

**COUNTY OF CRAIG, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

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COUNTY OF CRAIG, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020

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## INTRODUCTORY SECTION

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# COUNTY OF CRAIG, VIRGINIA

## BOARD OF SUPERVISORS

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Carl Bailey, Vice Chair Lindsey Dunne	Jesse Spence, Chair	Kathi Toelke Rusty Zimmerman
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## COUNTY SCHOOL BOARD

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Gina Smith, Vice Chair Trace Bellassai	Susan Crenshaw, Chair  Sonja Switzer, Clerk	George Foster Faye Powers
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## COUNTY WELFARE BOARD

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Susan Dillon, Vice Chair Barbara Charlton	Malisa Stephens, Chair	Jenette McClanahan Barbara Davis
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## OTHER OFFICIALS

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Clerk of the Circuit Court .....	Sharon Oliver
Commonwealth's Attorney .....	Matt Dunne
Commissioner of the Revenue .....	Elizabeth C. Huffman
Treasurer .....	Jackie M. Parsons
Sheriff .....	Trevor Craddock
Superintendent of Schools.....	Jeanette D. Warwick
Director of Social Services.....	James T. Weber
County Administrator.....	R.R. Dan Collins
County Attorney .....	Mike Bedsaul

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## FINANCIAL SECTION

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**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of County of Craig, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise County of Craig, Virginia's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Craig, Virginia, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules related to pension and OPEB funding on pages 72-73 and 74-84, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### ***Supplementary and Other Information***

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



### *Supplementary and Other Information (Continued)*

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of County of Craig, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Craig, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Craig, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Robinson, James, Cox Associates". The signature is written in a cursive, flowing style.

Blacksburg, Virginia  
November 20, 2020

## Basic Financial Statements

County of Craig, Virginia  
Statement of Net Position  
June 30, 2020

	Primary Government Governmental Activities	Component Unit School Board	Component Unit EDA
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,482,596	\$ 411,501	\$ 82,032
Investments	1,401,143	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,679,154	-	-
Accounts receivable	92,311	-	762
Due from component unit	51,472	-	-
Due from other governments	385,707	155,267	-
Prepaid items	-	49,112	-
Restricted assets:			
Cash and cash equivalents	112,322	-	-
Capital assets not being depreciated:			
Land	225,419	79,830	362,094
Capital assets, net of accumulated depreciation:			
Buildings and improvements	6,862,786	1,319,232	904,617
Machinery, equipment, and vehicles	896,826	190,128	-
Total assets	<u>\$ 15,189,736</u>	<u>\$ 2,205,070</u>	<u>\$ 1,349,505</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 333,468	\$ 1,212,397	\$ -
OPEB related items	37,331	118,123	-
Total deferred outflows of resources	<u>\$ 370,799</u>	<u>\$ 1,330,520</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 77,882	\$ 103,795	\$ 53
Accrued payroll liabilities	-	326,907	-
Accrued interest payable	54,939	-	-
Due to primary government	-	51,472	-
Unearned revenues	422,750	-	1,477
Noncurrent liabilities:			
Due within one year	737,791	63,874	-
Due in more than one year	2,934,030	6,588,960	-
Total liabilities	<u>\$ 4,227,392</u>	<u>\$ 7,135,008</u>	<u>\$ 1,530</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 1,504,027	\$ -	\$ -
Pension related items	118,253	864,885	-
OPEB related items	8,992	69,931	-
Total deferred inflows of resources	<u>\$ 1,631,272</u>	<u>\$ 934,816</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 4,990,018	\$ 1,589,190	\$ 1,266,711
Restricted:			
Cafeteria	-	84,594	-
Debt service and bond covenants	33,384	-	-
Asset forfeiture	11,994	-	-
Unrestricted	4,666,475	(6,208,018)	81,264
Total net position	<u>\$ 9,701,871</u>	<u>\$ (4,534,234)</u>	<u>\$ 1,347,975</u>

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

County of Craig, Virginia  
Statement of Activities  
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Total	School Board	EDA
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 912,493	\$ 201	\$ 193,127	\$ -	\$ (719,165)		
Judicial administration	369,406	814	271,718	-	(96,874)		
Public safety	2,008,933	255,402	636,698	-	(1,116,833)		
Public works	652,904	13,678	5,904	-	(633,322)		
Health and welfare	1,922,459	300	1,462,973	-	(459,186)		
Education	2,107,155	-	-	-	(2,107,155)		
Parks, recreation, and cultural	44,444	-	8,332	-	(36,112)		
Community development	83,424	400	-	-	(83,024)		
Interest on long-term debt	138,356	-	-	-	(138,356)		
Total primary government	\$ 8,239,574	\$ 270,795	\$ 2,578,752	\$ -	\$ (5,390,027)		
<b>COMPONENT UNITS:</b>							
School Board	\$ 7,371,456	\$ 125,736	\$ 5,308,687	\$ 122,311	\$ (1,814,722)	\$ -	\$ -
EDA	43,109	-	-	-	-	(43,109)	
Total component units	\$ 7,414,565	\$ 125,736	\$ 5,308,687	\$ 122,311	\$ (1,814,722)	\$ (43,109)	\$ (43,109)
General revenues:							
General property taxes			\$ 4,229,625		\$ -	\$ -	\$ -
Other local taxes:							
Local sales and use taxes			219,544		-	-	-
Consumers' utility taxes			118,093		-	-	-
Consumption taxes			12,924		-	-	-
Franchise license taxes			4,029		-	-	-
Recordation tax			28,666		-	-	-
Hotel and motel room taxes			16,142		-	-	-
Restaurant food taxes			76,436		-	-	-
Unrestricted revenues from use of money and property			52,797		48	15,789	
Miscellaneous			83,988		258,836	24	
Contributions from County of Craig			-		1,837,633	-	-
Grants and contributions not restricted to specific programs			790,388		-	-	-
Total general revenues			\$ 5,632,632		\$ 2,096,517	\$ 15,813	
Change in net position			\$ 242,605		\$ 281,795	\$ (27,296)	
Net position - beginning			9,459,266		(4,816,029)	1,375,271	
Net position - ending			\$ 9,701,871		\$ (4,534,234)	\$ 1,347,975	

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

County of Craig, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2020

	<u>General</u>	<u>Asset Forfeiture</u>	<u>Capital Improvement</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,379,384	\$ 11,994	\$ 1,091,218	\$ 3,482,596
Investments	1,401,143	-	-	1,401,143
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,679,154	-	-	1,679,154
Accounts receivable	92,311	-	-	92,311
Due from component unit	51,472	-	-	51,472
Due from other governments	385,707	-	-	385,707
Restricted assets:				
Cash and cash equivalents	33,384	-	78,938	112,322
Total assets	<u>\$ 6,022,555</u>	<u>\$ 11,994</u>	<u>\$ 1,170,156</u>	<u>\$ 7,204,705</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 77,882	\$ -	\$ -	\$ 77,882
Unearned revenue - COVID-19 grants	422,750	-	-	422,750
Total liabilities	<u>\$ 500,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,632</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - rescue revenue	\$ 13,438	\$ -	\$ -	\$ 13,438
Unavailable revenue - property taxes	1,683,806	-	-	1,683,806
Total deferred inflows of resources	<u>\$ 1,697,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,697,244</u>
<b>FUND BALANCE</b>				
<b>Restricted:</b>				
Asset Forfeiture	\$ -	\$ 11,994	\$ -	\$ 11,994
Debt reserve	33,384	-	-	33,384
County capital projects	-	-	78,938	78,938
<b>Committed:</b>				
Law library	12,095	-	-	12,095
Courthouse maintenance	7,181	-	-	7,181
School capital projects	-	-	259,063	259,063
County capital projects	-	-	832,155	832,155
<b>Assigned:</b>				
Memorial	2,210	-	-	2,210
School operations - annual carryover	92,114	-	-	92,114
<b>Unassigned</b>				
Total fund balance	<u>\$ 3,824,679</u>	<u>\$ 11,994</u>	<u>\$ 1,170,156</u>	<u>\$ 5,006,829</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,022,555</u>	<u>\$ 11,994</u>	<u>\$ 1,170,156</u>	<u>\$ 7,204,705</u>

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

County of Craig, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2020

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

Fund balance per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 5,006,829
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 225,419		
Buildings and improvements	6,862,786		
Machinery, equipment, and vehicles	896,826		7,985,031

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

Unavailable revenue - rescue revenue	\$ 13,438		
Unavailable revenue - property taxes	179,779		193,217

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

Pension related items	\$ 333,468		
OPEB related items	37,331		370,799

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

General obligation bonds	\$ (1,091,602)		
Capital lease	(1,982,349)		
Compensated absences	(174,261)		
Accrued interest payable	(54,939)		
Transfer station closure	(15,961)		
Net OPEB liability	(141,247)		
Net pension liability	(266,401)		(3,726,760)

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

Pension related items	\$ (118,253)		
OPEB related items	(8,992)		(127,245)

Net position of governmental activities		\$ 9,701,871
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The notes to the financial statements are an integral part of this statement.

County of Craig, Virginia  
Statement of Revenues, Expenditures, and Change in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2020

	<u>General</u>	<u>Asset Forfeiture</u>	<u>Capital Improvement</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 4,224,933	\$ -	\$ -	\$ 4,224,933
Other local taxes	475,834	-	-	475,834
Permits, privilege fees, and regulatory licenses	25,027	-	-	25,027
Fines and forfeitures	9,074	-	-	9,074
Revenue from the use of money and property	52,777	20	-	52,797
Charges for services	263,910	-	-	263,910
Miscellaneous	79,208	-	4,780	83,988
Recovered costs	213,107	-	-	213,107
Intergovernmental:				
Commonwealth	2,372,562	366	-	2,372,928
Federal	996,212	-	-	996,212
Total revenues	<u>\$ 8,712,644</u>	<u>\$ 386</u>	<u>\$ 4,780</u>	<u>\$ 8,717,810</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 876,842	\$ -	\$ -	\$ 876,842
Judicial administration	367,366	-	-	367,366
Public safety	1,906,489	2,627	-	1,909,116
Public works	569,258	-	-	569,258
Health and welfare	1,937,280	-	-	1,937,280
Education	1,829,336	-	-	1,829,336
Parks, recreation, and cultural	39,574	-	-	39,574
Community development	242,263	-	-	242,263
Nondepartmental	58,240	-	-	58,240
Capital projects	-	-	618,687	618,687
Debt service:				
Principal retirement	579,865	-	-	579,865
Interest and other fiscal charges	149,007	-	-	149,007
Total expenditures	<u>\$ 8,555,520</u>	<u>\$ 2,627</u>	<u>\$ 618,687</u>	<u>\$ 9,176,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 157,124</u>	<u>\$ (2,241)</u>	<u>\$ (613,907)</u>	<u>\$ (459,024)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 1,097,730	\$ 1,097,730
Transfers out	(1,097,730)	-	-	(1,097,730)
Issuance of capital lease	152,830	-	618,565	771,395
Total other financing sources (uses)	<u>\$ (944,900)</u>	<u>\$ -</u>	<u>\$ 1,716,295</u>	<u>\$ 771,395</u>
Net change in fund balance	<u>\$ (787,776)</u>	<u>\$ (2,241)</u>	<u>\$ 1,102,388</u>	<u>\$ 312,371</u>
Fund balance - beginning	<u>4,612,455</u>	<u>14,235</u>	<u>67,768</u>	<u>4,694,458</u>
Fund balance - ending	<u>\$ 3,824,679</u>	<u>\$ 11,994</u>	<u>\$ 1,170,156</u>	<u>\$ 5,006,829</u>

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

County of Craig, Virginia  
Reconciliation of Statement of the Revenues,  
Expenditures, and Change in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2020

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

Net change in fund balance - governmental funds		\$ 312,371
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Capital asset additions	\$ 632,569	
Depreciation expense	<u>(492,606)</u>	139,963
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase (decrease) in unavailable revenue - property taxes	\$ 4,692	
Increase (decrease) in unavailable revenue - rescue revenue	<u>(27,216)</u>	(22,524)
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when 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 obligations and related items.		
Issuance of capital leases	\$ (771,395)	
Principal payments:		
General obligation bonds	382,499	
Capital leases	<u>197,366</u>	(191,530)
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.		
Change in compensated absences	\$ 10,782	
Change in net pension liability and related deferred items	(21,083)	
Change in net OPEB liability and related deferred items	4,242	
Change in accrued interest payable	10,651	
Change in transfer station closure liability	<u>(267)</u>	4,325
Change in net position of governmental activities		<u>\$ 242,605</u>

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



County of Craig, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2020

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 34,220
	<u><u>34,220</u></u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 34,220
	<u><u>34,220</u></u>

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

## COUNTY OF CRAIG, VIRGINIA

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

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#### **Note 1—Summary of Significant Accounting Policies:**

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

#### **A. Financial Reporting Entity**

The County is a municipal corporation governed by an elected five-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.

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization’s governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present County of Craig, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government’s operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

The County has no blended component units to be included for the fiscal year ended June 30, 2020.

#### ***Discretely Presented Component Units***

Craig County School Board - Craig 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 and does not issue a separate financial statement.

Craig County Economic Development Authority - Craig County Economic Development Authority (EDA) encourages and provides financing for economic development in the County. The EDA board members are appointed by the Board of Supervisors. The EDA is fiscally dependent upon the County. The Economic Development Authority is presented as an enterprise fund type. The EDA issues separate financial statements that may be obtained from County of Craig, Virginia.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

A. Financial Reporting Entity (Continued)

Related Organizations - The County is also responsible for appointing the members of the boards of other organizations, however, the County's accountability to these organizations does not extend beyond making the appointments.

Jointly Governed Organizations - The County, the County of Botetourt, and the City of Roanoke participate in supporting the Blue Ridge Community Services Board. For the year ended June 30, 2020, the County contributed \$8,328 to the Community Services Board.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

**B. Government-Wide and Fund Financial Statements (Continued)**

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the current financial reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The government reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues are used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

The *Asset Forfeiture Fund* accounts for and reports financial resources that are restricted to expenditure for the County's seized assets. This fund is considered a major special revenue fund.

The *Capital Improvement Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays. This fund is considered a major capital projects fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

Additionally, the government reports the following fund types:

*Fiduciary Funds* account for assets held by the County in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds, which include the Special Welfare Fund. These funds utilize the accrual basis of accounting. Fiduciary Funds are not included in the government-wide financial statements.

The Component Unit School Board reports the following major governmental funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Craig, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Cafeteria Fund - This fund of the School Board accounts for and reports all revenues and expenditures applicable to the cafeteria operations of the public school system. Revenues are derived primarily from charges for services, and state and federal grants. The School Cafeteria Fund is considered a major fund of the School Board for financial reporting purposes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Budgets and Budgetary Accounting**

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

1. Prior to May 1<sup>st</sup>, the County Administrator submits to the County Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, School Operating Fund, and the School Cafeteria Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30<sup>th</sup>, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

**D. Budgets and Budgetary Accounting (Continued)**

4. The Appropriations Resolution places legal restrictions on expenditures at the department level for the General Fund and all other funds at the functional level. Only the County Board of Supervisors can change the appropriation by function. The County Administrator is authorized to transfer budgeted amounts within general government activities or 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. The School Operating and School Cafeteria Funds are 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<sup>th</sup> for all County units. The County's practice is to appropriate capital projects by project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30<sup>th</sup>.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

**Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2020, there were not any funds/departments that over expended appropriations.

**Deficit fund balance**

At June 30, 2020, there were no funds with deficit fund balances.

**E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents/Investments**

The County'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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

1. Cash and Cash Equivalents/Investments (Continued)

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

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 noncurrent 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.”

3. Property Taxes

Property is assessed at its value on January 1<sup>st</sup>. Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Real estate taxes are payable on December 5<sup>th</sup> and June 5<sup>th</sup>. Personal property taxes are due and collectible annually 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 \$76,958 at June 30, 2020 and is comprised of property taxes in the amount of \$43,666 and EMS billings in the amount of \$33,292.

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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

6. Prepaid Items

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

7. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Machinery, equipment, and vehicles	4-30

8. 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 accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

9. Long-Term Obligations

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

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

10. Fund Balance

The County reports fund balance in accordance with current reporting standards. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

The Board of Supervisors has authorized the County Administrator to assign fund balance for a specific purpose as approved in the County's fund balance policy.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

10. Fund Balance (Continued)

The County will maintain an unassigned fund balance in the General Fund of 20% of expenditures/operating revenues. The County considers a balance of less than 12% to be cause for concern, barring unusual or deliberate circumstances.

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

11. Deferred Outflows/Inflows of Resources

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

12. Net Position

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

*The County's net position is classified as follows:*

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset.

Restricted - This category includes resources for which the County is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the County and may be used at the County's discretion to meet current expenses for any lawful purposes.

13. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as *restricted—net position* and *unrestricted—net position* in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider *restricted—net position* to have been depleted before *unrestricted—net position* is applied.

14. Pensions

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

15. Other Post Employment Benefit (OPEB) Plans

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

**Note 2—Deposits and Investments:**

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

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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 as of June 30, 2020 were held in the County's name by the County's custodial bank.

**Interest Rate Risk:**

The County has not adopted an investment policy for interest rate risk. Listed below are the County's investments subject to interest rate risk and their corresponding maturity dates.

Investment Type	Investment Maturities (in years)		
	Fair Value	Less than 1 year	1-5 years
Local Government Investment Pool (LGIP)	\$ 286,058	\$ 286,058	\$ -
VML/VACO Virginia Investment Pool (VIP)	1,115,085	805,876	309,209
Total	<u>\$ 1,401,143</u>	<u>\$ 1,091,934</u>	<u>\$ 309,209</u>

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 2—Deposits and Investments: (Continued)**

Credit Risk of Debt Securities:

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2020 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			
Rated Debt Investments	Fair Quality Ratings		
	AAAm	AA+f/S1	Total
Local Government Investment Pool (LGIP)	\$ 286,058	\$ -	\$ 286,058
VML/VACO Virginia Investment Pool (VIP)	805,876	309,209	1,115,085
Total	\$ 1,091,934	\$ 309,209	\$ 1,401,143

External Investment Pools:

**LGIP:**

The value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**Virginia Investment Pool (VIP):**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of these investments at the net asset value (NAV). The County is limited to two withdrawals per month.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 3—Due from Other Governmental Units:**

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<b><u>Commonwealth of Virginia:</u></b>		
Local sales tax	\$ 41,697	\$ -
State sales tax	-	101,922
Noncategorical aid	17,431	-
Categorical aid - shared expenses	93,077	-
Categorical aid - welfare payments	46,642	-
Categorical aid - CSA funds	70,263	-
Categorical aid - other	7,292	-
<b><u>Federal Government:</u></b>		
Categorical aid - welfare payments	95,936	-
Categorical aid - education	-	53,345
Categorical aid - other	13,369	-
Totals	<u>\$ 385,707</u>	<u>\$ 155,267</u>

**Note 4—Interfund Transfers:**

Interfund transfers for the fiscal year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 1,097,730
Capital Improvement Fund	1,097,730	-
Total	<u>\$ 1,097,730</u>	<u>\$ 1,097,730</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 or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 4—Interfund Transfers: (Continued)**

<u>Fund</u>	<u>Due from Primary Government/ Component Unit</u>	<u>Due to Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ 51,472	\$ -
Component Unit:		
School Board	\$ -	\$ 51,472

**Note 5—Long-Term Obligations:**

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases / Issuances</u>	<u>Decreases / Retirements</u>	<u>Ending Balance</u>
Direct Borrowings and Placements:				
General obligation bonds	\$ 1,474,101	\$ -	\$ (382,499)	\$ 1,091,602
Capital leases	1,408,320	771,395	(197,366)	1,982,349
Transfer station closure liability	15,694	267	-	15,961
Compensated absences	185,043	128,000	(138,782)	174,261
Net pension liability	136,834	989,485	(859,918)	266,401
Net OPEB liability	131,000	45,373	(35,126)	141,247
Total	\$ 3,350,992	\$ 1,934,520	\$ (1,613,691)	\$ 3,671,821

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

<u>Year Ending June 30,</u>	<u>Direct Borrowings and Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 392,311	\$ 47,283
2022	402,000	27,687
2023	297,291	7,209
Totals	\$ 1,091,602	\$ 82,179



COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5—Long-Term Obligations: (Continued)**

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

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
<b><u>Direct Borrowings and Placements:</u></b>						
<i>General Obligation Bonds:</i>						
General obligation bond	5.63%	5/1/2001	5/1/2022	\$ 1,400,000	\$ 215,000	\$ 105,000
VPSA general obligation bond	4.60-5.10%	2/2/2003	7/15/2022	5,210,980	876,602	287,311
Total direct borrowings and placements					<u>\$ 1,091,602</u>	<u>\$ 392,311</u>
<b><u>Capital Leases:</u></b>						
Capital lease - transfer station	2.295%	6/15/2013	6/15/2023	253,500	\$ 82,209	\$ 26,780
Capital lease - CIP equipment	3.120%	7/20/2018	8/1/2023	458,250	328,451	90,241
Capital lease - CIP building renovations	3.980%	7/20/2018	8/1/2033	568,750	526,408	30,126
Capital lease - school energy projects	4.223%	12/20/2018	1/1/2034	922,351	917,078	38,272
Capital lease - Rural Development	3.50%	7/18/2019	8/8/2024	152,830	128,203	29,365
Total capital leases					<u>\$ 1,982,349</u>	<u>\$ 214,784</u>
<b><u>Other Obligations:</u></b>						
Transfer station closure liability					\$ 15,961	\$ -
Compensated absences					174,261	130,696
Net pension liability					266,401	-
Net OPEB liability					141,247	-
Total other obligations					<u>\$ 597,870</u>	<u>\$ 130,696</u>
Total long-term obligations					<u>\$ 3,671,821</u>	<u>\$ 737,791</u>

**Events of Default:**

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5—Long-Term Obligations: (Continued)**

Long-Term Obligations-Component Unit School Board:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2020:

	Beginning Balance	Increases / Issuances	Decreases / Retirements	Ending Balance
Compensated absences	\$ 66,880	\$ 68,445	\$ (50,160)	\$ 85,165
Net pension liability	5,042,072	2,267,656	(1,624,351)	5,685,377
Net OPEB liabilities	850,000	180,456	(148,164)	882,292
Total	<u>\$ 5,958,952</u>	<u>\$ 2,516,557</u>	<u>\$ (1,822,675)</u>	<u>\$ 6,652,834</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<b><u>Other Obligations:</u></b>		
Compensated absences	\$ 85,165	\$ 63,874
Net pension liability	5,685,377	-
Net OPEB liabilities	882,292	-
Total other obligations	<u>\$ 6,652,834</u>	<u>\$ 63,874</u>
Total long-term obligations	<u>\$ 6,652,834</u>	<u>\$ 63,874</u>

**Note 6—Capital Lease:**

Primary Government

The County has entered into several lease agreements to finance the acquisition equipment at the Craig County Solid Waste Transfer Station, compactor improvements, vehicles, 911 records system, phone and internet improvements, school energy improvements, and building renovations at the courthouse and Social Services. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments at the date of inception.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 6—Capital Lease: (Continued)**

The asset acquired through capital lease are as follows:

	Governmental Activities
Asset:	
Building improvements	\$ 624,937
Machinery and equipment	921,810
School energy improvements	947,189
School buses	162,215
Less: Accumulated depreciation	(178,063)
Net capital assets	\$ 2,478,088

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020, were as follows:

Year Ending June 30,	Capital Leases
2021	\$ 289,467
2022	291,467
2023	293,467
2024	217,059
2025	140,123
2026-2030	708,900
2031-2035	567,730
Sub-total	\$ 2,508,213
Less:	
Amount representing interest	(525,864)
Present Value of Lease Agreements	\$ 1,982,349

**Note 7—Pension Plan:**

***Plan Description***

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

***Benefit Structures***

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

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	34	11
Inactive members:		
Vested inactive members	17	3
Non-vested inactive members	9	3
Inactive members active elsewhere in VRS	12	4
Total inactive members	38	10
Active members	41	16
Total covered employees	113	37

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

***Contributions***

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

The County's contractually required employer contribution rate for the year ended June 30, 2020 was 11.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$210,532 and \$196,470 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 10.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Craig County School Board's nonprofessional employees were \$30,475 and \$32,535 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

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

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

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

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

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.



COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the changes in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**Note 7—Pension Plan: (continued)*****Long-term Expected Rate of Return***

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long term-rate of 6.75% which is roughly the 40<sup>th</sup> percentile of expected long term-results of the VRS fund asset allocation.

***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 7—Pension Plan: (continued)**

***Discount Rate (continued)***

Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability***

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 7,707,675	\$ 7,570,841	\$ 136,834
Changes for the year:			
Service cost	\$ 250,942	\$ -	\$ 250,942
Interest	524,921	-	524,921
Differences between expected and actual experience	(77,033)	-	(77,033)
Assumption changes	208,309	-	208,309
Contributions - employer	-	196,475	(196,475)
Contributions - employee	-	83,979	(83,979)
Net investment income	-	502,431	(502,431)
Benefit payments, including refunds of employee contributions	(417,602)	(417,602)	-
Administrative expenses	-	(4,996)	4,996
Other changes	-	(317)	317
Net changes	\$ 489,537	\$ 359,970	\$ 129,567
Balances at June 30, 2019	\$ 8,197,212	\$ 7,930,811	\$ 266,401

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 7—Pension Plan: (continued)**

***Changes in Net Pension Liability***

	Component Unit - School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 1,836,534	\$ 1,824,462	\$ 12,072
Changes for the year:			
Service cost	\$ 27,312	\$ -	\$ 27,312
Interest	125,236	-	125,236
Differences between expected and actual experience	48,277	-	48,277
Assumption changes	51,119	-	51,119
Contributions - employer	-	32,535	(32,535)
Contributions - employee	-	14,853	(14,853)
Net investment income	-	120,519	(120,519)
Benefit payments, including refunds of employee contributions	(94,887)	(94,887)	-
Administrative expenses	-	(1,214)	1,214
Other changes	-	(76)	76
Net changes	\$ 157,057	\$ 71,730	\$ 85,327
Balances at June 30, 2019	\$ 1,993,591	\$ 1,896,192	\$ 97,399

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 7—Pension Plan: (continued)**

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
County			
Net Pension Liability (Asset)	\$ 1,167,945	\$ 266,401	\$ (455,995)
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ 323,830	\$ 97,399	\$ (85,316)

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

For the year ended June 30, 2020, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$231,620 and \$23,522, respectively. At June 30, 2020, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 52,045	\$ 30,759	\$ -
Change in assumptions	122,936	-	29,085	-
Net difference between projected and actual earnings on pension plan investments	-	66,208	-	16,871
Employer contributions subsequent to the measurement date	210,532	-	30,475	-
Total	\$ 333,468	\$ 118,253	\$ 90,319	\$ 16,871

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan:** (continued)

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

\$210,532 and \$30,475 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
2021	\$ 48,099	\$ 45,697
2022	(46,152)	(3,260)
2023	(1,774)	(561)
2024	4,510	1,097
2025	-	-
Thereafter	-	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Component Unit School Board (Professional)**

***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan:** (continued)

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

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$568,737 and \$543,267 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$5,587,978 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.04246% as compared to 0.04277% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$407,081. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

**Component Unit School Board (Professional) (continued)**

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

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit-School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 357,822
Change in assumptions	553,341	-
Net difference between projected and actual earnings on pension plan investments	-	122,699
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	367,493
Employer contributions subsequent to the measurement date	568,737	-
Total	\$ <u>1,122,078</u>	\$ <u>848,014</u>



COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan:** (continued)

**Component Unit School Board (Professional) (continued)**

\$568,737 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (professional)</u>
2021	\$ (167,150)
2022	(221,951)
2023	(18,077)
2024	71,161
2025	41,344
Thereafter	-

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7—Pension Plan: (continued)**

**Component Unit School Board (Professional) (continued)**

***Actuarial Assumptions (Continued)***

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount rate	Decreased rate from 7.00% to 6.75%

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 7—Pension Plan: (continued)**

**Component Unit School Board (Professional) (continued)**

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		36,522,769
Employers' Net Pension Liability (Asset)	\$	13,160,567
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.51%

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

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

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

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

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 8,412,334	\$ 5,587,978	\$ 3,252,758

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 7—Pension Plan: (continued)**

**Component Unit School Board (Professional) (continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Primary Government and Component Unit School Board**

***Aggregate Pension Information***

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 333,468	\$ 118,253	\$ 266,401	\$ 231,620	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	90,319	16,871	97,399	23,522
School Board Professional	-	-	-	-	1,122,078	848,014	5,587,978	407,081
Totals	<u>\$ 333,468</u>	<u>\$ 118,253</u>	<u>\$ 266,401</u>	<u>\$ 231,620</u>	<u>\$ 1,212,397</u>	<u>\$ 864,885</u>	<u>\$ 5,685,377</u>	<u>\$ 430,603</u>

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 8—Capital Assets:**

**Primary Government**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 225,419	\$ -	\$ -	\$ 225,419
Construction in progress	185,568	439,369	(624,937)	-
Total capital assets not being depreciated	<u>\$ 410,987</u>	<u>\$ 439,369</u>	<u>\$ (624,937)</u>	<u>\$ 225,419</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,191,890	\$ 636,937	\$ -	\$ 10,828,827
Machinery and equipment	2,344,995	181,200	-	2,526,195
Total capital assets being depreciated	<u>\$ 12,536,885</u>	<u>\$ 818,137</u>	<u>\$ -</u>	<u>\$ 13,355,022</u>
Accumulated depreciation:				
Buildings and improvements	\$ (3,702,273)	\$ (263,768)	\$ -	\$ (3,966,041)
Machinery and equipment	(1,400,531)	(228,838)	-	(1,629,369)
Total accumulated depreciation	<u>\$ (5,102,804)</u>	<u>\$ (492,606)</u>	<u>\$ -</u>	<u>\$ (5,595,410)</u>
Total capital assets being depreciated, net	<u>\$ 7,434,081</u>	<u>\$ 325,531</u>	<u>\$ -</u>	<u>\$ 7,759,612</u>
Governmental activities capital assets, net	<u>\$ 7,845,068</u>	<u>\$ 764,900</u>	<u>\$ (624,937)</u>	<u>\$ 7,985,031</u>

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

Governmental Activities:	
General government administration	\$ 52,023
Public safety	143,236
Public works	86,030
Health and welfare	15,649
Education	185,877
Parks, recreation, and cultural	4,870
Community development	4,921
Total depreciation expense-governmental activities	<u>\$ 492,606</u>

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 8—Capital Assets: (Continued)**

Discretely Presented Component Unit - School Board

Capital asset activity for the School Board for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 79,830	\$ -	\$ -	\$ 79,830
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,955,301	\$ 162,809	\$ -	\$ 4,118,110
Machinery and equipment	862,738	-	(135,906)	726,832
Total capital assets being depreciated	\$ 4,818,039	\$ 162,809	\$ (135,906)	\$ 4,844,942
Accumulated depreciation:				
Buildings and improvements	\$ (2,699,421)	\$ (99,457)	\$ -	\$ (2,798,878)
Machinery and equipment	(622,915)	(48,952)	135,163	(536,704)
Total accumulated depreciation	\$ (3,322,336)	\$ (148,409)	\$ 135,163	\$ (3,335,582)
Total capital assets being depreciated, net	\$ 1,495,703	\$ 14,400	\$ (743)	\$ 1,509,360
Component Unit School Board capital assets, net	\$ 1,575,533	\$ 14,400	\$ (743)	\$ 1,589,190

**Note 9—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 its 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 its Component Unit - 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 in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its Component Unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 10—Contingent Liabilities:**

Federal programs in which the County and School Board participate were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant programs expenditures, if any, would be immaterial.

**Note 11—Surety Bonds:**

Primary Government:

<u>Fidelity and Deposit Company of Maryland-Surety:</u>	
Sharon Oliver, Clerk of the Circuit Court	\$ 103,000
Jackie M. Parsons, Treasurer	300,000
Elizabeth C. Huffman, Commissioner of the Revenue	3,000
Trevor Craddock, Sheriff	30,000
The above constitutional officers' employees-blanket bond	50,000
Board of Supervisors	1,000
 <u>USF&amp;G Insurance Company-Surety:</u>	
Alvie Lilley, Animal Warden	\$ 1,000
R.R. Dan Collins, County Administrator	2,000
Department of Social Services-blanket bond	30,000
 <u>Western Surety Company:</u>	
Department of Social Services-blanket bond	\$ 30,000

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 12—Deferred/Unavailable Revenue:**

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 179,779
2nd half tax assessments due in December 2020	1,427,938	1,427,938
Prepaid property taxes due in December 2020, but paid in advance by taxpayers	76,089	76,089
Total deferred/unavailable revenue	\$ 1,504,027	\$ 1,683,806

**Note 13—Group Life Insurance (GLI) Plan (OPEB Plan):**

**Plan Description**

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

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



COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

***Plan Description (continued)***

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

***Eligible Employees***

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

***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ( $1.31\% \times 60\%$ ) and the employer component was 0.52% ( $1.31\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Plan from the County were \$9,630 and \$8,850 for the years ended June 30, 2020 and June 30, 2019, respectively.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

***Contributions (continued)***

Contributions to the Group Life Insurance Plan from the Component Unit School Board (nonprofessional) were \$1,520 and \$1,607 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Professional) were \$18,621 and \$18,600 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

**Primary Government**

At June 30, 2020, the entity reported a liability of \$141,247 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00868% as compared to 0.00863% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$5,672. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

**Component Unit School Board (nonprofessional)**

At June 30, 2020, the entity reported a liability of \$25,711 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00158% as compared to 0.00167% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$370. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

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

Component Unit School Board (professional)

At June 30, 2020, the entity reported a liability of \$297,465 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.01828% as compared to 0.01831% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$3,752. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,394	\$ 1,832	\$ 1,710	\$ 333	\$ 19,783	\$ 3,858
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,901	-	528	-	6,110
Change in assumptions	8,917	4,259	1,623	775	18,780	8,970
Changes in proportion	9,390	-	-	1,201	-	12,341
Employer contributions subsequent to the measurement date	9,630	-	1,520	-	18,621	
Total	\$ 37,331	\$ 8,992	\$ 4,853	\$ 2,837	\$ 57,184	\$ 31,279

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

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

\$9,630, \$1,520, and \$18,621 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2021	\$ 2,908	\$ (133)	\$ (2,069)
2022	2,908	(133)	(2,069)
2023	4,137	91	519
2024	4,518	295	3,746
2025	3,386	304	5,481
Thereafter	852	72	1,676

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

**Actuarial Assumptions (continued)**

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

***Actuarial Assumptions (continued)***

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

**Actuarial Assumptions (continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

*Net GLI OPEB Liability*

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
		<hr/>
GLI Net OPEB Liability (Asset)	\$	1,627,266
		<hr/> <hr/>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63 %. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

***Discount Rate (continued)***

Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 185,559	\$ 141,247	\$ 105,311
Component Unit School Board's (nonprofessional) proportionate share of the GLI Plan			
Net OPEB Liability	33,777	25,711	19,169
Component Unit School Board's (professional) proportionate share of the GLI Plan			
Net OPEB Liability	390,786	297,465	221,783

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):**

***Plan Description***

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

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

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Plan Notes***

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$43,038 and \$42,924 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$559,116 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.04271% as compared to 0.04305% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$40,390. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

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

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35	\$ 3,166
Change in assumptions	13,013	3,885
Change in proportion	-	28,764
Employer contributions subsequent to the measurement date	43,038	-
Total	\$ 56,086	\$ 35,815

\$43,038 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021.

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

Year Ended June 30	
2021	\$ (5,096)
2022	(5,097)
2023	(4,852)
2024	(4,934)
2025	(3,466)
Thereafter	678

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 14- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions (continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

**Net Teacher Employee HIC OPEB Liability**

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**Note 14- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**Note 14- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 625,746	\$ 559,116	\$ 502,514

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 15-LODA (OPEB):**

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2020 was \$12,731.

**Note 16-Summary of Other Post-Employment Benefits (OPEB):**

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
GLI Plan (Note 13)								
County	\$ 37,331	\$ 8,992	\$ 141,247	\$ 5,672	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	4,853	2,837	25,711	370
School Board Professional	-	-	-	-	57,184	31,279	297,465	3,752
Teacher HIC Plan (Note 14)	-	-	-	-	56,086	35,815	559,116	40,390
Totals	\$ 37,331	\$ 8,992	\$ 141,247	\$ 5,672	\$ 118,123	\$ 69,931	\$ 882,292	\$ 44,512

**Note 17—Commitments and Contingencies:**

**Operating Leases:**

On November 30, 2008, the County entered into a lease agreement with Botetourt County, Virginia for rent of the jail. The County has agreed to pay Botetourt County, Virginia \$104,416 each year through fiscal year 2032.

**Note 18—Litigation:**

As of June 30, 2020, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 19—Transfer Station:**

The County maintains and operates a transfer station and reports a liability in accordance with State and Federal laws for closure of the transfer station. The County reports an estimated liability of \$15,961 as of June 30, 2020. Closure care requirements are mandated under the United States Environmental Protection Agency (EPA) rule, “Solid Waste Disposal Facility Criteria”, and are subject to revisions by the EPA. Federal and state regulations require owners of municipal landfills and transfer stations to demonstrate financial responsibility for closure care, postclosure care, and corrective costs arising from operations of such facilities. The County has demonstrated financial assurance requirements for closure and postclosure care through submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

**Note 20—Subsequent Events:**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Craig, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Craig, Virginia, received the second round of CRF funds in the amount of \$447,660 subsequent to June 30, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 21—Upcoming Pronouncements:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

## Required Supplementary Information

County of Craig, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 4,056,405	\$ 4,056,405	\$ 4,224,933	\$ 168,528
Other local taxes	499,028	499,028	475,834	(23,194)
Permits, privilege fees, and regulatory licenses	30,070	30,225	25,027	(5,198)
Fines and forfeitures	8,200	8,200	9,074	874
Revenue from the use of money and property	39,681	39,681	52,777	13,096
Charges for services	248,225	256,225	263,910	7,685
Miscellaneous	20,830	70,621	79,208	8,587
Recovered costs	204,044	214,200	213,107	(1,093)
Intergovernmental:				
Commonwealth	2,180,814	2,479,866	2,372,562	(107,304)
Federal	804,951	1,366,362	996,212	(370,150)
Total revenues	<u>\$ 8,092,248</u>	<u>\$ 9,020,813</u>	<u>\$ 8,712,644</u>	<u>\$ (308,169)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 883,334	\$ 895,007	\$ 876,842	\$ 18,165
Judicial administration	322,669	377,192	367,366	9,826
Public safety	1,839,750	2,092,367	1,906,489	185,878
Public works	571,430	644,815	569,258	75,557
Health and welfare	1,642,524	2,044,287	1,937,280	107,007
Education	1,765,500	1,845,790	1,829,336	16,454
Parks, recreation, and cultural	39,926	41,510	39,574	1,936
Community development	258,473	267,521	242,263	25,258
Nondepartmental	90,721	514,016	58,240	455,776
Debt service:				
Principal retirement	579,865	579,865	579,865	-
Interest and other fiscal charges	139,799	167,619	149,007	18,612
Total expenditures	<u>\$ 8,133,991</u>	<u>\$ 9,469,989</u>	<u>\$ 8,555,520</u>	<u>\$ 914,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (41,743)</u>	<u>\$ (449,176)</u>	<u>\$ 157,124</u>	<u>\$ 606,300</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ (384,099)	\$ (1,097,730)	\$ (713,631)
Issuance of capital lease	-	152,830	152,830	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (231,269)</u>	<u>\$ (944,900)</u>	<u>\$ (713,631)</u>
Net change in fund balance	<u>\$ (41,743)</u>	<u>\$ (680,445)</u>	<u>\$ (787,776)</u>	<u>\$ (107,331)</u>
Fund balances - beginning	<u>41,743</u>	<u>680,445</u>	<u>4,612,455</u>	<u>3,932,010</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,824,679</u>	<u>\$ 3,824,679</u>

County of Craig, Virginia  
 Asset Forfeiture Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 20	\$ 20
Intergovernmental:				
Commonwealth	-	1,806	366	(1,440)
Total revenues	<u>\$ -</u>	<u>\$ 1,806</u>	<u>\$ 386</u>	<u>\$ (1,420)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ 14,488	\$ 2,627	\$ 11,861
Total expenditures	<u>\$ -</u>	<u>\$ 14,488</u>	<u>\$ 2,627</u>	<u>\$ 11,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (12,682)</u>	<u>\$ (2,241)</u>	<u>\$ 10,441</u>
Net change in fund balance	\$ -	\$ (12,682)	\$ (2,241)	\$ 10,441
Fund balances - beginning	-	12,682	14,235	1,553
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,994</u>	<u>\$ 11,994</u>



County of Craig, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Primary Government  
Pension Plans  
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 250,942	\$ 243,484	\$ 210,744	\$ 203,107	\$ 204,611	\$ 204,353
Interest	524,921	503,673	490,171	490,983	464,354	442,058
Changes of assumptions	208,309	-	7,806	-	-	-
Differences between expected and actual experience	(77,033)	(37,207)	(97,720)	(245,735)	116,725	-
Benefit payments	(417,602)	(395,194)	(441,058)	(478,837)	(331,733)	(324,060)
<b>Net change in total pension liability</b>	\$ 489,537	\$ 314,756	\$ 169,943	\$ (30,482)	\$ 453,957	\$ 322,351
<b>Total pension liability - beginning</b>	<b>7,707,675</b>	<b>7,392,919</b>	<b>7,222,976</b>	<b>7,253,458</b>	<b>6,799,501</b>	<b>6,477,150</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 8,197,212</b>	<b>\$ 7,707,675</b>	<b>\$ 7,392,919</b>	<b>\$ 7,222,976</b>	<b>\$ 7,253,458</b>	<b>\$ 6,799,501</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 196,475	\$ 166,660	\$ 157,265	\$ 160,131	\$ 165,490	\$ 126,032
Contributions - employee	83,979	79,741	75,211	68,608	70,729	71,845
Net investment income	502,431	529,685	795,684	110,571	300,147	905,225
Benefit payments	(417,602)	(395,194)	(441,058)	(478,837)	(331,733)	(324,060)
Administrator charges	(4,996)	(4,606)	(4,711)	(4,299)	(4,142)	(4,941)
Other	(317)	(470)	(703)	(48)	(61)	47
<b>Net change in plan fiduciary net position</b>	\$ 359,970	\$ 375,816	\$ 581,688	\$ (143,874)	\$ 200,430	\$ 774,148
<b>Plan fiduciary net position - beginning</b>	<b>7,570,841</b>	<b>7,195,025</b>	<b>6,613,337</b>	<b>6,757,211</b>	<b>6,556,781</b>	<b>5,782,633</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 7,930,811</b>	<b>\$ 7,570,841</b>	<b>\$ 7,195,025</b>	<b>\$ 6,613,337</b>	<b>\$ 6,757,211</b>	<b>\$ 6,556,781</b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 266,401</b>	<b>\$ 136,834</b>	<b>\$ 197,894</b>	<b>\$ 609,639</b>	<b>\$ 496,247</b>	<b>\$ 242,720</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>96.75%</b>	<b>98.22%</b>	<b>97.32%</b>	<b>91.56%</b>	<b>93.16%</b>	<b>96.43%</b>
<b>Covered payroll</b>	<b>\$ 1,701,824</b>	<b>\$ 1,640,317</b>	<b>\$ 1,534,935</b>	<b>\$ 1,383,512</b>	<b>\$ 1,424,898</b>	<b>\$ 1,437,339</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>15.65%</b>	<b>8.34%</b>	<b>12.89%</b>	<b>44.06%</b>	<b>34.83%</b>	<b>16.89%</b>

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

County of Craig, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit School Board (Nonprofessional)  
Pension Plans  
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 27,312	\$ 47,432	\$ 44,753	\$ 55,326	\$ 54,544	\$ 56,017
Interest	125,236	119,763	123,679	124,157	114,416	106,519
Changes of assumptions	51,119	-	(40,139)	-	-	-
Differences between expected and actual experience	48,277	11,521	(81,547)	(111,640)	19,496	-
Benefit payments	(94,887)	(106,168)	(99,209)	(50,123)	(48,491)	(50,930)
<b>Net change in total pension liability</b>	<b>\$ 157,057</b>	<b>\$ 72,548</b>	<b>\$ (52,463)</b>	<b>\$ 17,720</b>	<b>\$ 139,965</b>	<b>\$ 111,606</b>
<b>Total pension liability - beginning</b>	<b>1,836,534</b>	<b>1,763,986</b>	<b>1,816,449</b>	<b>1,798,729</b>	<b>1,658,764</b>	<b>1,547,158</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,993,591</b>	<b>\$ 1,836,534</b>	<b>\$ 1,763,986</b>	<b>\$ 1,816,449</b>	<b>\$ 1,798,729</b>	<b>\$ 1,658,764</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 32,535	\$ 29,539	\$ 30,714	\$ 42,876	\$ 55,133	\$ 45,582
Contributions - employee	14,853	15,429	16,075	16,146	20,837	20,422
Net investment income	120,519	129,148	193,426	28,337	69,197	201,832
Benefit payments	(94,887)	(106,168)	(99,209)	(50,123)	(48,491)	(50,930)
Administrator charges	(1,214)	(1,151)	(1,142)	(967)	(904)	(1,065)
Other	(76)	(113)	(172)	(12)	(16)	10
<b>Net change in plan fiduciary net position</b>	<b>\$ 71,730</b>	<b>\$ 66,684</b>	<b>\$ 139,692</b>	<b>\$ 36,257</b>	<b>\$ 95,756</b>	<b>\$ 215,851</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,824,462</b>	<b>1,757,778</b>	<b>1,618,086</b>	<b>1,581,829</b>	<b>1,486,073</b>	<b>1,270,222</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,896,192</b>	<b>\$ 1,824,462</b>	<b>\$ 1,757,778</b>	<b>\$ 1,618,086</b>	<b>\$ 1,581,829</b>	<b>\$ 1,486,073</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 97,399</b>	<b>\$ 12,072</b>	<b>\$ 6,208</b>	<b>\$ 198,363</b>	<b>\$ 216,900</b>	<b>\$ 172,691</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>95.11%</b>	<b>99.34%</b>	<b>99.65%</b>	<b>89.08%</b>	<b>87.94%</b>	<b>89.59%</b>
<b>Covered payroll</b>	<b>\$ 309,022</b>	<b>\$ 317,794</b>	<b>\$ 327,803</b>	<b>\$ 324,831</b>	<b>\$ 416,726</b>	<b>\$ 408,442</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>31.52%</b>	<b>3.80%</b>	<b>1.89%</b>	<b>61.07%</b>	<b>52.05%</b>	<b>42.28%</b>

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

County of Craig, Virginia  
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.0425%	0.0428%	0.0438%	0.0461%	0.0484%	0.0501%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,587,978	\$ 5,030,000	\$ 5,389,000	\$ 6,457,000	\$ 6,087,000	\$ 6,054,000
Employer's Covered Payroll	\$ 3,577,009	\$ 3,483,372	\$ 3,493,365	\$ 3,512,489	\$ 3,595,880	\$ 3,672,064
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.22%	144.40%	154.26%	183.83%	169.28%	164.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

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

County of Craig, Virginia  
Schedule of Employer Contributions  
Pension Plans  
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2020	\$ 210,532	\$ 210,532	\$ -	\$ 1,852,006	11.37%
2019	196,470	196,470	-	1,701,824	11.54%
2018	166,660	166,660	-	1,640,317	10.16%
2017	157,299	157,299	-	1,534,935	10.25%
2016	160,130	160,130	-	1,383,512	11.57%
2015	165,490	165,490	-	1,424,898	11.61%
2014	178,374	126,055	52,319	1,437,339	8.77%
2013	179,079	126,553	52,526	1,443,020	8.77%
2012	139,685	139,685	-	1,592,757	8.77%
2011	141,624	141,624	-	1,614,868	8.77%
<b>Component Unit School Board (nonprofessional)</b>					
2020	\$ 30,475	\$ 30,475	\$ -	\$ 294,418	10.35%
2019	32,535	32,535	-	309,022	10.53%
2018	29,539	29,539	-	317,794	9.30%
2017	30,793	30,793	-	327,803	9.39%
2016	42,879	42,879	-	324,831	13.20%
2015	55,133	55,133	-	416,726	13.23%
2014	52,771	45,582	7,189	408,442	11.16%
2013	51,615	44,574	7,041	399,498	11.16%
2012	44,823	44,823	-	401,641	11.16%
2011	45,124	45,124	-	404,336	11.16%
<b>Component Unit School Board (professional)</b>					
2020	\$ 568,737	\$ 568,737	\$ -	\$ 3,755,972	15.14%
2019	543,267	543,267	-	3,577,009	15.19%
2018	553,546	553,546	-	3,483,372	15.89%
2017	503,157	503,157	-	3,493,365	14.40%
2016	489,140	489,140	-	3,512,489	13.93%
2015	518,231	518,231	-	3,595,880	14.41%
2014	428,365	428,365	-	3,672,064	11.67%
2013	544,812	544,812	-	3,605,864	15.11%
2012	231,969	231,969	-	3,644,192	6.37%
2011	140,519	140,519	-	3,603,712	3.90%

\*The difference relates to the County and School Board using an agreed upon reduced rate from VRS. These amounts impacted the calculation of the net pension liability in subsequent years.

**County of Craig, Virginia**  
**Notes to Required Supplementary Information**  
**Pension Plans**  
**For the Year Ended June 30, 2020**

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Craig, Virginia  
Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance (GLI) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2019	0.00868%	\$ 141,247	\$ 1,701,824	8.30%	52.00%
2018	0.00863%	131,000	1,640,317	7.99%	51.22%
2017	0.00833%	125,000	1,534,935	8.14%	48.86%
Component Unit-School Board (Non-Professional)					
2019	0.00158%	\$ 25,711	\$ 309,022	8.32%	52.00%
2018	0.00167%	25,000	317,794	7.87%	51.22%
2017	0.00178%	26,000	327,803	7.93%	48.86%
Component Unit-School Board (Professional)					
2019	0.01828%	\$ 297,465	\$ 3,577,009	8.32%	52.00%
2018	0.01831%	278,000	3,483,372	7.98%	51.22%
2017	0.01894%	285,000	3,493,365	8.16%	48.86%

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

County of Craig, Virginia  
Schedule of Employer Contributions  
Group Life Insurance (GLI) Plan  
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2020	\$ 9,630	\$ 9,630	\$ -	\$ 1,852,006	0.52%
2019	8,850	8,850	-	1,701,824	0.52%
2018	8,530	8,530	-	1,640,317	0.52%
2017	7,994	7,994	-	1,534,935	0.52%
2016	6,667	6,667	-	1,383,512	0.48%
2015	6,840	6,840	-	1,424,898	0.48%
2014	6,899	6,899	-	1,437,339	0.48%
2013	6,927	6,927	-	1,443,020	0.48%
2012	4,460	4,460	-	1,592,757	0.28%
2011	4,523	4,523	-	1,614,868	0.28%
<b>Component Unit-School Board (Non-Professional)</b>					
2020	\$ 1,520	\$ 1,520	\$ -	\$ 294,418	0.52%
2019	1,607	1,607	-	309,022	0.52%
2018	1,652	1,652	-	317,794	0.52%
2017	1,705	1,705	-	327,803	0.52%
2016	1,559	1,559	-	324,831	0.48%
2015	2,000	2,000	-	416,726	0.48%
2014	1,961	1,961	-	408,442	0.48%
2013	1,918	1,918	-	399,498	0.48%
2012	1,125	1,125	-	401,641	0.28%
2011	1,132	1,132	-	404,336	0.28%
<b>Component Unit-School Board (Professional)</b>					
2020	\$ 18,621	\$ 18,621	\$ -	\$ 3,755,972	0.50%
2019	18,600	18,600	-	3,577,009	0.52%
2018	18,114	18,114	-	3,483,372	0.52%
2017	18,166	18,166	-	3,493,365	0.52%
2016	16,860	16,860	-	3,512,489	0.48%
2015	17,260	17,260	-	3,595,880	0.48%
2014	17,626	17,626	-	3,672,064	0.48%
2013	17,308	17,308	-	3,605,864	0.48%
2012	10,205	10,205	-	3,644,192	0.28%
2011	10,090	10,090	-	3,603,712	0.28%

**County of Craig, Virginia**  
**Notes to Required Supplementary Information**  
**Group Life Insurance (GLI) Plan**  
**For the Year Ended June 30, 2020**

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%



County of Craig, Virginia  
 Schedule of School Board's Share of Net OPEB Liability  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Employer's Proportion of the Net HIC OPEB Liability	Employer's Proportionate Share of the Net HIC OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2019	0.0427%	\$ 559,116	\$ 3,577,009	15.63%	8.97%
2018	0.0431%	547,000	3,483,372	15.70%	8.08%
2017	0.0441%	560,000	3,493,365	16.03%	7.04%

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

County of Craig, Virginia  
Schedule of Employer Contributions  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to				Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
Component Unit-School Board (Professional)					
2020	\$ 43,038	\$ 43,038	\$ -	\$ 3,755,972	1.15%
2019	42,924	42,924	-	3,577,009	1.20%
2018	42,846	42,846	-	3,483,372	1.23%
2017	38,658	38,658	-	3,493,365	1.11%
2016	37,232	37,232	-	3,512,489	1.06%
2015	38,116	38,116	-	3,595,880	1.06%
2014	40,668	40,668	-	3,672,064	1.11%
2013	39,563	39,563	-	3,564,244	1.11%
2012	21,988	21,988	-	3,644,192	0.60%
2011	21,479	21,479	-	3,603,712	0.60%

County of Craig, Virginia  
Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2020

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Component Unit-School Board (Professional):**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

## Other Supplementary Information

County of Craig, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2020

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 35,738	\$ 31,397	\$ (32,915)	\$ 34,220
Total Assets	<u>\$ 35,738</u>	<u>\$ 31,397</u>	<u>\$ (32,915)</u>	<u>\$ 34,220</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 35,738	\$ 31,397	\$ (32,915)	\$ 34,220
Total Liabilities	<u>\$ 35,738</u>	<u>\$ 31,397</u>	<u>\$ (32,915)</u>	<u>\$ 34,220</u>

County of Craig, Virginia  
Capital Improvement Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 4,780	\$ 4,780
Total revenues	\$ -	\$ -	\$ 4,780	\$ 4,780
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 1,126,824	\$ 618,687	\$ 508,137
Total expenditures	\$ -	\$ 1,126,824	\$ 618,687	\$ 508,137
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,126,824)	\$ (613,907)	\$ 512,917
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 384,099	\$ 1,097,730	\$ 713,631
Issuance of capital leases	-	-	618,565	618,565
Total other financing sources and uses	\$ -	\$ 384,099	\$ 1,716,295	\$ 1,332,196
Net change in fund balances	\$ -	\$ (742,725)	\$ 1,102,388	\$ 1,845,113
Fund balances - beginning	-	742,725	67,768	(674,957)
Fund balances - ending	\$ -	\$ -	\$ 1,170,156	\$ 1,170,156

County of Craig, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2020

	School Operating Fund	School Cafeteria Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 317,562	\$ 93,939	\$ 411,501
Due from other governmental units	155,267	-	155,267
Total assets	<u>\$ 472,829</u>	<u>\$ 93,939</u>	<u>\$ 566,768</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 103,795	\$ -	\$ 103,795
Accrued payroll liabilities	317,562	9,345	326,907
Due to primary government	51,472	-	51,472
Total liabilities	<u>\$ 472,829</u>	<u>\$ 9,345</u>	<u>\$ 482,174</u>
<b>FUND BALANCE</b>			
<b>Restricted:</b>			
Cafeteria	\$ -	\$ 84,594	\$ 84,594
Total fund balance	<u>\$ -</u>	<u>\$ 84,594</u>	<u>\$ 84,594</u>
Total liabilities and fund balance	<u>\$ 472,829</u>	<u>\$ 93,939</u>	<u>\$ 566,768</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Fund balance per above			\$ 84,594
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land		\$ 79,830	
Buildings and improvements		1,319,232	
Machinery and equipment		<u>190,128</u>	1,589,190
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
Pension related items		\$ 1,212,397	
OPEB related items		<u>118,123</u>	1,330,520
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (85,165)	
Net pension liability		(5,685,377)	
Net OPEB liabilities		<u>(882,292)</u>	(6,652,834)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.			
Prepaid items			49,112
Deferred inflows of resources are not due and payable for current period and, therefore, are not reported in the funds.			
Pension related items		\$ (864,885)	
OPEB related items		<u>(69,931)</u>	(934,816)
Net position of component unit school board			<u>\$ (4,534,234)</u>

County of Craig, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2020

	School Operating Fund	School Cafeteria Fund	Total
<b>REVENUES</b>			
Charges for services	\$ -	\$ 125,736	\$ 125,736
Revenue from the use of money and property	-	48	48
Miscellaneous	258,836	-	258,836
Intergovernmental:			
Local government	1,732,046	-	1,732,046
Commonwealth	4,481,070	11,458	4,492,528
Federal	603,717	334,753	938,470
Total revenues	<u>\$ 7,075,669</u>	<u>\$ 471,995</u>	<u>\$ 7,547,664</u>
<b>EXPENDITURES</b>			
Current:			
Education	<u>\$ 7,056,566</u>	<u>\$ 418,090</u>	<u>\$ 7,474,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 19,103</u>	<u>\$ 53,905</u>	<u>\$ 73,008</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 19,103	\$ 19,103
Transfers out	(19,103)	-	(19,103)
Total other financing sources (uses)	<u>\$ (19,103)</u>	<u>\$ 19,103</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ 73,008	\$ 73,008
Fund balance - beginning	-	11,586	11,586
Fund balance - ending	<u>\$ -</u>	<u>\$ 84,594</u>	<u>\$ 84,594</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balance - governmental fund - per above			\$ 73,008
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.			
Capital outlays		\$ 162,809	
Depreciation expense		<u>(148,409)</u>	14,400
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.			(743)
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.			
Change in compensated absences		\$ (18,285)	
Change in net OPEB liabilities and related deferred items		18,769	
Change in net pension liabilities and related deferred items		<u>169,772</u>	170,256
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.			
Increase (decrease) in prepaid items			24,874
Change in net position of component unit school board			<u>\$ 281,795</u>



County of Craig, Virginia  
**Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual**  
**Discretely Presented Component Unit - School Board**  
**For the Year Ended June 30, 2020**

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 140,000	\$ 140,000	\$ 125,736	\$ (14,264)
Revenue from the use of money and property	-	-	-	-	50	50	48	(2)
Miscellaneous	250,986	250,986	258,836	7,850	-	-	-	-
Intergovernmental:								
Local government	1,748,500	1,748,500	1,732,046	(16,454)	-	-	-	-
Commonwealth	4,581,418	4,581,418	4,481,070	(100,348)	7,020	7,020	11,458	4,438
Federal	480,170	480,170	603,717	123,547	195,000	293,694	334,753	41,059
Total revenues	\$ 7,061,074	\$ 7,061,074	\$ 7,075,669	\$ 14,595	\$ 342,070	\$ 440,764	\$ 471,995	\$ 31,231
<b>EXPENDITURES</b>								
Current:								
Education	\$ 7,061,074	\$ 7,061,074	\$ 7,056,566	\$ 4,508	\$ 367,070	\$ 465,764	\$ 418,090	\$ 47,674
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 19,103	\$ 19,103	\$ (25,000)	\$ (25,000)	\$ 53,905	\$ 78,905
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 19,103	\$ (5,897)
Transfers out	-	-	(19,103)	(19,103)	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ (19,103)	\$ (19,103)	\$ 25,000	\$ 25,000	\$ 19,103	\$ (5,897)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,008	\$ 73,008
Fund balance - beginning	-	-	-	-	-	-	11,586	11,586
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,594	\$ 84,594

County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<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 taxes	\$ 2,942,847	\$ 2,942,847	\$ 3,049,245	\$ 106,398
Real and personal public service corporation taxes	117,125	117,125	116,583	(542)
Personal property taxes	859,823	859,823	918,556	58,733
Mobile home taxes	20,594	20,594	19,909	(685)
Machinery and tools taxes	52,162	52,162	47,716	(4,446)
Merchant's capital	12,280	12,280	12,925	645
Penalties	30,062	30,062	37,967	7,905
Interest	21,512	21,512	22,032	520
Total general property taxes	\$ 4,056,405	\$ 4,056,405	\$ 4,224,933	\$ 168,528
Other local taxes:				
Local sales and use taxes	\$ 198,700	\$ 198,700	\$ 219,544	\$ 20,844
Consumers' utility taxes	117,000	117,000	118,093	1,093
Consumption taxes	12,848	12,848	12,924	76
Franchise license taxes	5,000	5,000	4,029	(971)
Recordation tax	44,280	44,280	28,666	(15,614)
Hotel and motel room taxes	19,672	19,672	16,142	(3,530)
Restaurant food taxes	101,528	101,528	76,436	(25,092)
Total other local taxes	\$ 499,028	\$ 499,028	\$ 475,834	\$ (23,194)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,300	\$ 10,455	\$ 10,105	\$ (350)
Transfer fees	350	350	200	(150)
Zoning, subdivision permits, and erosion and sediment control	730	730	400	(330)
Building permits	18,690	18,690	14,322	(4,368)
Total permits, privilege fees, and regulatory licenses	\$ 30,070	\$ 30,225	\$ 25,027	\$ (5,198)
Fines and forfeitures:				
Court fines and forfeitures	\$ 7,900	\$ 7,900	\$ 8,466	\$ 566
Interest on fines	200	200	92	(108)
Law library costs	100	100	516	416
Total fines and forfeitures	\$ 8,200	\$ 8,200	\$ 9,074	\$ 874
Revenue from use of money and property:				
Revenue from use of money	\$ 11,000	\$ 11,000	\$ 24,227	\$ 13,227
Revenue from use of property	28,681	28,681	28,550	(131)
Total revenue from use of money and property	\$ 39,681	\$ 39,681	\$ 52,777	\$ 13,096
Charges for services:				
Charges for courthouse maintenance	\$ 1,000	\$ 1,000	\$ 1,213	\$ 213
Charges for courthouse security	7,348	7,348	5,115	(2,233)
Document production costs	2,150	2,150	1	(2,149)
Charges for Commonwealth's Attorney	488	488	298	(190)
Charges for sanitation and waste removal	8,200	8,200	12,465	4,265
Charges for emergency medical services	228,562	236,562	244,190	7,628
Charges for law enforcement and traffic control	-	-	300	300
Jail admission fees	477	477	328	(149)
Total charges for services	\$ 248,225	\$ 256,225	\$ 263,910	\$ 7,685

County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<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:				
Miscellaneous	\$ 20,830	\$ 70,621	\$ 79,208	\$ 8,587
Recovered costs:				
Mt Castle salary reimbursement	\$ 173,023	\$ 173,023	\$ 164,859	\$ (8,164)
LOA - special welfare	21,707	24,462	24,461	(1)
Other recovered costs	9,314	16,715	23,787	7,072
Total recovered costs	\$ 204,044	\$ 214,200	\$ 213,107	\$ (1,093)
Total revenue from local sources	\$ 5,106,483	\$ 5,174,585	\$ 5,343,870	\$ 169,285
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 168	\$ 168	\$ 230	\$ 62
Mobile home titling tax	8,312	8,312	8,588	276
Grantor's tax	9,549	9,549	8,119	(1,430)
State recordation tax	12,540	12,540	5,562	(6,978)
Communication tax	117,076	117,076	95,675	(21,401)
Personal property tax relief funds	341,055	341,055	341,055	-
Total noncategorical aid	\$ 488,700	\$ 488,700	\$ 459,229	\$ (29,471)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 74,195	\$ 74,195	\$ 73,104	\$ (1,091)
Sheriff	500,469	501,995	498,360	(3,635)
Commissioner of revenue	73,225	73,225	73,174	(51)
Treasurer	77,500	77,500	77,473	(27)
Registrar/electoral board	34,931	35,911	42,480	6,569
Clerk of the Circuit Court	149,938	200,988	192,029	(8,959)
Total shared expenses	\$ 910,258	\$ 963,814	\$ 956,620	\$ (7,194)
Other categorical aid:				
Welfare payments	\$ 272,414	\$ 337,204	\$ 367,754	\$ 30,550
CSA payments	419,675	567,000	500,392	(66,608)
Litter control grant	-	5,904	5,904	-
Four-for-life	5,598	5,598	-	(5,598)
Fire program	21,600	21,600	20,000	(1,600)
Library grant	7,351	7,935	8,332	397
State E-911 program	48,630	48,630	42,997	(5,633)
VJCCA grant	6,588	6,588	6,585	(3)
Emergency services	-	26,893	4,749	(22,144)
Total other categorical aid	\$ 781,856	\$ 1,027,352	\$ 956,713	\$ (70,639)
Total categorical aid	\$ 1,692,114	\$ 1,991,166	\$ 1,913,333	\$ (77,833)
Total revenue from the Commonwealth	\$ 2,180,814	\$ 2,479,866	\$ 2,372,562	\$ (107,304)

County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 317,638	\$ 317,638	\$ 331,159	\$ 13,521
Categorical aid:				
Welfare payments	\$ 444,463	\$ 550,174	\$ 594,827	\$ 44,653
DMV grants	8,750	8,750	3,325	(5,425)
Emergency preparedness grant	7,500	7,500	13,177	5,677
Forest reserve	20,000	20,000	18,366	(1,634)
COVID-19 Coronavirus Relief Fund	-	447,660	32,950	(414,710)
COVID-19 HHS Provider Relief	-	8,040	-	(8,040)
Forest service grant	6,600	6,600	2,408	(4,192)
Total categorical aid	\$ 487,313	\$ 1,048,724	\$ 665,053	\$ (383,671)
Total revenue from the federal government	\$ 804,951	\$ 1,366,362	\$ 996,212	\$ (370,150)
Total General Fund	\$ 8,092,248	\$ 9,020,813	\$ 8,712,644	\$ (308,169)
<b>Special Revenue Fund:</b>				
<b>Asset Forfeiture Fund</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 20	\$ 20
Total revenue from local sources	\$ -	\$ -	\$ 20	\$ 20
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ 1,806	\$ 366	\$ (1,440)
Total revenue from the Commonwealth	\$ -	\$ 1,806	\$ 366	\$ (1,440)
Total Asset Forfeiture Fund	\$ -	\$ 1,806	\$ 386	\$ (1,420)
<b>Capital Projects Fund:</b>				
<b>Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 4,780	\$ 4,780
Total revenue from local sources	\$ -	\$ -	\$ 4,780	\$ 4,780
Total County Capital Improvements Fund	\$ -	\$ -	\$ 4,780	\$ 4,780
Total Primary Government	\$ 8,092,248	\$ 9,022,619	\$ 8,717,810	\$ (304,809)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ 250,986	\$ 250,986	\$ 258,836	\$ 7,850
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Craig, Virginia	\$ 1,748,500	\$ 1,748,500	\$ 1,732,046	\$ (16,454)

County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 797,511	\$ 797,511	\$ 816,575	\$ 19,064
Basic school aid	1,983,609	1,983,609	1,900,029	(83,580)
Foster care	6,961	6,961	1,397	(5,564)
Gifted and talented	19,037	19,037	18,510	(527)
Special education	376,546	376,546	366,136	(10,410)
Special education regional payments	175,957	175,957	158,497	(17,460)
Textbook payment	38,336	38,336	37,276	(1,060)
Jobs for Virginia graduates	25,000	25,000	25,000	-
Early intervention	15,829	15,829	15,829	-
Vocational standards of quality payments	93,661	93,661	91,071	(2,590)
Homebound education	2,925	2,925	2,016	(909)
Fringe benefits	433,657	433,657	421,666	(11,991)
Vocational education - equipment	3,684	3,684	5,032	1,348
At-risk payments	99,226	99,226	99,841	615
Remedial assistance	73,357	73,357	72,514	(843)
Primary class size	38,154	38,154	35,070	(3,084)
VPSA grants	102,000	102,000	122,311	20,311
Standards of Learning algebra readiness	9,169	9,169	9,313	144
Lottery proceeds	-	-	135,500	135,500
ISAEF	8,355	8,355	8,387	32
English Second Language	-	-	1,365	1,365
Compensation supplement	133,554	133,554	133,554	-
Other state funds	144,890	144,890	4,181	(140,709)
Total categorical aid	\$ 4,581,418	\$ 4,581,418	\$ 4,481,070	\$ (100,348)
Total revenue from the Commonwealth	\$ 4,581,418	\$ 4,581,418	\$ 4,481,070	\$ (100,348)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 177,566	\$ 177,566	\$ 191,758	\$ 14,192
Forest reserve fund	-	-	104,076	104,076
Title VI-B, special education flow-through	160,139	160,139	157,580	(2,559)
Vocational education	14,525	14,525	13,555	(970)
Title VI-B, special education pre-school	6,928	6,928	7,009	81
Title III, Impact aid	49,000	49,000	56,691	7,691
Title II, Part A	27,538	27,538	26,552	(986)
Other federal funds	44,474	44,474	46,496	2,022
Total revenue from the federal government	\$ 480,170	\$ 480,170	\$ 603,717	\$ 123,547
Total School Operating Fund	\$ 7,061,074	\$ 7,061,074	\$ 7,075,669	\$ 14,595

County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 50	\$ 50	\$ 48	\$ (2)
Charges for services:				
Cafeteria sales	\$ 140,000	\$ 140,000	\$ 125,736	\$ (14,264)
Total revenue from local sources	\$ 140,050	\$ 140,050	\$ 125,784	\$ (14,266)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 7,020	\$ 7,020	\$ 11,458	\$ 4,438
Total revenue from the Commonwealth	\$ 7,020	\$ 7,020	\$ 11,458	\$ 4,438
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 195,000	\$ 293,694	\$ 334,753	\$ 41,059
Total revenue from the federal government	\$ 195,000	\$ 293,694	\$ 334,753	\$ 41,059
Total School Cafeteria Fund	\$ 342,070	\$ 440,764	\$ 471,995	\$ 31,231
Total Discretely Presented Component Unit - School Board	\$ 7,403,144	\$ 7,501,838	\$ 7,547,664	\$ 45,826

County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<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	\$ 30,860	\$ 32,160	\$ 28,915	\$ 3,245
General and financial administration:				
County administrator	\$ 138,241	\$ 138,241	\$ 132,760	\$ 5,481
Commissioner of revenue	168,989	168,989	163,168	5,821
Audit	62,500	62,500	66,085	(3,585)
Treasurer	205,112	207,879	206,773	1,106
Accounting/purchasing	63,591	63,591	63,331	260
Technology/data processing	96,750	96,750	91,886	4,864
Total general and financial administration	\$ 735,183	\$ 737,950	\$ 724,003	\$ 13,947
Board of elections:				
Electoral board and officials	\$ 37,244	\$ 43,140	\$ 42,394	\$ 746
Registrar	80,047	81,757	81,530	227
Total board of elections	\$ 117,291	\$ 124,897	\$ 123,924	\$ 973
Total general government administration	\$ 883,334	\$ 895,007	\$ 876,842	\$ 18,165
Judicial administration:				
Courts:				
Circuit court	\$ 6,400	\$ 6,400	\$ 3,564	\$ 2,836
General district court	3,000	3,000	1,365	1,635
Clerk of the circuit court	210,328	261,451	256,838	4,613
Total courts	\$ 219,728	\$ 270,851	\$ 261,767	\$ 9,084
Commonwealth's attorney:				
Commonwealth's attorney	\$ 102,941	\$ 106,341	\$ 105,599	\$ 742
Total judicial administration	\$ 322,669	\$ 377,192	\$ 367,366	\$ 9,826
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 989,581	\$ 1,075,790	\$ 957,110	\$ 118,680
Fire and rescue services:				
Public safety	\$ 123,040	\$ 130,313	\$ 115,115	\$ 15,198
Emergency medical services	452,975	580,559	555,915	24,644
E-911	19,241	19,241	9,624	9,617
Total fire and rescue services	\$ 595,256	\$ 730,113	\$ 680,654	\$ 49,459
Correction and detention:				
Care of prisoners	\$ 15,000	\$ 45,000	\$ 41,721	\$ 3,279
Contribution to Regional Jail	104,416	104,416	104,416	-
Total correction and detention	\$ 119,416	\$ 149,416	\$ 146,137	\$ 3,279
Inspections:				
Building	\$ 84,899	\$ 85,715	\$ 83,792	\$ 1,923

County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<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:				
Animal control	\$ 47,048	\$ 47,203	\$ 34,920	\$ 12,283
Medical examiner	350	350	100	250
Forest service	3,200	3,780	3,776	4
Total other protection	<u>\$ 50,598</u>	<u>\$ 51,333</u>	<u>\$ 38,796</u>	<u>\$ 12,537</u>
Total public safety	<u>\$ 1,839,750</u>	<u>\$ 2,092,367</u>	<u>\$ 1,906,489</u>	<u>\$ 185,878</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 426,541	\$ 462,824	\$ 408,512	\$ 54,312
Litter control grant	-	5,744	5,744	-
Total sanitation and waste removal	<u>\$ 426,541</u>	<u>\$ 468,568</u>	<u>\$ 414,256</u>	<u>\$ 54,312</u>
Maintenance of general buildings and grounds:				
Maintenance of properties	<u>\$ 144,889</u>	<u>\$ 176,247</u>	<u>\$ 155,002</u>	<u>\$ 21,245</u>
Total public works	<u>\$ 571,430</u>	<u>\$ 644,815</u>	<u>\$ 569,258</u>	<u>\$ 75,557</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 58,000</u>	<u>\$ 59,920</u>	<u>\$ 45,417</u>	<u>\$ 14,503</u>
Behavioral Health and Development Services:				
Blue Ridge Community Services Board	<u>\$ 8,328</u>	<u>\$ 8,328</u>	<u>\$ 8,328</u>	<u>\$ -</u>
Welfare:				
Welfare administration	\$ 944,939	\$ 1,103,764	\$ 1,108,548	\$ (4,784)
Children's Services Act (CSA)	591,257	832,275	736,058	96,217
Tax relief for the elderly/veterans	40,000	40,000	38,929	1,071
Total welfare	<u>\$ 1,576,196</u>	<u>\$ 1,976,039</u>	<u>\$ 1,883,535</u>	<u>\$ 92,504</u>
Total health and welfare	<u>\$ 1,642,524</u>	<u>\$ 2,044,287</u>	<u>\$ 1,937,280</u>	<u>\$ 107,007</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 17,000	\$ 17,000	\$ 17,000	\$ -
Contribution to County School Board	1,748,500	1,748,500	1,732,046	16,454
Contribution to County School Board - School Bus	-	80,290	80,290	-
Total education	<u>\$ 1,765,500</u>	<u>\$ 1,845,790</u>	<u>\$ 1,829,336</u>	<u>\$ 16,454</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
League of older Americans	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ -</u>
Library:				
Regional library	<u>\$ 38,726</u>	<u>\$ 40,310</u>	<u>\$ 38,374</u>	<u>\$ 1,936</u>
Total parks, recreation, and cultural	<u>\$ 39,926</u>	<u>\$ 41,510</u>	<u>\$ 39,574</u>	<u>\$ 1,936</u>



County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<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>				
Community development:				
Planning and community development:				
Community development	\$ 3,865	\$ 13,418	\$ 4,374	\$ 9,044
Zoning board	1,000	1,000	560	440
Planning	2,903	2,903	419	2,484
Tourism	15,735	15,230	10,354	4,876
Contribution to Virginia's First Regional IFA	10,844	10,844	10,844	-
Fifth planning district	5,129	5,129	5,129	-
Total planning and community development	<u>\$ 39,476</u>	<u>\$ 48,524</u>	<u>\$ 31,680</u>	<u>\$ 16,844</u>
Environmental management:				
Mountain Castle - soil conservation	\$ 176,023	\$ 176,023	\$ 167,767	\$ 8,256
Erosion and sediment control	2,500	2,500	105	2,395
Total environmental management	<u>\$ 178,523</u>	<u>\$ 178,523</u>	<u>\$ 167,872</u>	<u>\$ 10,651</u>
Cooperative extension program:				
Extension office	\$ 40,474	\$ 40,474	\$ 42,711	\$ (2,237)
Total community development	<u>\$ 258,473</u>	<u>\$ 267,521</u>	<u>\$ 242,263</u>	<u>\$ 25,258</u>
Nondepartmental:				
Fringe benefits	\$ 50,721	\$ 56,356	\$ 54,891	\$ 1,465
Contingencies	40,000	457,660	3,349	454,311
Total nondepartmental	<u>\$ 90,721</u>	<u>\$ 514,016</u>	<u>\$ 58,240</u>	<u>\$ 455,776</u>
Debt service:				
Principal retirement	\$ 579,865	\$ 579,865	\$ 579,865	\$ -
Interest and other fiscal charges	139,799	167,619	149,007	18,612
Total debt service	<u>\$ 719,664</u>	<u>\$ 747,484</u>	<u>\$ 728,872</u>	<u>\$ 18,612</u>
Total General Fund	<u>\$ 8,133,991</u>	<u>\$ 9,469,989</u>	<u>\$ 8,555,520</u>	<u>\$ 914,469</u>
<b>Special Revenue Fund:</b>				
<b>Asset Forfeiture Fund:</b>				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ -	\$ 14,488	\$ 2,627	\$ 11,861
Total public safety	<u>\$ -</u>	<u>\$ 14,488</u>	<u>\$ 2,627</u>	<u>\$ 11,861</u>
Total Asset Forfeiture Fund	<u>\$ -</u>	<u>\$ 14,488</u>	<u>\$ 2,627</u>	<u>\$ 11,861</u>

County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<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>Capital Projects Fund:</b>				
<b>Capital Improvements Fund:</b>				
Capital projects:				
School capital projects	\$ -	\$ 431,296	\$ 172,232	\$ 259,064
County/DSS phones and internet	-	139	139	-
Rt. 42 compactor	-	93,418	92,418	1,000
Storage building	-	53,799	-	53,799
DSS vehicles	-	25,000	-	25,000
Community Resource Center	-	25,000	-	25,000
Ambulance equipment	-	12,300	2,432	9,868
Shelter backhoe	-	4,515	4,515	-
County courthouse/DSS building improvements	-	481,357	346,951	134,406
Total capital projects	\$ -	\$ 1,126,824	\$ 618,687	\$ 508,137
Total Capital Projects Fund	\$ -	\$ 1,126,824	\$ 618,687	\$ 508,137
Total Primary Government	\$ 8,133,991	\$ 10,611,301	\$ 9,176,834	\$ 1,434,467
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Executive administration services	\$ 579,708	\$ 579,708	\$ 578,344	\$ 1,364
Instruction costs:				
Instruction costs	\$ 5,143,149	\$ 5,143,149	\$ 5,123,221	\$ 19,928
Technology	287,361	287,361	349,956	(62,595)
Total instruction costs	\$ 5,430,510	\$ 5,430,510	\$ 5,473,177	\$ (42,667)
Operating costs:				
Pupil transportation	\$ 484,883	\$ 484,883	\$ 471,044	\$ 13,839
Operation and maintenance of school plant	520,973	520,973	512,476	8,497
Other operating costs	45,000	45,000	21,525	23,475
Total operating costs	\$ 1,050,856	\$ 1,050,856	\$ 1,005,045	\$ 45,811
Total education	\$ 7,061,074	\$ 7,061,074	\$ 7,056,566	\$ 4,508
Total School Operating Fund	\$ 7,061,074	\$ 7,061,074	\$ 7,056,566	\$ 4,508
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 367,070	\$ 465,764	\$ 418,090	\$ 47,674
Total School Cafeteria Fund	\$ 367,070	\$ 465,764	\$ 418,090	\$ 47,674
Total Discretely Presented Component Unit - School Board	\$ 7,428,144	\$ 7,526,838	\$ 7,474,656	\$ 52,182

## Other Statistical Information

Table 1

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

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	Total
2019-20	\$ 912,493	\$ 369,406	\$ 2,008,933	\$ 652,904	\$ 1,922,459	\$ 2,107,155	\$ 44,444	\$ 83,424	\$ 138,356	\$ 8,239,574
2018-19	740,339	312,306	1,758,372	614,928	1,506,879	1,752,410	45,779	42,348	154,488	6,927,848
2017-18	605,223	301,263	1,741,399	577,668	1,250,607	2,192,694	42,753	149,288	102,784	6,963,679
2016-17	821,376	326,560	1,625,010	571,442	1,234,904	1,843,293	38,779	140,256	122,050	6,723,670
2015-16	739,661	304,096	1,467,324	579,770	1,222,920	1,843,269	37,456	142,775	140,070	6,477,341
2014-15	687,049	282,082	1,488,590	460,013	1,222,584	2,524,567	35,161	157,523	159,707	7,017,276
2013-14	791,988	323,664	1,324,152	609,729	1,043,298	2,119,299	34,833	139,465	177,884	6,564,312
2012-13	755,333	296,577	1,329,756	524,687	1,010,860	2,732,769	30,047	103,568	191,361	6,974,958
2011-12	771,452	275,294	1,264,434	492,085	1,641,432	1,961,795	36,364	188,737	204,612	6,836,205
2010-11	687,867	282,026	1,326,612	523,087	1,907,221	1,804,288	18,353	279,026	220,027	7,048,507

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services (1)	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Sale of Capital Assets	Total
2019-20	\$ 270,795	\$ 2,578,752	\$ -	\$ -	\$ 4,229,625	\$ 475,834	\$ 52,797	\$ 83,988	\$ 790,388	\$ -	\$ 8,482,179
2018-19	276,769	2,172,849	-	-	4,140,233	450,251	62,060	54,457	789,654	232,683	8,178,956
2017-18	198,082	2,059,715	28,233	-	4,060,334	442,686	115,422	73,886	791,477	-	7,769,835
2016-17	225,644	1,929,108	-	-	3,735,991	531,210	96,023	93,989	657,441	-	7,269,406
2015-16	147,572	2,115,406	-	-	3,502,061	535,567	80,207	68,671	665,593	-	7,115,077
2014-15	130,563	1,920,486	-	-	3,528,790	536,953	75,408	50,351	630,602	-	6,873,153
2013-14	98,996	1,731,459	313,600	-	3,394,671	499,033	84,783	72,073	635,965	-	6,830,580
2012-13	68,084	1,701,928	-	-	3,395,934	505,675	81,702	97,377	622,697	-	6,473,397
2011-12	279,913	1,990,992	89,659	-	3,305,224	509,246	81,751	88,147	584,807	-	6,929,739
2010-11	377,464	2,127,684	11,242	-	3,102,510	487,924	103,846	116,562	575,104	-	6,902,336

(1) Beginning in 2012-2013, charges for child care services are reported in the fiduciary Child Care Fund.

Table 3

County of Craig, 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	Capital Projects	Non-departmental	Debt Service	Total
2019-20	\$ 876,842	\$ 367,366	\$ 1,909,116	\$ 569,258	\$ 1,937,280	\$ 7,571,946	\$ 39,574	\$ 242,263	\$ 618,687	\$ 58,240	\$ 728,872	\$ 14,919,444
2018-19	782,851	335,545	1,916,549	534,884	1,529,730	7,146,068	40,909	227,638	1,660,917	35,793	578,611	14,789,495
2017-18	789,421	321,181	1,712,051	484,629	1,264,965	7,234,728	37,856	308,033	356,020	56,336	497,240	13,062,460
2016-17	812,332	331,884	1,577,157	507,774	1,220,066	7,280,787	33,909	295,405	99,678	23,980	506,021	12,688,993
2015-16	807,913	308,648	1,715,254	524,366	1,232,970	7,234,274	32,586	307,491	255,149	29,267	514,620	12,962,538
2014-15	683,263	291,281	1,319,777	530,378	1,241,655	7,908,590	30,291	289,719	360,736	29,242	522,932	13,207,864
2013-14	698,893	315,527	1,233,002	732,380	1,066,647	7,592,779	31,137	250,823	-	33,105	530,908	12,485,201
2012-13	686,849	288,615	1,231,648	480,036	995,082	7,243,484	30,047	241,045	-	69,512	513,581	11,779,899
2011-12	756,836	273,610	1,247,722	482,996	1,676,392	7,064,450	25,121	321,900	-	56,358	555,794	12,461,179
2010-11	673,402	289,089	1,395,669	475,083	1,997,644	7,143,778	29,595	457,847	305,814	65,290	579,303	13,412,514

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2019-20	\$ 4,224,933	\$ 475,834	\$ 25,027	\$ 9,074	\$ 52,845	\$ 389,646	\$ 338,044	\$ 213,107	\$ 8,800,138	\$ 14,528,648
2018-19	4,164,098	450,251	27,594	9,247	62,060	209,797	350,631	216,664	8,415,905	13,906,247
2017-18	4,014,581	442,686	24,386	4,406	115,422	159,797	323,898	205,243	8,129,300	13,419,719
2016-17	3,780,172	531,210	29,472	5,986	96,023	194,461	438,522	196,331	7,910,595	13,182,772
2015-16	3,491,806	535,567	25,773	4,275	80,207	117,524	413,557	172,230	7,963,316	12,804,255
2014-15	3,495,927	536,953	33,583	3,535	75,408	93,445	372,363	161,472	7,734,458	12,507,144
2013-14	3,405,962	499,033	28,680	5,007	84,986	219,868	386,507	147,064	7,510,744	12,287,851
2012-13	3,410,578	505,675	25,889	4,661	81,826	186,109	237,905	178,341	7,327,897	11,958,881
2011-12	3,257,197	509,246	23,335	5,801	81,886	414,432	299,252	202,123	7,668,001	12,461,273
2010-11	3,116,109	487,924	36,430	1,516	103,846	501,101	274,505	226,339	7,951,849	12,699,619

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

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

Table 5

County of Craig, 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 (1,2)		Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
				Tax Collections	Tax Collections		Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)		
2019-20	\$ 4,528,811	\$ 4,337,840	95.78%	\$ 168,149	\$ 4,505,989	99.50%	\$ 294,883	6.51%		
2018-19	4,452,003	4,325,867	97.17%	121,418	4,447,285	99.89%	269,134	6.05%		
2017-18	4,324,605	4,241,937	98.09%	67,375	4,309,312	99.65%	281,778	6.52%		
2016-17	3,979,080	3,908,195	98.22%	149,256	4,057,451	101.97%	224,479	5.64%		
2015-16	3,818,731	3,684,660	96.49%	106,352	3,791,012	99.27%	266,353	6.97%		
2014-15	3,855,268	3,632,756	94.23%	155,833	3,788,589	98.27%	252,169	6.54%		
2013-14	3,736,546	3,543,990	94.85%	156,332	3,700,322	99.03%	234,129	6.27%		
2012-13	3,680,533	3,478,001	94.50%	218,368	3,696,369	100.43%	233,864	6.35%		
2011-12	3,580,886	3,292,776	91.95%	256,343	3,549,119	99.11%	265,974	7.43%		
2010-11	3,408,715	3,239,539	95.04%	166,571	3,406,110	99.92%	268,519	7.88%		

(1) Exclusive of penalties and interest.

(2) Delinquent tax collections are exclusive of land redemptions.



Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (3)	Machinery and Tools	Merchant's Capital	Public Utilities (1)(2)	Total
2019-20	\$ 513,945,350	\$ 40,132,122	\$ 2,182,037	\$ 367,673	\$ 20,678,193	\$ 577,305,375
2018-19	510,949,900	38,971,378	2,384,170	359,874	23,485,893	576,151,215
2017-18	502,657,721	38,738,626	2,331,275	273,765	17,030,937	561,032,324
2016-17	493,739,433	37,504,338	1,951,604	410,566	18,319,870	551,925,811
2015-16	490,384,380	35,729,749	1,463,786	316,819	16,609,743	544,504,477
2014-15	487,617,041	36,560,925	1,735,986	303,551	14,601,241	540,818,744
2013-14	485,172,230	34,622,620	2,040,191	285,556	14,212,421	536,333,018
2012-13	483,945,781	34,330,943	2,309,708	289,470	14,034,655	534,910,557
2011-12	456,489,768	33,674,308	2,528,832	282,742	12,698,689	505,674,339
2010-11	430,698,238	31,269,216	2,851,070	303,873	12,791,177	477,913,574

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

(2) Assessed values are established by the State Corporation Commission.

(3) Personal property is assessed at 100% of fair market value.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2019-20	\$ 0.59	\$ 3.50	\$ 2.20	\$ 3.50
2018-19	0.59	3.50	2.20	3.50
2017-18	0.59	3.50	2.20	3.50
2016-17	0.59	3.00	2.20	3.50
2015-16	0.56	3.00	2.20	3.50
2014-15	0.56	3.00	2.20	3.50
2013-14	0.54/0.56	3.00	2.20	3.50
2012-13	0.54	3.00	2.20	3.50
2011-12	0.56/0.54	3.00	2.20	3.50
2010-11	0.56	3.00	2.20	3.50

(1) Per \$100 of assessed value.

Table 8

**County of Craig, 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)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2019-20	5,190	\$ 577,305	\$ 1,091,602	0.19%	\$ 210
2018-19	5,190	576,151	1,474,101	0.26%	284
2017-18	5,190	561,032	1,846,327	0.33%	356
2016-17	5,190	551,926	2,208,543	0.40%	426
2015-16	5,190	544,504	2,560,997	0.47%	493
2014-15	5,190	540,819	2,903,926	0.54%	560
2013-14	5,190	536,333	3,237,055	0.60%	624
2012-13	5,190	534,911	3,561,599	0.67%	686
2011-12	5,190	505,674	3,878,180	0.77%	747
2010-11	5,190	477,914	4,223,935	0.88%	814

(1) Bureau of the Census.

(2) Assessed at 100% of fair market value.

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

Excludes net pension and OPEB liabilities, capital leases, and compensated absences.

Table 9

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

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2019-20	\$ 579,865	\$ 149,007	\$ 728,872	\$ 14,919,444	4.89%
2018-19	453,501	125,110	578,611	14,789,495	3.91%
2017-18	387,225	110,015	497,240	13,062,460	3.81%
2016-17	376,899	129,122	506,021	12,688,993	3.99%
2015-16	366,823	147,797	514,620	12,962,538	3.97%
2014-15	356,483	166,449	522,932	13,207,864	3.96%
2013-14	347,371	183,537	530,908	12,485,201	4.25%
2012-13	316,581	197,000	513,581	11,779,899	4.36%
2011-12	345,755	210,039	555,794	12,461,179	4.46%
2010-11	353,609	225,694	579,303	13,412,514	4.32%

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

(2) Excludes bond issuance and other costs.

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## COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Craig, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise County of Craig, Virginia's basic financial statements and have issued our report thereon November 20, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2020-001, that we consider to be a material weakness.

## Compliance and Other Matters

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

## County of Craig, Virginia's Response to Findings

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

## Purpose of this Report

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

A handwritten signature in cursive script that reads "Robinson, James, Cox Associates".

Blacksburg, Virginia  
November 20, 2020



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

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

**Report on Compliance for Each Major Federal Program**

We have audited County of Craig, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Craig, Virginia's major federal programs for the year ended June 30, 2020. County of Craig, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, County of Craig, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Blacksburg, Virginia  
November 20, 2020

County of Craig, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through payments from:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950118, 0950119	\$ 15,054
Temporary Assistance for Needy Families	93.558	0400119, 0400120	53,302
Refugee and Entrant Assistance - State Administered Programs	93.566	0500120	88
Low-Income Home Energy Assistance	93.568	0600419, 0600420	10,013
Child Care and Development Fund Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760119, 0760120	10,676
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118, 0900119	97
Foster Care - Title IV-E	93.658	1100119, 1100120	122,578
Adoption Assistance	93.659	1120119, 1120120	135,993
Social Services Block Grant	93.667	1000119, 1000120	40,256
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150119, 9150120	456
Children's Health Insurance Program	93.767	0540119, 0540120	1,635
Medicaid Cluster:			
Medical Assistance Program	93.778	1200119, 1200120	103,125
Total Department of Health and Human Services			<u>\$ 493,273</u>
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766	Not applicable	\$ 152,830
Pass-through payments from:			
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010119, 0010120 0040119, 0040120	101,554
State Department of Agriculture:			
Cooperative Forestry Assistance	10.664	16-LE11080818-005	2,408
Child Nutrition Cluster:			
National School Lunch Program (Note 3)	10.555	Not available	\$ 25,334
Department of Education:			
COVID-19 National School Lunch Program	10.555	APE40254	13,087
National School Lunch Program	10.555	APE40254	<u>115,534</u>
COVID-19 Summer Food Service Program for Children	10.559	APE60303	\$ 153,955
COVID-19 School Breakfast Program	10.553	APE40253	<u>7,139</u>
School Breakfast Program	10.553	APE40253	<u>51,999</u>
Total Child Nutrition Cluster			59,138
Forest Service Schools and Roads Cluster:			334,753
Schools and Roads - Grants to States	10.665	APE43841	122,442
Total Department of Agriculture			<u>\$ 713,987</u>
DEPARTMENT OF TREASURY:			
Pass through payments from:			
Virginia Department of Accounts:			
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	\$ 32,950
Total Department of Treasury			<u>\$ 32,950</u>
DEPARTMENT OF TRANSPORTATION:			
Pass-through payments from:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FSC-2019-59077-9077 FSC-2020-50016-20016	\$ 3,325
DEPARTMENT OF HOMELAND SECURITY:			
Pass-through payments from:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	EMP-2019-EP-00006	\$ 7,500
Homeland Security Grant Program	97.067	EMW-2019-SS-00079-S01	<u>5,677</u>
Total Department of Homeland Security			<u>\$ 13,177</u>

County of Craig, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

## DEPARTMENT OF EDUCATION:

## Direct Payments:

Impact Aid	84.041	Not applicable	\$	56,691
Rural and Low-income School Program	84.358B	Not applicable		37,477

## Pass-through payments from:

## Department of Education:

Title I: Grants to Local Educational Agencies	84.010	APE42901		191,758
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	APE43071	\$ 157,580	
Special Education - Preschool Grants	84.173	APE62521	7,009	
Total Special Education Cluster (IDEA)				164,589
Career and Technical Education: Basic Grants to States	84.048	APE61095		13,555
Student Support and Academic Enrichment Program	84.424	APE60019		9,019
Supporting Effective Instruction State Grant	84.367	APE61480		26,552

Total Department of Education			\$	499,641
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Total Expenditures of Federal Awards			\$	1,756,353
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## Notes to Schedule of Expenditures of Federal Awards

## Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of County of Craig, Virginia and its discretely presented component units under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

## Note 2 -- Summary of Significant Accounting Policies

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

## Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, County of Craig, Virginia did not report any commodity inventory, as it was immaterial to the financials.

## Note 4 -- Subrecipients

No awards were passed through to subrecipients.

## 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	\$	996,212
Plus: Federal loans		152,830
Less: Payment in lieu of taxes		(331,159)

Total Primary Government	\$	817,883
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## Component Unit School Board:

School Operating Fund	\$	603,717
School Cafeteria Fund		334,753

Total Component Unit School Board	\$	938,470
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	1,756,353
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County of Craig, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

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

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

**County of Craig, Virginia**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

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**Section II - Financial Statement Findings**

**2020-001**

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Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The County and the School Board lack proper segregation of duties over the following functions: Collections in the Treasurer's office, Accounts Payable and Payroll at the County; and Accounts Payable and Payroll at the School Board.
Cause of Condition:	The County and School Board lack the funding to fully support a completely segregated finance department.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the functions listed above lack proper segregation of duties; however, to alleviate same would require additional staff. Due to cost constraints, the County and School Board have decided not to address the aforementioned internal control deficiency.

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

None

**Section IV - Summary Schedule of Prior Audit Findings**

Finding 2019-001 repeated in the current year as 2020-001.