered Cost - Industrial	2,700,000	2,700,000	94,951	(2,605,049)
Other Recovered Costs	-	-	374	374
Total recovered costs	<u>\$ 6,490,349</u>	<u>\$ 6,490,349</u>	<u>\$ 1,158,913</u>	<u>\$ (5,331,436)</u>
Total revenue from local sources	<u>\$ 23,664,574</u>	<u>\$ 23,664,574</u>	<u>\$ 19,002,215</u>	<u>\$ (4,662,359)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 29,000	\$ 29,000	\$ -	\$ (29,000)
Wine taxes	30,000	30,000	-	(30,000)
Motor vehicles carriers' tax	115,862	111,734	(4,097)	(115,831)
Mobile home titling tax	122,000	122,000	100,228	(21,772)
Motor vehicle rental tax	-	-	2,445	2,445
Communications tax	966,384	966,384	901,430	(64,954)
State recordation tax	18,914	17,828	28,442	10,614
Personal property tax relief act funds	1,299,170	1,299,170	1,437,003	137,833
Total noncategorical aid	<u>\$ 2,581,330</u>	<u>\$ 2,576,116</u>	<u>\$ 2,465,451</u>	<u>\$ (110,665)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	231,426	\$ 223,172	\$ 303,360	\$ 80,188
Sheriff	1,185,044	1,130,793	1,199,750	68,957
Commissioner of revenue	133,741	131,302	147,635	16,333
Treasurer	138,408	135,788	118,496	(17,292)
Medical examiner	400	400	-	(400)
Registrar/electoral board	67,670	65,340	46,621	(18,719)
Clerk of the Circuit Court	279,961	274,392	243,565	(30,827)
Total Shared Expenses	<u>\$ 2,036,650</u>	<u>\$ 1,961,187</u>	<u>\$ 2,059,427</u>	<u>\$ 98,240</u>
Other categorical aid:				
Victim witness grant	\$ 22,222	\$ 22,222	\$ -	\$ (22,222)
E911 Grant	94,170	94,170	73,832	(20,338)
School resource officer	-	-	29,586	29,586
GIS	-	-	27	27
Law enforcement grants	-	-	1,300	1,300
Asset forfeiture funds	-	-	70,620	70,620



County of Russell, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
 Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
EMS grants	\$ 12,000	\$ 12,000	\$ 28,646	\$ 16,646
Fire Program Funds	35,000	35,000	68,078	33,078
Library grants	77,691	74,213	81,639	7,426
Litter control grants	13,500	13,500	11,017	(2,483)
Clerk of the circuit court grants	109,500	109,500	4,892	(104,608)
Public assistance	440,383	438,766	1,444,378	1,005,612
Comprehensive services act	583,524	547,998	1,058,407	510,409
Other categorical aid	4,000	4,000	60,673	56,673
Total other categorical aid	<u>\$ 1,391,990</u>	<u>\$ 1,351,369</u>	<u>\$ 2,933,095</u>	<u>\$ 1,581,726</u>
Total categorical aid	<u>\$ 3,428,640</u>	<u>\$ 3,312,556</u>	<u>\$ 4,992,522</u>	<u>\$ 1,679,966</u>
Total revenue from the Commonwealth	<u>\$ 6,009,970</u>	<u>\$ 5,888,672</u>	<u>\$ 7,457,973</u>	<u>\$ 1,569,301</u>
Revenue from the federal government:				
Categorical aid:				
CDBG grants	\$ -	\$ -	\$ 244,084	\$ 244,084
ARRA - Violence against women	-	-	27,093	27,093
Violence against women	-	-	19,530	19,530
ARRA - Justice assistance grant	-	-	72,946	72,946
Library grant to states	-	-	4,000	4,000
Emergency management grants	-	-	65,361	65,361
DMV ground transportation safety grant	-	-	3,720	3,720
Public assistance	-	-	1,954,041	1,954,041
ARRA - Public assistance	-	-	52,213	52,213
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,442,988</u>	<u>\$ 2,442,988</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,442,988</u>	<u>\$ 2,442,988</u>
Total General Fund	<u>\$ 29,674,544</u>	<u>\$ 29,553,246</u>	<u>\$ 28,903,176</u>	<u>\$ (650,070)</u>
<b>Special Revenue Funds:</b>				
<b>Industrial Development Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,397	\$ 3,397
Total Industrial Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,397</u>	<u>\$ 3,397</u>
<b>Coal Road Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 3,075,000	\$ 3,075,000	\$ 1,573,947	\$ (1,501,053)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 8,226	\$ 8,226
Total revenue from local sources	<u>\$ 3,075,000</u>	<u>\$ 3,075,000</u>	<u>\$ 1,582,173</u>	<u>\$ (1,492,827)</u>
Total Coal Road Fund	<u>\$ 3,075,000</u>	<u>\$ 3,075,000</u>	<u>\$ 1,582,173</u>	<u>\$ (1,492,827)</u>

County of Russell, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds: (Continued)</b>				
<b>Rental Assistance Fund:</b>				
Revenue from the Commonwealth:				
Categorical aid:				
Rental Assistance Grants	\$ 86,397	\$ 86,397	\$ 37,617	\$ (48,780)
Total Rental Assistance Fund	<u>\$ 86,397</u>	<u>\$ 86,397</u>	<u>\$ 37,617</u>	<u>\$ (48,780)</u>
Total Primary Government	<u>\$ 32,835,941</u>	<u>\$ 32,714,643</u>	<u>\$ 30,526,363</u>	<u>\$ (2,188,280)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 48,278	\$ 48,278	\$ -	\$ (48,278)
Revenue from the use of property	2,040	2,040	1,500	(540)
Total revenue from use of money and property	<u>\$ 50,318</u>	<u>\$ 50,318</u>	<u>\$ 1,500</u>	<u>\$ (48,818)</u>
Charges for services:				
Cafeteria sales	\$ 682,214	\$ 682,214	\$ 572,373	\$ (109,841)
Tuition payments	-	-	6,213	6,213
Drivers Ed fees	14,000	14,000	10,860	(3,140)
Other charges for services	10,000	10,000	-	(10,000)
Regional Adult Education	75,630	75,630	124,070	48,440
GED Testing fees	10,000	10,000	3,756	(6,244)
Total charges for services	<u>\$ 791,844</u>	<u>\$ 791,844</u>	<u>\$ 717,272</u>	<u>\$ (74,572)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 152,046	\$ 152,046	\$ 230,840	\$ 78,794
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 65,173	\$ 65,173
Extra duties revenue	23,000	23,000	40,299	17,299
FAPT reimbursements	30,240	30,240	8,400	(21,840)
Dual Enrollment	200,000	200,000	268,242	68,242
Consortium Clerical	-	-	-	-
Sale of Vocational House	22,000	22,000	32,000	10,000
Sale of Equipment and Supplies	20,000	20,000	8,308	(11,692)
Reimburse Health Services	45,000	45,000	55,300	10,300
Other recovered costs	74,402	74,402	96,226	21,824
Total recovered costs	<u>\$ 414,642</u>	<u>\$ 414,642</u>	<u>\$ 573,948</u>	<u>\$ 159,306</u>
Total revenue from local sources	<u>\$ 1,408,850</u>	<u>\$ 1,408,850</u>	<u>\$ 1,523,560</u>	<u>\$ 114,710</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Russell, Virginia	\$ 4,982,796	\$ 4,982,796	\$ 4,782,213	\$ (200,583)
Total revenues from local governments	<u>\$ 4,982,796</u>	<u>\$ 4,982,796</u>	<u>\$ 4,782,213</u>	<u>\$ (200,583)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,206,345	\$ 3,206,345	\$ 3,063,177	\$ (143,168)
Basic Aid	15,607,438	15,607,438	13,996,053	(1,611,385)
Remedial summer education	224,793	224,793	195,264	(29,529)
Regular foster care	14,809	14,809	11,287	(3,522)
Gifted and talented	145,833	145,833	144,234	(1,599)
Remedial education	486,111	486,111	480,780	(5,331)
Enrollment loss	-	-	118,373	118,373

County of Russell, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
 Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Special education	\$ 1,963,890	\$ 1,963,890	\$ 1,942,352	\$ (21,538)
Textbook payment	384,094	384,094	174,118	(209,976)
Career and Technical Education	61,788	61,788	31,127	(30,661)
Alternative education	771,602	771,602	800,809	29,207
Elementary Alternative Education	-	-	2,500	2,500
Algebra readiness	72,038	72,038	64,643	(7,395)
Mentor teacher program	4,898	4,898	4,449	(449)
Social security fringe benefits	894,445	894,445	884,636	(9,809)
Group life	32,407	32,407	22,436	(9,971)
Retirement fringe benefits	1,153,704	1,153,704	855,789	(297,915)
Early reading intervention	60,756	60,756	60,756	-
Adult Education	6,338	6,338	36,160	29,822
Homebound education	81,332	81,332	92,478	11,146
Vocation education	525,000	525,000	604,098	79,098
Advanced placement incentive	-	-	78	78
At risk payments	587,708	587,708	570,190	(17,518)
Primary class size	675,277	675,277	658,098	(17,179)
Technology	400,000	400,000	340,067	(59,933)
Jobs for Virginia Graduates	-	22,500	43,498	20,998
Industry Certification Costs	-	-	8,739	8,739
At risk four-year olds	427,734	427,734	465,755	38,021
School Food	24,002	24,002	32,138	8,136
School construction	294,486	294,486	-	(294,486)
GED prep programs	15,717	15,717	96,193	80,476
Lottery payments	-	-	370,041	370,041
Tobacco Commission	20,000	20,000	5,309	(14,691)
Adult literacy	85,000	85,000	102,000	17,000
Special education-foster care	-	-	6,035	6,035
Total categorical aid	<u>\$ 28,227,545</u>	<u>\$ 28,250,045</u>	<u>\$ 26,283,660</u>	<u>\$ (1,966,385)</u>
Total revenue from the Commonwealth	<u>\$ 28,227,545</u>	<u>\$ 28,250,045</u>	<u>\$ 26,283,660</u>	<u>\$ (1,966,385)</u>
Revenue from the federal government:				
Categorical aid:				
Basic Adult Education	\$ 453,160	\$ 453,160	\$ 250,726	\$ (202,434)
Title I	1,568,477	1,568,477	1,336,604	(231,873)
ARRA - Title I	448,400	448,400	295,710	(152,690)
Special Education	1,048,208	1,048,208	913,016	(135,192)
ARRA - Special Education	446,297	446,297	390,652	(55,645)
Title VI-B, preschool	36,198	36,198	-	(36,198)
ARRA - Title VI-B, preschool	15,029	15,029	35,825	20,796
Vocational education	101,391	101,391	101,391	-
Drug free schools	23,834	23,834	5,005	(18,829)
School Food Program	1,031,129	1,031,129	1,229,829	198,700
ARRA - School Food Program Equipment	-	30,300	30,318	18
Fresh fruit and vegetable program	-	7,704	6,674	(1,030)
WIA youth activities	-	-	11,197	11,197
WIA adult activities	-	-	57,000	57,000
Title II	327,208	327,208	334,477	7,269
Even start	357,733	357,733	233,098	(124,635)

County of Russell, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
<b>Intergovernmental revenues: (Continued)</b>				
<b>Revenue from the federal government: (Continued)</b>				
Categorical aid: (Continued)				
21st century grant	\$ 952,181	\$ 1,826,501	\$ 985,091	\$ (841,410)
ARRA - State fiscal stabilization funds	1,695,268	1,695,268	1,203,591	(491,677)
Learn and serve america	22,709	22,709	24,150	1,441
Rural and low income schools	-	-	22,355	22,355
Reading first grant	-	-	57,056	57,056
REMS	-	-	64,067	64,067
ARRA - Educational technology	-	-	19,750	19,750
Educational technology	37,783	37,783	26,558	(11,225)
Total categorical aid	<u>\$ 8,565,005</u>	<u>\$ 9,477,329</u>	<u>\$ 7,634,140</u>	<u>\$ (1,843,189)</u>
Total revenue from the federal government	<u>\$ 8,565,005</u>	<u>\$ 9,477,329</u>	<u>\$ 7,634,140</u>	<u>\$ (1,843,189)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 43,184,196</u>	<u>\$ 44,119,020</u>	<u>\$ 40,223,573</u>	<u>\$ (3,895,447)</u>

County of Russell, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Schedule 2  
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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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 214,297	\$ 276,045	\$ 270,259	\$ 5,786
General and financial administration:				
County administrator	\$ 392,579	\$ 393,357	\$ 520,604	\$ (127,247)
Independent auditor	66,395	100,334	63,834	36,500
Commissioner of the revenue	298,423	298,423	300,417	(1,994)
Real estate assessor	153,115	153,115	60,033	93,082
Real estate assessment	50,000	50,000	-	50,000
Treasurer	387,977	387,977	366,556	21,421
Auto decals	37,350	37,350	24,209	13,141
Data processing	115,338	115,338	73,789	41,549
Total general and financial administration	<u>\$ 1,501,177</u>	<u>\$ 1,535,894</u>	<u>\$ 1,409,442</u>	<u>\$ 126,452</u>
Board of elections:				
Electoral Board	\$ 89,407	\$ 92,748	\$ 59,388	\$ 33,360
General Registrar	119,270	119,270	98,837	20,433
Total board of elections	<u>\$ 208,677</u>	<u>\$ 212,018</u>	<u>\$ 158,225</u>	<u>\$ 53,793</u>
Total general government administration	<u>\$ 1,924,151</u>	<u>\$ 2,023,957</u>	<u>\$ 1,837,926</u>	<u>\$ 186,031</u>
Judicial administration:				
Courts:				
Circuit Court	\$ 114,147	\$ 114,147	\$ 104,157	\$ 9,990
General District Court	16,200	16,200	10,938	5,262
Special Magistrates	15,400	15,400	8,881	6,519
Probation Office	131,800	137,907	136,711	1,196
Clerk's Office	385,589	385,589	354,632	30,957
Sheriff Civil and Court	1,084,304	1,115,428	1,127,786	(12,358)
Law Library	-	-	5,299	(5,299)
Total courts	<u>\$ 1,747,440</u>	<u>\$ 1,784,671</u>	<u>\$ 1,748,404</u>	<u>\$ 36,267</u>
Commonwealth's attorney:				
Commonwealth's Attorney	\$ 467,234	\$ 477,284	\$ 433,630	\$ 43,654
Victim Witness Grant	22,222	31,346	31,690	(344)
Total commonwealth's attorney	<u>\$ 489,456</u>	<u>\$ 508,630</u>	<u>\$ 465,320</u>	<u>\$ 43,310</u>
Total judicial administration	<u>\$ 2,236,896</u>	<u>\$ 2,293,301</u>	<u>\$ 2,213,724</u>	<u>\$ 79,577</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,653,393	\$ 1,656,452	\$ 1,427,985	\$ 228,467
Dare program	4,275	5,244	2,250	2,994
Total law enforcement and traffic control	<u>\$ 1,657,668</u>	<u>\$ 1,661,696</u>	<u>\$ 1,430,235</u>	<u>\$ 231,461</u>
Fire and rescue services:				
Volunteer Fire Departments	\$ 242,391	\$ 242,391	\$ 329,612	\$ (87,221)
Ambulance Rescue Squad	170,575	218,424	218,423	1
Total fire and rescue services	<u>\$ 412,966</u>	<u>\$ 460,815</u>	<u>\$ 548,035</u>	<u>\$ (87,220)</u>
Correction and detention:				
Operation of Jail	\$ 1,249,255	\$ 1,312,218	\$ 1,248,253	\$ 63,965
Inspections:				
Building inspector	\$ 147,274	\$ 147,274	\$ 106,385	\$ 40,889

County of Russell, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 2  
 Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Forestry Service	\$ 10,048	\$ 12,098	\$ 12,098	\$ -
Enhanced 911	535,539	535,539	541,569	(6,030)
Medical Examiner	1,750	1,750	580	1,170
Emergency Services	112,363	112,363	73,202	39,161
Animal Control	150,525	150,525	121,589	28,936
Animal Shelter	-	-	18,430	(18,430)
Alcohol Safety Action Program	323,366	323,366	-	323,366
Total other protection	<u>\$ 1,133,591</u>	<u>\$ 1,135,641</u>	<u>\$ 767,468</u>	<u>\$ 368,173</u>
Total public safety	<u>\$ 4,600,754</u>	<u>\$ 4,717,644</u>	<u>\$ 4,100,376</u>	<u>\$ 617,268</u>
Public works:				
Sanitation and waste removal:				
Landfill	\$ 1,825,782	\$ 1,825,782	\$ 1,716,105	\$ 109,677
Refuse collection	1,345,000	1,345,000	968,272	376,728
Litter Coordinator	73,301	73,301	66,379	6,922
Total sanitation and waste removal	<u>\$ 3,244,083</u>	<u>\$ 3,244,083</u>	<u>\$ 2,750,756</u>	<u>\$ 493,327</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,070,570	\$ 1,126,068	\$ 775,800	\$ 350,268
Total public works	<u>\$ 4,314,653</u>	<u>\$ 4,370,151</u>	<u>\$ 3,526,556</u>	<u>\$ 843,595</u>
Health and welfare:				
Health:				
Health Department	\$ 399,994	\$ 399,994	\$ 352,407	\$ 47,587
Mental health and mental retardation:				
Cumberland Mountain Community	\$ 47,500	\$ 47,500	\$ 58,912	\$ (11,412)
Welfare:				
Health and welfare	\$ 167,941	\$ 167,941	\$ 68,135	\$ 99,806
Social services	406,506	406,506	4,510,312	(4,103,806)
Comprehensive Services Act	783,188	783,188	1,372,707	(589,519)
Appalachian Agency for Senior Citizens	90,920	90,920	88,624	2,296
Lebanon Speech and Hearing	11,400	11,400	11,400	-
Workforce Investment Act	826,276	826,276	349,996	476,280
Total welfare	<u>\$ 2,286,231</u>	<u>\$ 2,286,231</u>	<u>\$ 6,401,174</u>	<u>\$ (4,114,943)</u>
Total health and welfare	<u>\$ 2,733,725</u>	<u>\$ 2,733,725</u>	<u>\$ 6,812,493</u>	<u>\$ (4,078,768)</u>
Education:				
Other instructional costs:				
Contributions to County School Board	\$ 4,982,796	\$ 4,982,796	\$ 4,782,213	\$ 200,583
SVCC Contribution	47,500	47,500	47,500	-
Total education	<u>\$ 5,030,296</u>	<u>\$ 5,030,296</u>	<u>\$ 4,829,713</u>	<u>\$ 200,583</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Park	\$ 101,748	\$ 110,650	\$ 105,511	\$ 5,139
Library:				
Public Library	\$ 374,672	\$ 388,762	\$ 391,906	\$ (3,144)
Total parks, recreation, and cultural	<u>\$ 476,420</u>	<u>\$ 499,412</u>	<u>\$ 497,417</u>	<u>\$ 1,995</u>

County of Russell, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 2  
 Page 3 of 4

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development:				
Planning Commission	\$ 40,700	\$ 56,699	\$ 53,046	\$ 3,653
Community Development	486,840	726,211	170,372	555,839
Industrial Development Authority	3,239,250	2,156,980	433,615	1,723,365
PSA Contributions	-	-	360,000	(360,000)
Cumberland Plateau	35,000	35,000	35,000	-
Regional Housing	15,000	15,000	183,820	(168,820)
Highway Safety Commission	2,500	2,500	1,935	565
Canneries	98,404	113,101	165,217	(52,116)
Tourism	79,282	79,282	54,211	25,071
Total planning and community development	<u>\$ 3,996,976</u>	<u>\$ 3,184,773</u>	<u>\$ 1,457,216</u>	<u>\$ 1,727,557</u>
Environmental management:				
Soil and Water Conservation	\$ 31,215	\$ 31,215	\$ 30,715	\$ 500
Cooperative extension program:				
VPI Extension	\$ 73,252	\$ 73,252	\$ 69,514	\$ 3,738
Total community development	<u>\$ 4,101,443</u>	<u>\$ 3,289,240</u>	<u>\$ 1,557,445</u>	<u>\$ 1,731,795</u>
Nondepartmental:				
Nondepartmental	\$ -	\$ 289,857	\$ 9,095	\$ 280,762
Capital projects:				
Water projects	\$ -	\$ -	\$ 44,016	\$ (44,016)
Other capital projects	2,190,988	2,190,988	50,911	2,140,077
School projects	1,603,217	1,603,217	2,323,872	(720,655)
Total capital projects	<u>\$ 3,794,205</u>	<u>\$ 3,794,205</u>	<u>\$ 2,418,799</u>	<u>\$ 1,375,406</u>
Debt service:				
Principal payments	\$ 1,375,388	\$ 1,375,388	\$ 1,747,568	\$ (372,180)
Interest Expense	577,230	577,230	757,063	(179,833)
Total debt service	<u>\$ 1,952,618</u>	<u>\$ 1,952,618</u>	<u>\$ 2,504,631</u>	<u>\$ (552,013)</u>
Total General Fund	<u>\$ 31,165,161</u>	<u>\$ 30,994,406</u>	<u>\$ 30,308,175</u>	<u>\$ 886,231</u>
<b>Special Revenue Funds:</b>				
<b>Coal Road Fund:</b>				
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Maintenance of highways, streets, bridges and sidewalks	\$ 2,500,600	\$ 2,500,600	\$ 1,398,241	\$ 1,102,359
Virginia coalfield	575,000	575,000	566,635	8,365
Total Public Works	<u>\$ 3,075,600</u>	<u>\$ 3,075,600</u>	<u>\$ 1,964,876</u>	<u>\$ 1,110,724</u>
Total Coal Road Fund	<u>\$ 3,075,600</u>	<u>\$ 3,075,600</u>	<u>\$ 1,964,876</u>	<u>\$ 1,110,724</u>
Rental Assistance Fund:				
Health and Welfare				
Welfare				
Rental Assistance	\$ 86,397	\$ 94,391	\$ 94,441	\$ (50)
Total Rental Assistance Fund	<u>\$ 86,397</u>	<u>\$ 94,391</u>	<u>\$ 94,441</u>	<u>\$ (50)</u>
Total Primary Government	<u>\$ 34,327,158</u>	<u>\$ 34,164,397</u>	<u>\$ 32,367,492</u>	<u>\$ 1,796,905</u>

County of Russell, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

<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>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
<b>Education:</b>				
Administration of schools:				
Administration and health services	\$ 1,436,872	\$ 1,436,872	\$ 1,342,400	\$ 94,472
Instruction costs:				
Instructional costs	\$ 30,624,098	\$ 31,520,918	\$ 29,594,301	\$ 1,926,617
Technology	553,690	553,690	546,654	7,036
Total instruction costs	<u>\$ 31,177,788</u>	<u>\$ 32,074,608</u>	<u>\$ 30,140,955</u>	<u>\$ 1,933,653</u>
Operating costs:				
Pupil transportation	\$ 2,938,074	\$ 2,938,074	\$ 2,477,431	\$ 460,643
Operation and maintenance of school plant	5,704,064	5,704,064	4,989,085	714,979
Food service and non-instructional	1,917,398	1,955,402	1,956,085	(683)
Facilities	10,000	10,000	112,906	(102,906)
Total operating costs	<u>\$ 10,569,536</u>	<u>\$ 10,607,540</u>	<u>\$ 9,535,507</u>	<u>\$ 1,072,033</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 43,184,196</u>	<u>\$ 44,119,020</u>	<u>\$ 41,018,862</u>	<u>\$ 3,100,158</u>



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**Other Statistical Section**

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Table 1

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

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

(1) Information has only been available for 4 years.

Table 2

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

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

(1) Information has only been available for 4 years.

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

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2009-10	\$ 1,837,926	\$ 2,213,724	\$ 4,100,376	\$ 5,491,432	\$ 6,906,934	\$ 41,066,362	\$ 497,417	\$ 1,557,445	\$ 9,095	\$ 2,504,631	\$ 66,185,342
2008-09	1,702,193	2,236,691	4,383,789	6,093,232	6,672,387	42,452,183	547,104	3,925,736	56,093	2,547,424	70,616,832
2007-08	1,745,817	2,070,455	4,057,495	5,083,514	5,398,035	39,724,130	433,946	5,549,375	45,503	2,669,081	66,777,351
2006-07	1,547,966	1,805,418	3,863,960	3,205,718	5,126,034	41,346,518	493,366	5,699,361	-	2,429,487	65,517,828
2005-06	1,810,230	1,814,649	4,022,185	3,605,915	5,003,511	39,574,345	438,198	7,653,814	-	2,546,073	66,468,920
2004-05	1,471,043	1,059,566	3,977,841	3,434,569	4,948,270	33,030,292	339,244	5,186,187	-	2,704,665	56,151,677
2003-04	1,216,960	957,320	3,585,934	3,100,508	4,893,329	33,016,616	367,686	2,843,672	-	2,497,309	52,479,334
2002-03	1,267,146	977,540	3,651,469	3,067,788	4,910,495	27,683,380	378,365	4,133,801	-	2,111,104	48,181,088
2001-02	1,365,932	1,017,492	3,635,861	2,699,858	4,968,406	27,361,431	479,313	3,648,003	-	3,353,899	48,530,195
2000-01	1,450,187	1,031,613	3,664,306	2,555,345	4,680,775	27,897,353	419,894	3,435,485	-	3,007,990	48,142,948

(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.

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
2009-10	\$ 12,841,457	\$ 6,123,807	\$ 45,877	\$ 1,049	\$ 74,279	\$ 998,548	\$ 293,467	\$ 1,732,861	\$ 43,856,378	\$ 65,967,723
2008-09	12,540,392	7,779,265	39,662	1,168	117,983	1,148,414	643,861	1,884,165	45,438,632	69,593,542
2007-08	11,826,325	7,976,046	44,933	321	501,144	1,023,848	510,972	796,913	43,519,497	66,199,999
2006-07	11,566,874	6,869,060	144,452	7,547	794,365	1,122,223	289,980	276,806	48,149,588	69,220,895
2005-06	12,337,123	6,713,063	52,707	8,181	660,142	878,017	310,534	187,855	42,906,554	64,054,176
2004-05	12,204,466	5,981,937	35,700	9,430	231,701	755,446	192,958	266,232	38,060,020	57,737,890
2003-04	10,148,719	4,820,255	38,906	9,938	74,324	892,392	209,598	283,077	35,517,991	51,995,200
2002-03	10,025,380	4,785,938	45,294	19,552	89,715	764,203	209,160	145,776	36,381,448	52,466,466
2001-02	10,375,632	3,909,367	64,261	11,766	228,739	791,877	164,096	476,465	30,997,358	47,019,561
2000-01	9,124,022	3,260,808	45,707	17,217	445,809	750,746	383,544	291,711	30,439,563	44,759,127

(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 aide.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2009-10	\$ 14,169,807	\$ 13,038,906	92.02%	\$ 886,480	\$ 13,925,386	98.28%	\$ 3,624,318	25.58%
2008-09	14,091,178	13,212,582	93.76%	496,787	13,709,369	97.29%	3,506,132	24.88%
2007-08	13,784,900	12,618,969	91.54%	411,887	13,030,856	94.53%	3,234,367	23.46%
2006-07	12,104,262	8,435,607	69.69%	863,735	9,299,342	76.83%	1,628,182	13.45%
2005-06	11,360,623	11,118,399	97.87%	797,364	11,915,763	104.89%	1,854,243	16.32%
2004-05	10,576,870	9,740,619	92.09%	537,362	10,277,981	97.17%	1,849,194	17.48%
2003-04	9,070,812	8,274,805	91.22%	324,217	8,599,022	94.80%	1,772,141	19.54%
2002-03	8,989,461	8,106,975	90.18%	361,604	8,468,579	94.21%	1,853,569	20.62%
2001-02	9,760,635	8,957,849	91.78%	407,972	9,365,821	95.96%	1,481,506	15.18%
2000-01	9,105,631	8,381,781	92.05%	439,386	8,821,167	96.88%	1,290,811	14.18%

(1) Exclusive of penalties and interest.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Merchant's Capital	Mobile Homes	Public Service (2)	Total
2009-10	\$ 1,181,352,276	\$ 224,871,200	\$ 96,552,183	\$ 5,402,115	\$ 22,864,821	\$ 253,750,196	\$ 1,784,792,791
2008-09	1,153,488,246	239,254,757	93,960,621	5,501,882	23,139,220	234,196,018	1,749,540,744
2007-08	1,130,643,127	243,837,948	107,205,468	5,742,600	23,608,064	231,981,492	1,743,018,699
2006-07	931,095,586	152,418,744	99,124,678	4,954,226	23,802,666	199,922,460	1,411,318,360
2005-06	927,558,386	241,849,424	92,859,770	5,113,134	26,020,997	206,306,945	1,499,708,656
2004-05	905,496,746	220,786,936	102,287,891	4,160,621	24,774,536	222,627,640	1,480,134,370
2003-04	885,323,887	205,377,101	77,287,167	3,438,802	23,763,122	226,411,983	1,421,602,062
2002-03	842,179,548	114,427,984	78,930,645	3,051,245	24,231,179	226,477,438	1,289,298,039
2001-02	810,877,087	199,122,212	67,692,057	2,978,115	22,720,856	227,820,417	1,331,210,744
2000-01	693,154,045	174,082,673	68,630,472	2,788,937	18,014,620	195,932,118	1,152,602,865
1999-00	682,080,389	205,617,833	77,018,308	3,405,765	17,458,675	206,155,148	1,191,736,118

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes
2009-10	\$ 0.61	\$ 1.65	\$ 1.65	\$ 0.65	0.61
2008-09	0.61	1.65	1.65	0.65	0.61
2007-08(3)	0.56/0.61	1.65	1.65	0.65	0.56
2006-07(2)	0.65/0.56	1.65	1.65	NA	0.64
2005-06	0.65	1.65	1.65	NA	0.64
2004-05	0.60	1.45	2.45	NA	NA
2003-04	0.60	1.45	1.45	NA	NA
2002-03	0.55	1.45	1.45	NA	NA
2001-02	0.55	1.45	1.45	NA	NA
2000-01	0.64	1.45	1.45	NA	NA

(1) Per \$100 of assessed value.

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

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



Table 8

**County of Russell, Virginia**  
**Ratio of Net General Bonded Debt to**  
**Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009-10	28,790	\$ 1,784,793	\$ 20,863,604	\$ 20,863,604	1.17%	\$ 725
2008-09	28,790	1,749,541	20,684,197	20,684,197	1.18%	718
2007-08	28,790	1,743,019	19,834,689	19,834,689	1.14%	689
2006-07	28,790	1,411,318	14,836,861	14,836,861	1.05%	515
2005-06	28,790	1,499,709	12,594,094	12,594,094	0.84%	437
2004-05	28,830	1,480,134	13,633,304	13,633,304	0.92%	473
2003-04	28,795	1,421,602	14,670,561	14,670,561	1.03%	509
2002-03	28,940	1,289,298	15,770,006	15,770,006	1.22%	545
2001-02	28,944	1,331,211	12,408,937	12,408,937	0.93%	429
2000-01	29,071	1,152,603	13,293,135	13,293,135	1.15%	457

(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
2009-10	\$ 2,504,631	\$ 66,185,342	3.78%
2008-09	2,547,424	70,616,832	3.61%
2007-08	2,669,081	66,777,351	4.00%
2006-07	2,429,487	65,517,828	3.71%
2005-06	2,546,073	66,468,920	3.83%
2004-05	1,775,036	56,151,677	3.16%
2003-04	1,742,481	52,479,334	3.32%
2002-03	1,658,923	48,181,088	3.44%
2001-02	1,939,714	48,530,195	4.00%
2000-01	1,790,670	48,142,948	3.72%

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

## **COMPLIANCE SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Russell, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Russell, Virginia's basic financial statements and have issued our report thereon dated January 26, 2011, which was qualified due to scope limitations. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be material weakness 2010-1.

### Compliance and Other Matters

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

disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, responses, and questioned costs as item 2010-2.

We noted certain matters that we reported to management of the County of Russell, Virginia, in a separate letter dated January 26, 2011.

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

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

*Robinson, Faimer, Cox Associates*

Christiansburg, Virginia  
January 26, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Compliance

We have audited the County of Russell, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Russell, Virginia's major federal programs for the year ended June 30, 2010. The County of Russell, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses, and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Russell, Virginia's management. Our responsibility is to express an opinion on the County of Russell, Virginia's compliance based on our audit.

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

As described in item 2010-3 in the accompanying schedule of findings, responses, and questioned costs, we were unable to obtain audited financial statements of the local Workforce Investment Board that administers the Workforce Investment Act Cluster (CFDA 17.258, 17.259, 17.260) on behalf of the County. The County serves as the grant recipient, however all funds are remitted directly to the Workforce Investment Board from the Commonwealth of Virginia. Aside from requiring an annual audit of the Workforce Investment Board, the County does not have a process in place to monitor the Board's performance in relation to this grant. The Workforce Investment Board has not completed audits for the fiscal years ending June 30, 2007, June 30, 2008, June 30, 2009 or June 30, 2010. As such, we were unable to obtain sufficient documentation supporting the compliance of the County of Russell, Virginia (via the Workforce Investment Board) regarding all applicable compliance requirements, nor were we able to satisfy ourselves as to the County of Russell, Virginia's compliance with those requirements by other auditing procedures.

As described in item 2010-4 in the accompanying schedule of findings, responses and questioned costs, the County of Russell, Virginia did not comply with requirements regarding Davis Bacon Act that are applicable to its ARRA – State Fiscal Stabilization Funds. Compliance with such requirements is necessary, in our opinion, for the

County of Russell, Virginia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, the County of Russell, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-3 and 2010-4 to be material weaknesses.

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

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

*Robinson, Faimer, Cox Associates*

Christiansburg, Virginia  
January 26, 2011

County of Russell, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	90249, 90359, 90360, 90361	\$ 26,279
Temporary Assistance for Needy Families (TANF)	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90365, 90366 90367, 90377, 90603, 90621	647,095
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233	796
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235	20,887
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	90545	16,092
ARRA - Child Care and Development Block Grant	93.713	90529, 90540, 90541, 90545	7,798
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	90116, 90117, 90118, 90119 90236, 90237, 90238, 90239 90529, 90540, 90541	69,047
Child Welfare Services - State Grants	93.645	90251	1,352
Foster Care - Title IV-E	93.658	90105, 90106, 90107, 90209 90225, 90226, 90227, 90253 90258, 90636, 90637, 90639 90657, 90658	391,992
ARRA - Foster Care - Title IV-E	93.658	90636, 90637, 90639, 90657 90658	35,388
Adoption Assistance	93.659	90108, 90214, 90228, 90606 90627	54,327
ARRA - Adoption Assistance	93.659	90606	5,277
Social Services Block Grant	93.667	90120, 90122, 90123, 90124 90125, 90126, 90240, 90242 90243, 90244, 90245, 90246 90262, 90312, 90313, 90332 90338, 90340, 90358, 90379	174,104
Chatee Foster Care Independence Program	96.674	90254, 90356	8,029
Children's Health Insurance Program	93.767	90102, 90222	15,269
Medical Assistance Program	93.778	90101, 90146, 90213, 90221 90266	194,995
Total Department of Health and Human Services			<u>\$ 1,668,727</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution-Schools (Note 3)	10.555	Not applicable	\$ 106,824
Department of Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	40591	272,420
National School Lunch Program	10.555	40623	850,585
ARRA - National School Lunch Program Equipment	10.579	40592	30,318
Fresh Fruit and Vegetable Program	10.582	40599	6,674
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224	333,777
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224	3,750
Total Department of Agriculture			<u>\$ 1,604,346</u>



County of Russell, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
(Continued)			
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	08WFAQ0050 09WFAQ0037	\$ 19,530
ARRA - Stop Violence Against Women Formula Grants	16.588	09EFS60025	<u>27,093</u>
Total Department of Criminal Justice Services-pass through			<u>\$ 46,623</u>
Compensation Board:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09SUB9033	<u>\$ 72,946</u>
Total Department of Justice			<u>\$ 119,569</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety (402 Funds)	20.600	AL-2010 50321 3941 SC-2009 59295 3598	<u>\$ 3,720</u>
Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	52609	<u>3,842</u>
Total Department of Transportation			<u>\$ 7,562</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801, 61111	\$ 250,726
Title I Cluster:			
Title I: Grants to Local Educational Agencies	84.010	42901, 42999	1,336,504
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	295,710
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	913,016
ARRA - Special Education - Grants to States	84.391	61245	390,652
Special Education - Preschool Grants	84.173	62521	35,825
Career and Technical Education: Basic Grants to States	84.048	61095	101,391
Safe and Drug Free Schools and Communities - State Grants	84.186	60511	5,005
Even Start - State Educational Agencies	84.213	42950, 86603	233,098
Twenty-First Century Community Learning Centers	84.287	60565	985,091
Readiness and Emergency Management for Schools Program	84.184E		64,067
Education Technology State Grants	84.318	61600	26,558
ARRA - Education Technology State Grants	84.386	60897	19,750
Reading First State Grants	84.357	60655	57,056
Rural Education	84.358	43481	22,355
ARRA - State Fiscal Stabilization Funds - Educational State Grants	84.394	62532	1,203,591
Improving Teacher Quality State Grants	84.367	61480	<u>334,477</u>
Total Department of Education			<u>\$ 6,274,972</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228	50797, 50799	<u>\$ 244,084</u>
National Endowment for the Arts:			
Pass Through Payments:			
Virginia Commission for the Arts:			
Promotion of the Arts Partnership Agreements	45.025	99910	<u>\$ 4,000</u>
Corporation for National Community Service:			
Pass Through Payments:			
Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	60185	<u>\$ 24,150</u>

County of Russell, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
(Continued)			
Department of Labor:			
Pass Through Payments:			
Department of Education:			
Workforce Investment Act Cluster:			
WIA Youth Activities	17.259	86713	\$ 11,197
WIA Adult Program	17.258	86712	<u>57,000</u>
Total Department of Labor			<u>\$ 68,197</u>
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program (SHSP)	97.073	52708	\$ 54,750
Emergency Management Performance Grant	97.042	52749	<u>6,769</u>
Total U.S. Department of Homeland Security			<u>\$ 61,519</u>
Total Federal Expenditures of Federal Awards			<u><u>\$ 10,077,128</u></u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Russell County, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Russell County, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Russell County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2010 Russell County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- Subrecipients

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

CFDA Number	Program Name	Amount
14.228	Community Development Block Grant	\$ 168,820

The County of Russell serves as the grant recipient for the Workforce Investment Act Cluster (WIA) CFDA numbers 17.258, 17.259, and 17.260. Funds are delivered directly to the subrecipient (Local Workforce Investment Board) through the Virginia Employment Commission. The Workforce Investment Board did not produce an audit for the fiscal year ending June 30, 2010 and therefore no amounts are available for presentation herein related to the program. See schedule of findings, responses and questioned costs for additional information.

Note 5 -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	<u>\$ 2,442,988</u>
Component Unit Schools:	
School Operating Fund	<u>7,634,140</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 10,077,128</u></u>

County of Russell, Virginia

Schedule of Findings, Responses and Questioned Costs  
Year Ended June 30, 2010

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Yes

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.173/84.027/84.391	Special Education Cluster
84.010/84.389	Title 1: Part A Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster
93.558	Temporary Assistance for Needy Families (TANF)
93.658	Foster Care - Title IV-E Cluster
84.394	ARRA - State Fiscal Stabilization Funds - Educational State Grants
10.553/10.555	Child Nutrition Cluster
17.258/17.259/17.260	Workforce Investment Act Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$302,314
Auditee qualified as low-risk auditee?	No

County of Russell, Virginia

Schedule of Findings, Responses and Questioned Costs  
Year Ended June 30, 2010

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Section II - Financial Statement Findings

2010-1

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Criteria: Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exist.

Condition: The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause of Condition: The County does not have proper controls in place to notice and correct errors in closing their year end financial statements.

Effect of Condition: There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.

Recommendation: The County should review the auditors' proposed audit adjustments for 2010 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: The County will review the auditors' proposed audit adjustments for 2010 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2010-2

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

Condition: The budgeting process for the County did not include the Department of Social Services. As such, anticipated expenditures were not included in the County's advertisement process and no appropriation of funds was given.

Cause of Condition: The County had never budgeted to include the Department of Social Services in the past.

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

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

Management's Response: Management will begin to include the Department of Social Services expenditures in all aspects of the budgeting process. In addition, management will post all appropriations in the County's accounting system and monitor expenditures against same.

**County of Russell, Virginia**

Schedule of Findings, Responses and Questioned Costs  
Year Ended June 30, 2010

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

**2010-3** Workforce Investment Act Cluster (WIA) - CFDA 17.258, 17.259, 17.260

Statement of Condition: Reporting: The County of Russell serves as the grant recipient for the WIA grant, however funds are remitted directly to the local Workforce Investment Board from the Commonwealth of Virginia. The County does not receive or disburse federal funds, however pursuant to their agreement with the State certain oversight functions are required of the County. Specifically, the County is required to monitor their subrecipient. To date, the County has relied on the Workforce Investment Board's annual audit, performed in accordance with OMB Circular A-133 to serve as documentation that the Workforce Investment Board has complied with requirements of the grant. The Workforce Investment Board has not completed an audit for the fiscal years ending June 30, 2007, June 30, 2008, June 30, 2009 or June 30, 2010. In addition, the County has not implemented other programs to monitor the Board's compliance with requirements of the Grant.

Criteria: The County, as the grant recipient, has the responsibility of monitoring their subrecipient's compliance with grant requirements.

Effect: The subrecipient may not be in compliance with all grant requirements.

Recommendation: The County should require that the subrecipient have the program audited annually and require that the annual audit be completed and finalized within 90 days of year end.

**2010-4** ARRA - State Fiscal Stabilization Funds - Educational State Grants - CFDA 84.394

Statement of Condition: Davis Bacon Act: The School Board did not receive weekly certified payrolls in conjunction with construction related to the schools.

Criteria: The Davis Bacon Act requires that all contractors and subcontractors performing on federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits.

Effect: Although the School Board received signed notifications from contractors agreeing to follow the Davis Bacon Act, without reviewing the certified payrolls as required, there is a likelihood the School Board is not in compliance with the Davis Bacon Act.

Recommendation: The School Board should require the contractors and subcontractors to submit weekly certified payrolls and review to ensure they meet the required prevailing wage rate clauses in the agreements.

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

Financial Statement Findings 2009-1 and 2009-3 recurred during fiscal year 2010. Federal Award Findings and Questioned Costs 2009-5 recurred during fiscal year 2010.