

COUNTY OF CRAIG, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

COUNTY OF CRAIG, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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COUNTY OF CRAIG, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

COUNTY OF CRAIG, VIRGINIA

BOARD OF SUPERVISORS

Carl Bailey	Fred Craft, Chair	Martha Murphy, Vice Chair
Keith Dunbar		Jesse Spence
	Clay Goodman, Clerk	

COUNTY SCHOOL BOARD

Darlene Stanley, Vice Chair	Dawna McDowell, Chair	James Stephens
Jennifer McPherson		Pat Myers
	Sonja Switzer, Clerk	

COUNTY WELFARE BOARD

Malisa Stephens, Vice Chair	Millie Harrison, Chair	Phyllis Tripp
Barbara Charlton		Opal Horn

OTHER OFFICIALS

Clerk of the Circuit Court	Sharon Oliver
Commonwealth's Attorney	Thaddeus R. Cox
Commissioner of the Revenue	Elizabeth C. Huffman
Treasurer	Jackie M. Parsons
Sheriff	Clifford Davidson
Superintendent of Schools	Kelly Wilmore
Director of Social Services	James T. Weber
County Administrator	Clay Goodman
County Attorney	James Cornwell

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Craig, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 the County of Craig, Virginia, as of June 30, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules related to pension and OPEB funding on pages 66-67 and 68-72 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 December 16, 2015, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Craig, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 16, 2015

Basic Financial Statements

County of Craig, Virginia
Statement of Net Position
June 30, 2015

	Primary Government Governmental Activities	Component Unit School Board	Component Unit IDA
ASSETS			
Cash and cash equivalents	\$ 2,412,380	\$ 661,262	\$ 55,024
Investments	267,894	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,521,420	-	-
Accounts receivable	64,217	12,526	4,974
Notes receivable	-	-	9,225
Due from component unit	80,703	-	-
Due from other governments	292,585	223,477	-
Prepaid items	-	80,245	-
Restricted assets:			
Cash and cash equivalents	30,890	-	-
Capital assets not being depreciated:			
Land	256,435	79,830	362,094
Construction in progress	516,568	-	-
Capital assets, net of accumulated depreciation:			
Buildings and improvements	5,923,760	1,186,534	1,069,637
Machinery, equipment, and vehicles	185,924	335,428	-
Total assets	<u>\$ 11,552,776</u>	<u>\$ 2,579,302</u>	<u>\$ 1,500,954</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 165,624	\$ 573,286	\$ -
Change in proportionate share of net pension liability	-	32,000	-
Total deferred outflows of resources	<u>\$ 165,624</u>	<u>\$ 605,286</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 147,889	\$ 129,493	\$ 80
Accrued payroll liabilities	-	677,261	-
Accrued interest payable	58,242	-	-
Due to primary government	-	80,703	-
Unearned revenues	-	-	1,151
Noncurrent liabilities:			
Due within one year	419,099	77,876	-
Due in more than one year	3,019,550	6,252,650	-
Total liabilities	<u>\$ 3,644,780</u>	<u>\$ 7,217,983</u>	<u>\$ 1,231</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 1,355,903	\$ -	\$ -
Items related to measurement of net pension liability	404,023	988,940	-
Total deferred inflows of resources	<u>\$ 1,759,926</u>	<u>\$ 988,940</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 3,771,442	\$ 1,601,792	\$ 1,431,731
Restricted:			
Compactor equipment	30,890	-	-
Cafeteria	-	9,808	-
Stormwater	1,944	-	-
Unrestricted	2,509,418	(6,633,935)	67,992
Total Net Position	<u>\$ 6,313,694</u>	<u>\$ (5,022,335)</u>	<u>\$ 1,499,723</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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government	Component Units	
			Contributions	Capital Grants and Contributions		School Board	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 687,049	\$ 2,199	\$ 167,294	\$ -	\$ (517,556)		
Judicial administration	282,082	903	214,792	-	(66,387)		
Public safety	1,488,590	113,670	732,603	-	(642,317)		
Public works	460,013	9,891	7,416	-	(442,706)		
Health and welfare	1,222,584	-	791,582	-	(431,002)		
Education	2,524,567	-	-	-	(2,524,567)		
Parks, recreation, and cultural	35,161	-	6,799	-	(28,362)		
Community development	157,523	3,900	-	-	(153,623)		
Interest on long-term debt	159,707	-	-	-	(159,707)		
Total primary government	\$ 7,017,276	\$ 130,563	\$ 1,920,486	\$ -	\$ (4,966,227)		
COMPONENT UNITS:							
School Board	\$ 7,743,367	\$ 147,038	\$ 4,953,792	\$ 81,185	\$ (2,561,352)	\$ -	\$ (52,641)
IDA	52,641	-	-	-	-	-	(52,641)
Total component units	\$ 7,796,008	\$ 147,038	\$ 4,953,792	\$ 81,185	\$ (2,561,352)	\$ (2,561,352)	\$ (52,641)
General revenues:							
General property taxes			\$ 3,528,790		\$ -	\$ -	
Other local taxes:							
Local sales and use taxes			171,235		-	-	
Consumers' utility taxes			116,169		-	-	
Consumption taxes			12,971		-	-	
Franchise license taxes			5,660		-	-	
Motor vehicle licenses			110,471		-	-	
Recordation tax			24,858		-	-	
Hotel and motel room taxes			15,733		-	-	
Restaurant food taxes			79,856		-	-	
Unrestricted revenues from use of money and property			75,408		42	15,860	
Miscellaneous			50,351		323,325	4,713	
Contributions from the County of Craig			-		-	-	
Grants and contributions not restricted to specific programs			630,602		2,366,570	-	
Total general revenues			\$ 4,822,104		\$ 2,689,937	\$ 20,573	
Change in net position			(144,123)		128,585	(32,068)	
Net position - beginning, as restated			6,457,817		(5,150,920)	1,531,791	
Net position - ending			\$ 6,313,694		\$ (5,022,335)	\$ 1,499,723	

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

County of Craig, Virginia
Balance Sheet
Governmental Fund
June 30, 2015

General

ASSETS

Cash and cash equivalents	\$ 2,412,380
Investments	267,894
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,521,420
Accounts receivable	64,217
Due from component unit	80,703
Due from other governments	292,585
Restricted assets:	
Cash and cash equivalents	30,890
Total assets	<u>\$ 4,670,089</u>

LIABILITIES

Accounts payable	<u>\$ 147,889</u>
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DEFERRED INFLOWS OF RESOURCES

Unavailable revenue-property taxes	<u>\$ 1,543,028</u>
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FUND BALANCE

Restricted:	
Compactor equipment	\$ 30,890
Stormwater	1,944
Committed:	
Law library	9,196
Courthouse maintenance	5,502
Assigned:	
Public assistance	5,415
Commons	169,776
Memorial	2,981
Capital projects	993,403
Unassigned	1,760,065
Total fund balance	<u>\$ 2,979,172</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,670,089</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 Fund
To the Statement of Net Position
June 30, 2015

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

Fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$ 2,979,172
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 256,435	
Buildings and improvements	5,923,760	
Machinery, equipment, and vehicles	185,924	
Construction in progress	516,568	6,882,687

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-property taxes	\$ 187,125	
Items related to measurement of net pension liability	(404,023)	(216,898)

Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

165,624

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	\$ (2,903,926)	
Capital lease	(207,319)	
Compensated absences	(69,703)	
Accrued interest payable	(58,242)	
Transfer station closure	(14,981)	
Net pension liability	(242,720)	(3,496,891)

Net position of governmental activities	\$ 6,313,694
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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 Balance
Governmental Fund
For the Year Ended June 30, 2015

	<u>General</u>
REVENUES	
General property taxes	\$ 3,495,927
Other local taxes	536,953
Permits, privilege fees, and regulatory licenses	33,583
Fines and forfeitures	3,535
Revenue from the use of money and property	75,408
Charges for services	93,445
Miscellaneous	50,351
Recovered costs	161,472
Intergovernmental:	
Commonwealth	1,974,014
Federal	577,074
Total revenues	<u>\$ 7,001,762</u>
 EXPENDITURES	
Current:	
General government administration	\$ 683,263
Judicial administration	291,281
Public safety	1,319,777
Public works	530,378
Health and welfare	1,241,655
Education	2,374,567
Parks, recreation, and cultural	30,291
Community development	289,719
Nondepartmental	29,242
Capital projects	360,736
Debt service:	
Principal retirement	356,483
Interest and other fiscal charges	166,449
Total expenditures	<u>\$ 7,673,841</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>\$ (672,079)</u>
 Net change in fund balance	\$ (672,079)
 Fund balance - beginning	<u>3,651,251</u>
 Fund balance - ending	<u><u>\$ 2,979,172</u></u>

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

County of Craig, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Change in Fund Balance of Governmental Fund
To the Statement of Activities
For the Year Ended June 30, 2015

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

Net change in fund balance - governmental fund \$ (672,079)

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

Capital asset additions	\$ 360,931	
Depreciation expense	<u>(333,888)</u>	27,043

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	\$ 32,863	
(Increase) decrease in deferred inflows related to the net pension liability	<u>(404,023)</u>	(371,160)

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.

Principal payments:		
General obligation bonds	\$ 333,129	
Capital leases	<u>23,354</u>	356,483

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

(Increase) decrease in compensated absences	\$ 17,680	
Increase (decrease) in deferred outflows related to the net pension liability	39,592	
(Increase) decrease in net pension liability	451,797	
(Increase) decrease in accrued interest payable	6,742	
(Increase) decrease in transfer station closure liability	<u>(221)</u>	<u>515,590</u>

Change in net position of governmental activities \$ (144,123)

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, 2015

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 80,942
	<u>80,942</u>
LIABILITIES	
Amounts held for child care	\$ 55,514
Amounts held for social services clients	25,428
Total liabilities	\$ 80,942
	<u>80,942</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, 2015

Note 1—Summary of Significant Accounting Policies:

The financial statements of the 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 the 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, 2015.

Discretely Presented Component Units

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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, 2015, the County contributed \$5,000 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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 GASB 34 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.

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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 fund:

The *general fund* is the County's primary operating fund of the County. 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.

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 and the Child Care Fund. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

The component unit of the government reports the following major governmental fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts and reports for 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 and reports for 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, 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. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the 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 Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

D. Budgets and Budgetary Accounting (Continued)

7. Appropriations lapse on June 30, 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.
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, 2015, there were not any funds/departments that over expended appropriations.

Deficit fund equity

At June 30, 2015, there were no funds with deficit fund equity.

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

1. Cash and Cash Equivalents

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

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").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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."

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$24,924 at June 30, 2015 and is comprised solely of property taxes.

5. Use of Estimates

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

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 estimated fair market value at the date of donation.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

7. Capital Assets (Continued)

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:

Assets	Years
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 the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. 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.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

10. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

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 (expenditure/expense) until then. The County only has two items that qualify for reporting in this category. One is contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. The other item is the change in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 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, the net difference between projected and actual earnings on pension plan investments related to the measurement of the net pension liability are reported as deferred inflows of resources. For more detailed information on these items, reference the pension note.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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 (Continued)

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

F. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. This implementation resulted in a restatement of net position as described in Note 17.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 2—Deposits and Investments:

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

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

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, 2015 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.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
LGIP	\$ 267,894

Concentration of Credit Risk

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

External Investment Pool

The fair 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 pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 3—Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 27,805	\$ -
State sales tax	-	141,081
Noncategorical aid	22,377	-
Categorical aid-shared expenses	67,222	-
Categorical aid-Welfare payments	16,955	-
Categorical aid-other	59,832	-
Comprehensive Services Act (CSA)	71,565	-
<u>Federal Government:</u>		
Categorical aid-Welfare payments	26,829	-
School federal programs	-	82,396
Totals	\$ <u>292,585</u>	\$ <u>223,477</u>

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 4—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, 2015:

	Balance July 1, 2014 as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
General obligation bonds	\$ 3,237,055	\$ -	\$ (333,129)	\$ 2,903,926
Capital lease	230,673	-	(23,354)	207,319
Compensated absences	87,383	47,857	(65,537)	69,703
Transfer station closure liability	14,760	221	-	14,981
Net pension liability	694,517	651,352	(1,103,149)	242,720
Total	\$ 4,264,388	\$ 699,430	\$ (1,525,169)	\$ 3,438,649

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2016	\$ 342,929	\$ 142,077
2017	352,454	123,952
2018	362,216	105,409
2019	372,226	86,336
2020	382,499	66,720
2021-2023	1,091,602	82,179
Totals	\$ 2,903,926	\$ 606,673

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 4—Long-Term Obligations: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds:</u>						
General obligation bond	4.25-5.625%	05/01/01	05/01/22	\$ 1,400,000	\$ 665,000	\$ 80,000
VPSA general obligation bond	2.35-5.84%	02/02/03	07/15/22	5,210,980	2,238,926	262,929
Total General Obligation Bonds					\$ 2,903,926	\$ 342,929
<u>Other Long-Term Obligations:</u>						
Capital lease (Note 6)					\$ 207,319	\$ 23,893
Compensated absences					69,703	52,277
Transfer station closure liability					14,981	-
Net pension liability					242,720	-
Total Other Long-Term Obligations					\$ 534,723	\$ 76,170
Total Long-Term Obligations					\$ 3,438,649	\$ 419,099

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 5—Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit - School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2015:

	Balance July 1, 2014, as restated	Increase	Decrease	Balance June 30, 2015
Compensated absences	\$ 104,191	\$ 77,787	\$ (78,143)	\$ 103,835
Net pension liability	7,139,936	649,601	(1,562,846)	6,226,691
Total	\$ 7,244,127	\$ 727,388	\$ (1,640,989)	\$ 6,330,526

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 103,835	\$ 77,876
Net pension liability	6,226,691	-
Total Long-Term Obligations	\$ <u>6,330,526</u>	\$ <u>77,876</u>

Note 6—Capital Lease:

Primary Government

In June of 2013, the County entered into a lease agreement to finance the acquisition of a compactor, containers, and other equipment at the Craig County Solid Waste Transfer Station. The assets are part of construction in progress at June 30, 2015 of \$444,656. 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.

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30,	Transfer Station Equipment
2016	\$ 28,514
2017	28,514
2018	28,514
2019	28,514
2020	28,514
2021-2023	85,542
Subtotal	\$ 228,112
Less, amount representing interest	(20,793)
Present Value of Lease Agreement	\$ <u>207,319</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County of Craig, Virginia and (nonprofessional) employees of public school divisions are automatically covered by 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.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is 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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is 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.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members (Cont.)</p> <ul style="list-style-type: none"> Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 7—Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions (Cont.) Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions (Cont.) Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions (Cont.) Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service (Cont.) It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>Creditable Service (Cont.) <u>Defined Benefit Component: (Cont.)</u> It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Vesting (Cont.) <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p> <p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p> <p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 7—Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 1	PLAN 1
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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, 2015

Note 7—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 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	24	7
Inactive members:		
Vested inactive members	16	2
Non-vested inactive members	8	4
Inactive members active elsewhere in VRS	12	3
Total inactive members	36	9
Active members	37	20
Total covered employees	97	36

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2015 was 11.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$165,624 and \$126,032 for the years ended June 30, 2015 and June 30, 2014, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Contributions (Continued)

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 13.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$55,055 and \$45,582 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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, 2013, 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, 2014.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 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 Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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, 2013	\$ 6,477,150	\$ 5,782,633	\$ 694,517
Changes for the year:			
Service cost	\$ 204,353	\$ -	\$ 204,353
Interest	442,058	-	442,058
Differences between expected and actual experience	-	-	-
Contributions - employer	-	126,032	(126,032)
Contributions - employee	-	71,845	(71,845)
Net investment income	-	905,225	(905,225)
Benefit payments, including refunds of employee contributions	(324,060)	(324,060)	-
Administrative expenses	-	(4,941)	4,941
Other changes	-	47	(47)
Net changes	\$ 322,351	\$ 774,148	\$ (451,797)
Balances at June 30, 2014	\$ 6,799,501	\$ 6,556,781	\$ 242,720

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 1,547,158	\$ 1,270,222	\$ 276,936
Changes for the year:			
Service cost	\$ 56,017	\$ -	\$ 56,017
Interest	106,519	-	106,519
Differences between expected and actual experience	-	-	-
Contributions - employer	-	45,582	(45,582)
Contributions - employee	-	20,422	(20,422)
Net investment income	-	201,832	(201,832)
Benefit payments, including refunds of employee contributions	(50,930)	(50,930)	-
Administrative expenses	-	(1,065)	1,065
Other changes	-	10	(10)
Net changes	\$ 111,606	\$ 215,851	\$ (104,245)
Balances at June 30, 2014	\$ 1,658,764	\$ 1,486,073	\$ 172,691

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 1,055,905	\$ 242,720	\$ (438,664)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 372,257	\$ 172,691	\$ 3,934

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

For the year ended June 30, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$78,258 and \$31,277, respectively. At June 30, 2015, 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	\$ -	\$ -	\$ -	\$ -
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	404,023	-	89,940
Employer contributions subsequent to the measurement date	165,624	-	55,055	-
Total	\$ 165,624	\$ 404,023	\$ 55,055	\$ 89,940

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

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

\$165,624 and \$55,055 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2016	\$ (101,006)	\$ (22,485)
2017	(101,006)	(22,485)
2018	(101,006)	(22,485)
2019	(101,005)	(22,485)
Thereafter	-	-
Total	\$ <u><u>(404,023)</u></u>	\$ <u><u>(89,940)</u></u>

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 regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Contributions (Continued)

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$518,231 and \$427,193 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$6,054,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.05010% as compared to 0.04982% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$486,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015

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, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	899,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,000	-
Employer contributions subsequent to the measurement date	518,231	-
Total	\$ 550,231	\$ 899,000

\$518,231 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	\$ (218,000)
2017	(218,000)
2018	(218,000)
2019	(218,000)
Thereafter	5,000
Total	\$ (867,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 7—Pension Plan: (Continued)Component Unit School Board (professional) (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 Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 7—Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 8,890,000	\$ 6,054,000	\$ 3,720,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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, 2015

Note 8—Capital Assets:

Primary Government

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 256,435	\$ -	\$ -	\$ 256,435
Construction in progress	240,776	275,792	-	516,568
Total capital assets not being depreciated	<u>\$ 497,211</u>	<u>\$ 275,792</u>	<u>\$ -</u>	<u>\$ 773,003</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,276,280	\$ -	\$ -	\$ 9,276,280
Machinery and equipment	1,245,936	85,139	-	1,331,075
Total capital assets being depreciated	<u>\$ 10,522,216</u>	<u>\$ 85,139</u>	<u>\$ -</u>	<u>\$ 10,607,355</u>
Accumulated depreciation:				
Buildings and improvements	\$ (3,113,855)	\$ (238,665)	\$ -	\$ (3,352,520)
Machinery and equipment	(1,049,928)	(95,223)	-	(1,145,151)
Total accumulated depreciation	<u>\$ (4,163,783)</u>	<u>\$ (333,888)</u>	<u>\$ -</u>	<u>\$ (4,497,671)</u>
Total capital assets being depreciated, net	<u>\$ 6,358,433</u>	<u>\$ (248,749)</u>	<u>\$ -</u>	<u>\$ 6,109,684</u>
Governmental activities capital assets, net	<u>\$ 6,855,644</u>	<u>\$ 27,043</u>	<u>\$ -</u>	<u>\$ 6,882,687</u>

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

Governmental activities:	
General government administration	\$ 32,488
Judicial administration	1,684
Public safety	77,764
Public works	47,393
Health and welfare	18,649
Education	150,000
Parks, recreation, and culture	4,870
Community development	1,040
Total depreciation expense-governmental activities	<u>\$ 333,888</u>

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8—Capital Assets: (Continued)

Discretely Presented Component Unit - School Board

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 79,830	\$ -	\$ -	\$ 79,830
Construction in progress	111,873	97,125	(208,998)	-
Total capital assets not being depreciated	<u>\$ 191,703</u>	<u>\$ 97,125</u>	<u>\$ (208,998)</u>	<u>\$ 79,830</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,372,102	\$ 208,998	\$ -	\$ 3,581,100
Machinery and equipment	936,064	129,695	-	1,065,759
Total capital assets being depreciated	<u>\$ 4,308,166</u>	<u>\$ 338,693</u>	<u>\$ -</u>	<u>\$ 4,646,859</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,315,572)	\$ (78,994)	\$ -	\$ (2,394,566)
Machinery and equipment	(670,151)	(60,180)	-	(730,331)
Total accumulated depreciation	<u>\$ (2,985,723)</u>	<u>\$ (139,174)</u>	<u>\$ -</u>	<u>\$ (3,124,897)</u>
Total capital assets being depreciated, net	<u>\$ 1,322,443</u>	<u>\$ 199,519</u>	<u>\$ -</u>	<u>\$ 1,521,962</u>
Governmental activities capital assets, net	<u>\$ 1,514,146</u>	<u>\$ 296,644</u>	<u>\$ (208,998)</u>	<u>\$ 1,601,792</u>

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, 2015

Note 10—Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While 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 program expenditures, if any, would be immaterial.

Note 11—Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Sharon Oliver, Clerk of the Circuit Court	\$ 103,000
Jackie M. Parsons, Treasurer	300,000
Elizabeth C. Huffman, Commissioner of the Revenue	3,000
Clifford Davidson, Sheriff	30,000
The above constitutional officers' employees-blanket bond	50,000
Board of Supervisors	1,000

USF&G Insurance Company-Surety:

David Fridley, Animal Warden	\$ 1,000
Clay Goodman, County Administrator	2,000
Department of Social Services-blanket bond	30,000

Western Surety Company:

Department of Social Services-blanket bond	\$ 30,000
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Component Unit-School Board:

Western Surety Company:

Kelly Wilmore, Superintendent of Schools	\$ 10,000
Heather Duncan, Payroll and bookkeeping	10,000
Sonja S. Switzer, Payroll and bookkeeping back-up	10,000
Each School Principal	10,000

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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. 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.	\$ 1,294,175	\$ 1,481,300
Items related to measurement of the net pension liability	404,023	-
Prepaid property taxes due in December 2015, but paid in advance by taxpayers.	61,728	61,728
Total deferred/unavailable revenue	\$ 1,759,926	\$ 1,543,028

Note 13—Other Postemployment Benefits (OPEB)-VRS Health Insurance Credit:

County

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 13—Other Postemployment Benefits (OPEB)-VRS Health Insurance Credit: (Continued)B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2015 was 0.04% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2015, the County's contribution of \$106 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Primary Government:				
County	6/30/2015	\$ 106	100.00%	-
	6/30/2014	289	100.00%	-
	6/30/2013	726	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 31,904
Actuarial value of plan assets	40,132
Unfunded actuarial accrued liability (UAAL)	\$ (8,228)
Funded ratio (actuarial value of plan assets/AAL)	125.79%
Covered payroll (active plan members)	\$ 265,704
UAAL as a percentage of covered payroll	-3.10%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 13—Other Postemployment Benefits (OPEB)-VRS Health Insurance Credit: (Continued)

D. Funded Status and Funding Progress (Continued)

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

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2014 was 29 years.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 13—Other Postemployment Benefits (OPEB)-VRS Health Insurance Credit: (Continued)

Professional Employees - Discretely Presented Component Unit School Board (Continued)

A. Plan Description (Continued)

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2015 was \$39,095 and equaled the required contributions.

Note 14—Commitments and Contingencies:

Construction Contracts:

	<u>Original Contract</u>	<u>Amount Paid As of 6/30/2015</u>	<u>Remaining Contract Amount</u>	<u>Accounts Payable</u>
Primary Government:				
Price Buildings - Transfer station Project	\$ 417,300	\$ 286,067	\$ 131,233	\$ 17,018

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 15—Litigation:

As of June 30, 2015, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

Note 16—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 \$14,981 as of June 30, 2015. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 16—Transfer Station: (Continued)

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 17—Restatement of Beginning Net Position:

	Governmental Activities	Component Unit- School Board
Net Position, July 1, 2014, as previously stated	6,936,195	1,501,214
Net pension liability (GASB 68)	(694,517)	(7,139,936)
Deferred outflow of resources (GASB 68)	126,032	473,582
VRS net pension obligation (GASB 27)	104,867	14,220
Transfer station closure liability	(14,760)	-
Net Position, July 1, 2014, as restated	<u>6,457,817</u>	<u>(5,150,920)</u>

Note 18—Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 18—Upcoming Pronouncements: (Continued)

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 3,465,000	\$ 3,465,000	\$ 3,495,927	\$ 30,927
Other local taxes	495,000	495,000	536,953	41,953
Permits, privilege fees, and regulatory licenses	23,000	23,000	33,583	10,583
Fines and forfeitures	3,200	3,200	3,535	335
Revenue from the use of money and property	86,700	86,700	75,408	(11,292)
Charges for services	61,000	62,680	93,445	30,765
Miscellaneous	59,000	80,797	50,351	(30,446)
Recovered costs	124,646	164,367	161,472	(2,895)
Intergovernmental:				
Commonwealth	1,970,058	2,160,822	1,974,014	(186,808)
Federal	436,000	495,207	577,074	81,867
Total revenues	<u>\$ 6,723,604</u>	<u>\$ 7,036,773</u>	<u>\$ 7,001,762</u>	<u>\$ (35,011)</u>
EXPENDITURES				
Current:				
General government administration	\$ 707,062	\$ 718,574	\$ 683,263	\$ 35,311
Judicial administration	277,261	302,689	291,281	11,408
Public safety	1,207,692	1,446,494	1,319,777	126,717
Public works	448,111	538,085	530,378	7,707
Health and welfare	1,382,695	1,382,895	1,241,655	141,240
Education	1,938,696	2,338,406	2,374,567	(36,161)
Parks, recreation, and cultural	29,580	30,873	30,291	582
Community development	209,655	302,488	289,719	12,769
Nondepartmental	42,288	28,465	29,242	(777)
Capital projects	-	821,265	360,736	460,529
Debt service:				
Principal retirement	356,700	356,700	356,483	217
Interest and other fiscal charges	167,000	167,000	166,449	551
Total expenditures	<u>\$ 6,766,740</u>	<u>\$ 8,433,934</u>	<u>\$ 7,673,841</u>	<u>\$ 760,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (43,136)</u>	<u>\$ (1,397,161)</u>	<u>\$ (672,079)</u>	<u>\$ 725,082</u>
Net change in fund balances	\$ (43,136)	\$ (1,397,161)	\$ (672,079)	\$ 725,082
Fund balances - beginning	43,136	1,397,161	3,651,251	2,254,090
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,979,172</u>	<u>\$ 2,979,172</u>

County of Craig, Virginia
 Schedule of OPEB Funding Progress
 For the Year Ended June 30, 2015

Primary Government:

County Other Postemployment Benefits Plan-VRS Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2014	\$ 40,132	\$ 31,904	\$ (8,228)	125.79%	\$ 265,704	-3.10%
6/30/2013	37,577	32,720	(4,857)	114.84%	327,736	-1.48%
6/30/2012	35,967	50,425	14,458	71.33%	552,077	2.62%

County of Craig, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 204,353
Interest	442,058
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(324,060)
Net change in total pension liability	\$ 322,351
Total pension liability - beginning	6,477,150
Total pension liability - ending (a)	\$ 6,799,501
Plan fiduciary net position	
Contributions - employer	\$ 126,032
Contributions - employee	71,845
Net investment income	905,225
Benefit payments, including refunds of employee contributions	(324,060)
Administrative expense	(4,941)
Other	47
Net change in plan fiduciary net position	\$ 774,148
Plan fiduciary net position - beginning	5,782,633
Plan fiduciary net position - ending (b)	\$ 6,556,781
County's net pension liability - ending (a) - (b)	\$ 242,720
Plan fiduciary net position as a percentage of the total pension liability	96.43%
Covered-employee payroll	\$ 1,437,339
County's net pension liability as a percentage of covered-employee payroll	16.89%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Craig, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 56,017
Interest	106,519
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(50,930)
Net change in total pension liability	\$ 111,606
Total pension liability - beginning	1,547,158
Total pension liability - ending (a)	<u>\$ 1,658,764</u>
Plan fiduciary net position	
Contributions - employer	\$ 45,582
Contributions - employee	20,422
Net investment income	201,832
Benefit payments, including refunds of employee contributions	(50,930)
Administrative expense	(1,065)
Other	10
Net change in plan fiduciary net position	\$ 215,851
Plan fiduciary net position - beginning	1,270,222
Plan fiduciary net position - ending (b)	<u>\$ 1,486,073</u>
School Division's net pension liability - ending (a) - (b)	\$ 172,691
Plan fiduciary net position as a percentage of the total pension liability	89.59%
Covered-employee payroll	\$ 408,442
School Division's net pension liability as a percentage of covered-employee payroll	42%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is 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
For the Year Ended June 30, 2015*

	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.0501%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,054,000
Employer's Covered-Employee Payroll	3,593,879
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	168.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

County of Craig, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2015	\$ 165,624	\$ 165,624	\$ -	\$ 1,424,898	11.62%
Component Unit School Board (nonprofessional)					
2015	\$ 55,055	\$ 55,055	\$ -	\$ 416,726	13.21%
Component Unit School Board (professional)					
2015	\$ 518,231	\$ 518,231	\$ -	\$ 3,593,879	14.42%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Craig, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

County of Craig, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance End of Year
Assets				
Current Assets				
Cash and cash equivalents				
Child Care Fund	\$ 20,420	\$ 359,395	\$ (324,301)	\$ 55,514
Special Welfare Fund	27,009	10,139	(11,720)	25,428
Total Assets	<u>\$ 47,429</u>	<u>\$ 369,534</u>	<u>\$ (336,021)</u>	<u>\$ 80,942</u>
Liabilities				
Amounts held for child care	\$ 20,420	\$ 359,395	\$ (324,301)	\$ 55,514
Amounts held for social services clients	27,009	10,139	(11,720)	25,428
Total Liabilities	<u>\$ 47,429</u>	<u>\$ 369,534</u>	<u>\$ (336,021)</u>	<u>\$ 80,942</u>

County of Craig, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2015

	School Operating Fund	School Cafeteria Fund	Total
ASSETS			
Cash and cash equivalents	\$ 657,317	\$ 3,945	\$ 661,262
Accounts receivable	11,730	796	12,526
Due from other governmental units	198,296	25,181	223,477
Total assets	<u>\$ 867,343</u>	<u>\$ 29,922</u>	<u>\$ 897,265</u>
LIABILITIES			
Accounts payable	\$ 129,323	\$ 170	\$ 129,493
Accrued payroll liabilities	657,317	19,944	677,261
Due to primary government	80,703	-	80,703
Total liabilities	<u>\$ 867,343</u>	<u>\$ 20,114</u>	<u>\$ 887,457</u>
FUND BALANCE			
Restricted:			
Cafeteria	\$ -	\$ 9,808	\$ 9,808
Total fund balance	<u>\$ -</u>	<u>\$ 9,808</u>	<u>\$ 9,808</u>
Total liabilities and fund balance	<u>\$ 867,343</u>	<u>\$ 29,922</u>	<u>\$ 897,265</u>

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

Fund balance per above \$ 9,808

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

Land	\$ 79,830	
Buildings and improvements	1,186,534	
Machinery and equipment	<u>335,428</u>	1,601,792

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

Items related to measurement of net pension liability (988,940)

Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

605,286

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

Compensated absences	\$ (103,835)	
Net pension liability	<u>(6,226,691)</u>	(6,330,526)

Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.

Prepaid items 80,245

Net position of governmental activities \$ (5,022,335)

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, 2015

	School Operating Fund	School Cafeteria Fund	Total
REVENUES			
Charges for services	\$ -	\$ 147,038	\$ 147,038
Revenue from the use of money and property	-	42	42
Miscellaneous	322,012	1,313	323,325
Intergovernmental:			
Local government	2,366,570	-	2,366,570
Commonwealth	4,271,477	6,670	4,278,147
Federal	542,691	214,139	756,830
Total revenues	<u>\$ 7,502,750</u>	<u>\$ 369,202</u>	<u>\$ 7,871,952</u>
EXPENDITURES			
Current:			
Education	<u>\$ 7,502,750</u>	<u>\$ 397,843</u>	<u>\$ 7,900,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (28,641)</u>	<u>\$ (28,641)</u>
Net change in fund balance	\$ -	\$ (28,641)	\$ (28,641)
Fund balance - beginning	<u>-</u>	<u>38,449</u>	<u>38,449</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 9,808</u></u>	<u><u>\$ 9,808</u></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			\$ (28,641)
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		\$ 226,820	
Depreciation expense		<u>(139,174)</u>	87,646
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
(Increase) decrease in deferred inflows of resources related to the net pension liability			(988,940)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			
(Increase) decrease in compensated absences		\$ 356	
Increase (decrease) in deferred outflows of resources related to the net pension liability		131,704	
(Increase) decrease in net pension liability		<u>913,245</u>	1,045,305
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			13,215
Change in net position of governmental activities			<u><u>\$ 128,585</u></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, 2015

	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		
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 160,109	\$ 160,109	\$ 147,038	\$ (13,071)
Revenue from the use of money and property	-	-	-	-	-	-	42	42
Miscellaneous	342,800	342,800	322,012	(20,788)	-	-	1,313	1,313
Intergovernmental:								
Local government	1,930,699	2,330,409	2,366,570	36,161	-	-	-	-
Commonwealth	4,529,344	4,529,344	4,271,477	(257,867)	7,252	7,252	6,670	(582)
Federal	330,679	330,679	542,691	212,012	180,000	180,000	214,139	34,139
Total revenues	\$ 7,133,522	\$ 7,533,232	\$ 7,502,750	\$ (30,482)	\$ 347,361	\$ 347,361	\$ 369,202	\$ 21,841
EXPENDITURES								
Current:								
Education	\$ 7,133,522	\$ 7,533,232	\$ 7,502,750	\$ 30,482	\$ 396,774	\$ 396,774	\$ 397,843	\$ (1,069)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ (49,413)	\$ (49,413)	\$ (28,641)	\$ 20,772
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ (49,413)	\$ (49,413)	\$ (28,641)	\$ 20,772
Fund balance - beginning	-	-	-	-	49,413	49,413	38,449	(10,964)
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,808	\$ 9,808

Supporting Schedules

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,678,000	\$ 2,678,000	\$ 2,687,375	\$ 9,375
Real and personal public service corporation taxes	76,000	76,000	96,985	20,985
Personal property taxes	580,000	580,000	596,756	16,756
Mobile home taxes	16,000	16,000	18,074	2,074
Machinery and tools taxes	55,000	55,000	37,639	(17,361)
Merchant's capital	10,000	10,000	10,705	705
Penalties	30,000	30,000	28,404	(1,596)
Interest	20,000	20,000	19,989	(11)
Total general property taxes	\$ 3,465,000	\$ 3,465,000	\$ 3,495,927	\$ 30,927
Other local taxes:				
Local sales and use taxes	\$ 145,000	\$ 145,000	\$ 171,235	\$ 26,235
Consumers' utility taxes	114,000	114,000	116,169	2,169
Consumption taxes	12,000	12,000	12,971	971
Franchise license taxes	5,000	5,000	5,660	660
Motor vehicle licenses	114,000	114,000	110,471	(3,529)
Recordation tax	25,000	25,000	24,858	(142)
Hotel and motel room taxes	12,000	12,000	15,733	3,733
Restaurant food taxes	68,000	68,000	79,856	11,856
Total other local taxes	\$ 495,000	\$ 495,000	\$ 536,953	\$ 41,953
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,000	\$ 9,000	\$ 8,404	\$ (596)
Transfer fees	200	200	212	12
Zoning, subdivision permits and erosion and sediment control	800	800	3,900	3,100
Stormwater permits	-	-	1,944	1,944
Building permits	13,000	13,000	19,123	6,123
Total permits, privilege fees, and regulatory licenses	\$ 23,000	\$ 23,000	\$ 33,583	\$ 10,583
Fines and forfeitures:				
Court fines and forfeitures	\$ 3,000	\$ 3,000	\$ 2,774	\$ (226)
Interest on fines	100	100	156	56
Law library costs	100	100	605	505
Total fines and forfeitures	\$ 3,200	\$ 3,200	\$ 3,535	\$ 335
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 5,649	\$ (4,351)
Revenue from use of property	76,700	76,700	69,759	(6,941)
Total revenue from use of money and property	\$ 86,700	\$ 86,700	\$ 75,408	\$ (11,292)
Charges for services:				
Charges for law enforcement and traffic control	\$ 100	\$ 100	\$ -	\$ (100)
Charges for courthouse maintenance	1,000	1,000	1,200	200
Charges for courthouse security	6,000	6,000	4,847	(1,153)
Document production costs	500	500	1,987	1,487
Charges for Commonwealth's Attorney	100	100	298	198
Charges for sanitation and waste removal	3,000	4,680	6,747	2,067
Charges for emergency medical services	50,000	50,000	77,934	27,934
Jail admission fees	300	300	432	132
Total charges for services	\$ 61,000	\$ 62,680	\$ 93,445	\$ 30,765

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 59,000	\$ 80,797	\$ 50,351	\$ (30,446)
Recovered costs:				
Mt Castle salary reimbursement	\$ 100,986	\$ 135,236	\$ 128,574	\$ (6,662)
LOA - special welfare	22,000	22,000	21,167	(833)
Other recovered costs	1,660	7,131	11,731	4,600
Total recovered costs	\$ 124,646	\$ 164,367	\$ 161,472	\$ (2,895)
Total revenue from local sources	\$ 4,317,546	\$ 4,380,744	\$ 4,450,674	\$ 69,930
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ -	\$ -	\$ 268	\$ 268
Mobile home titling tax	3,000	3,000	5,841	2,841
State budget reduction	-	(15,309)	(15,309)	-
Grantor's tax	5,000	5,000	7,648	2,648
State recordation tax	8,000	8,000	9,281	1,281
Communication tax	117,000	117,000	115,097	(1,903)
Personal property tax relief funds	341,055	341,055	341,055	-
Total noncategorical aid	\$ 474,055	\$ 458,746	\$ 463,881	\$ 5,135
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 65,928	\$ 65,928	\$ 68,406	\$ 2,478
Sheriff	441,249	441,249	467,883	26,634
Commissioner of revenue	65,232	65,232	68,422	3,190
Treasurer	68,569	68,569	72,400	3,831
Registrar/electoral board	25,262	25,262	26,472	1,210
Clerk of the Circuit Court	152,124	163,981	139,801	(24,180)
Total shared expenses	\$ 818,364	\$ 830,221	\$ 843,384	\$ 13,163
Other categorical aid:				
Welfare payments	\$ 146,776	\$ 146,776	\$ 166,654	\$ 19,878
CSA payments	469,433	469,433	324,280	(145,153)
Litter control grant	-	7,416	7,416	-
Four-for-life	-	5,398	5,398	-
Fire program	-	20,000	20,000	-
Library grant	7,342	6,799	6,799	-
State E-911 program	40,000	190,000	114,144	(75,856)
VJCCA grant	6,588	6,588	6,585	(3)
Emergency services	7,500	7,680	930	(6,750)
State seizures	-	11,765	14,543	2,778
Total other categorical aid	\$ 677,639	\$ 871,855	\$ 666,749	\$ (205,106)
Total categorical aid	\$ 1,496,003	\$ 1,702,076	\$ 1,510,133	\$ (191,943)
Total revenue from the Commonwealth	\$ 1,970,058	\$ 2,160,822	\$ 1,974,014	\$ (186,808)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 110,000	\$ 110,000	\$ 166,721	\$ 56,721
Categorical aid:				
Welfare payments	\$ 305,000	\$ 305,000	\$ 300,648	\$ (4,352)
DMV grants	-	17,585	20,435	2,850
Sheriff Grant	-	1,622	-	(1,622)
Forest Reserve	21,000	21,000	19,755	(1,245)
Emergency services grants	-	40,000	69,515	29,515
Total categorical aid	\$ 326,000	\$ 385,207	\$ 410,353	\$ 25,146
Total revenue from the federal government	\$ 436,000	\$ 495,207	\$ 577,074	\$ 81,867
Total General Fund	\$ 6,723,604	\$ 7,036,773	\$ 7,001,762	\$ (35,011)
Total Primary Government	\$ 6,723,604	\$ 7,036,773	\$ 7,001,762	\$ (35,011)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 342,800	\$ 342,800	\$ 322,012	\$ (20,788)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Craig, Virginia	\$ 1,930,699	\$ 2,330,409	\$ 2,366,570	\$ 36,161
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 803,842	\$ 803,842	\$ 805,317	\$ 1,475
Basic school aid	2,227,053	2,227,053	2,052,205	(174,848)
Foster care	3,306	3,306	5,916	2,610
Gifted and talented	20,775	20,775	19,603	(1,172)
Special education	365,375	365,375	344,759	(20,616)
Special education regional payments	180,375	180,375	176,107	(4,268)
Textbook payment	44,328	44,328	41,005	(3,323)
Jobs for Virginia graduates	13,500	13,500	13,500	-
Early intervention	15,188	15,188	15,188	-
Vocational standards of quality payments	94,844	94,844	89,492	(5,352)
Fringe benefits	435,378	435,378	407,830	(27,548)
Occupational prep	-	-	2,956	2,956
Homebound education	1,698	1,698	3,530	1,832
Vocational education - equipment	5,022	5,022	3,348	(1,674)
At risk payments	73,913	73,913	69,225	(4,688)
Remedial assistance	84,900	84,900	87,103	2,203
Primary class size	31,387	31,387	28,741	(2,646)
VPSA technology payment	102,000	102,000	81,185	(20,815)
Standards of Learning algebra readiness	13,345	13,345	8,897	(4,448)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
ISAEF	\$ 7,859	\$ 7,859	\$ -	\$ (7,859)
English Second Language	4,275	4,275	-	(4,275)
Other state funds	981	981	15,570	14,589
Total categorical aid	<u>\$ 4,529,344</u>	<u>\$ 4,529,344</u>	<u>\$ 4,271,477</u>	<u>\$ (257,867)</u>
Total revenue from the Commonwealth	<u>\$ 4,529,344</u>	<u>\$ 4,529,344</u>	<u>\$ 4,271,477</u>	<u>\$ (257,867)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 132,965	\$ 132,965	\$ 201,784	\$ 68,819
AP tests	-	-	296	296
Forest reserve fund	-	-	111,946	111,946
Title VI-B, special education flow-through	155,845	155,845	126,395	(29,450)
Vocational education	11,973	11,973	4,760	(7,213)
Title VI-B, special education pre-school	6,583	6,583	12,708	6,125
Title III, Impact aid	-	-	51,311	51,311
Title II, Part A	23,313	23,313	33,491	10,178
Total categorical aid	<u>\$ 330,679</u>	<u>\$ 330,679</u>	<u>\$ 542,691</u>	<u>\$ 212,012</u>
Total revenue from the federal government	<u>\$ 330,679</u>	<u>\$ 330,679</u>	<u>\$ 542,691</u>	<u>\$ 212,012</u>
Total School Operating Fund	<u>\$ 7,133,522</u>	<u>\$ 7,533,232</u>	<u>\$ 7,502,750</u>	<u>\$ (30,482)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 42	\$ 42
Charges for services:				
Cafeteria sales	\$ 160,109	\$ 160,109	\$ 147,038	\$ (13,071)
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 1,313	\$ 1,313
Total revenue from local sources	<u>\$ 160,109</u>	<u>\$ 160,109</u>	<u>\$ 148,393</u>	<u>\$ (11,716)</u>
Categorical aid:				
School food program grant	\$ 7,252	\$ 7,252	\$ 6,670	\$ (582)
Total revenue from the Commonwealth	<u>\$ 7,252</u>	<u>\$ 7,252</u>	<u>\$ 6,670</u>	<u>\$ (582)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 180,000	\$ 180,000	\$ 214,139	\$ 34,139
Total revenue from the federal government	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 214,139</u>	<u>\$ 34,139</u>
Total School Cafeteria Fund	<u>\$ 347,361</u>	<u>\$ 347,361</u>	<u>\$ 369,202</u>	<u>\$ 21,841</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 7,480,883</u>	<u>\$ 7,880,593</u>	<u>\$ 7,871,952</u>	<u>\$ (8,641)</u>

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 31,010	\$ 33,510	\$ 29,253	\$ 4,257
General and financial administration:				
County administrator	\$ 109,111	\$ 112,111	\$ 110,216	\$ 1,895
Commissioner of revenue	156,837	156,585	151,735	4,850
Audit	58,600	58,900	55,665	3,235
Treasurer	187,423	193,015	189,484	3,531
Accounting/purchasing	50,939	50,939	50,485	454
Technology/data processing	44,560	44,560	42,309	2,251
Total general and financial administration	\$ 607,470	\$ 616,110	\$ 599,894	\$ 16,216
Board of elections:				
Electoral board and officials	\$ 27,410	\$ 24,787	\$ 13,597	\$ 11,190
Registrar	41,172	44,167	40,519	3,648
Total board of elections	\$ 68,582	\$ 68,954	\$ 54,116	\$ 14,838
Total general government administration	\$ 707,062	\$ 718,574	\$ 683,263	\$ 35,311
Judicial administration:				
Courts:				
Circuit court	\$ 6,400	\$ 5,158	\$ 3,552	\$ 1,606
General district court	2,757	2,757	1,269	1,488
Clerk of the circuit court	176,128	192,437	190,218	2,219
Total courts	\$ 185,285	\$ 200,352	\$ 195,039	\$ 5,313
Commonwealth's attorney:				
Commonwealth's attorney	\$ 91,976	\$ 102,337	\$ 96,242	\$ 6,095
Total judicial administration	\$ 277,261	\$ 302,689	\$ 291,281	\$ 11,408
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 782,407	\$ 882,009	\$ 790,677	\$ 91,332
Fire and rescue services:				
Public safety	\$ 69,961	\$ 102,814	\$ 91,311	\$ 11,503
Emergency medical services	90,894	190,066	168,509	21,557
E-911	16,700	18,950	16,126	2,824
Total fire and rescue services	\$ 177,555	\$ 311,830	\$ 275,946	\$ 35,884
Correction and detention:				
Care of prisoners	\$ 16,000	\$ 21,125	\$ 29,257	\$ (8,132)
Contribution to Regional Jail	104,416	104,416	104,416	-
Total correction and detention	\$ 120,416	\$ 125,541	\$ 133,673	\$ (8,132)
Inspections:				
Building	\$ 62,656	\$ 62,656	\$ 61,086	\$ 1,570

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 61,102	\$ 61,102	\$ 55,355	\$ 5,747
Medical examiner	350	350	120	230
Forest service	3,206	3,006	2,920	86
Total other protection	<u>\$ 64,658</u>	<u>\$ 64,458</u>	<u>\$ 58,395</u>	<u>\$ 6,063</u>
Total public safety	<u>\$ 1,207,692</u>	<u>\$ 1,446,494</u>	<u>\$ 1,319,777</u>	<u>\$ 126,717</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 310,147	\$ 351,968	\$ 367,255	\$ (15,287)
Contribution to PSA	5,000	5,000	5,000	-
Litter control grant	-	7,416	7,621	(205)
Total sanitation and waste removal	<u>\$ 315,147</u>	<u>\$ 364,384</u>	<u>\$ 379,876</u>	<u>\$ (15,492)</u>
Maintenance of general buildings and grounds:				
Maintenance of properties	\$ 132,964	\$ 173,701	\$ 150,502	\$ 23,199
Total public works	<u>\$ 448,111</u>	<u>\$ 538,085</u>	<u>\$ 530,378</u>	<u>\$ 7,707</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 58,000	\$ 58,000	\$ 58,000	\$ -
Mental health and mental retardation:				
Blue Ridge community services board	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Welfare:				
Welfare administration	\$ 676,559	\$ 701,559	\$ 655,695	\$ 45,864
Comprehensive services act	600,000	575,200	479,824	95,376
Child daycare	43,136	43,136	43,136	-
Total welfare	<u>\$ 1,319,695</u>	<u>\$ 1,319,895</u>	<u>\$ 1,178,655</u>	<u>\$ 141,240</u>
Total health and welfare	<u>\$ 1,382,695</u>	<u>\$ 1,382,895</u>	<u>\$ 1,241,655</u>	<u>\$ 141,240</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 7,997	\$ 7,997	\$ 7,997	\$ -
Contribution to County School Board	1,930,699	2,330,409	2,366,570	(36,161)
Total education	<u>\$ 1,938,696</u>	<u>\$ 2,338,406</u>	<u>\$ 2,374,567</u>	<u>\$ (36,161)</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
League of older Americans	\$ 1,200	\$ 1,200	\$ 1,200	\$ -
Library:				
Regional library	\$ 28,380	\$ 29,673	\$ 29,091	\$ 582
Total parks, recreation, and cultural	<u>\$ 29,580</u>	<u>\$ 30,873</u>	<u>\$ 30,291</u>	<u>\$ 582</u>

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community development	\$ 865	\$ 1,339	\$ 865	\$ 474
Zoning board	1,000	500	395	105
Planning	3,980	1,980	1,022	958
Tourism	8,725	8,850	5,880	2,970
Contribution to Virginia's First Regional IFA	-	10,884	10,884	-
New Castle commons	53,700	103,700	102,204	1,496
Fifth planning district	4,206	4,206	4,206	-
Total planning and community development	\$ 72,476	\$ 131,459	\$ 125,456	\$ 6,003
Environmental management:				
Mountain Castle-soil conservation	\$ 104,396	\$ 138,246	\$ 132,329	\$ 5,917
Cooperative extension program:				
Extension office	\$ 32,783	\$ 32,783	\$ 31,934	\$ 849
Total community development	\$ 209,655	\$ 302,488	\$ 289,719	\$ 12,769
Nondepartmental:				
Fringe benefits	\$ 26,330	\$ 28,465	\$ 29,242	\$ (777)
Contingencies	15,958	-	-	-
Total nondepartmental	\$ 42,288	\$ 28,465	\$ 29,242	\$ (777)
Capital projects:				
Transfer station	\$ -	\$ 501,265	\$ 243,926	\$ 257,339
E911 tower and equipment	-	230,000	116,810	113,190
Election equipment	-	90,000	-	90,000
Total capital projects	\$ -	\$ 821,265	\$ 360,736	\$ 460,529
Debt service:				
Principal retirement	\$ 356,700	\$ 356,700	\$ 356,483	\$ 217
Interest and other fiscal charges	167,000	167,000	166,449	551
Total debt service	\$ 523,700	\$ 523,700	\$ 522,932	\$ 768
Total General Fund	\$ 6,766,740	\$ 8,433,934	\$ 7,673,841	\$ 760,093
Total Primary Government	\$ 6,766,740	\$ 8,433,934	\$ 7,673,841	\$ 760,093
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Executive administration services	\$ 536,075	\$ 536,075	\$ 534,458	\$ 1,617
Instruction costs:				
Instruction costs	\$ 5,079,114	\$ 5,191,914	\$ 5,194,075	\$ (2,161)
Technology	342,460	352,460	394,060	(41,600)
Total instruction costs	\$ 5,421,574	\$ 5,544,374	\$ 5,588,135	\$ (43,761)

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board (continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 492,149	\$ 596,297	\$ 587,617	\$ 8,680
Operation and maintenance of school plant	683,724	856,486	792,540	63,946
Total operating costs	<u>\$ 1,175,873</u>	<u>\$ 1,452,783</u>	<u>\$ 1,380,157</u>	<u>\$ 72,626</u>
 Total education	 \$ 7,133,522	 \$ 7,533,232	 \$ 7,502,750	 \$ 30,482
 Total School Operating Fund	 <u>\$ 7,133,522</u>	 <u>\$ 7,533,232</u>	 <u>\$ 7,502,750</u>	 <u>\$ 30,482</u>
 School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 396,774	\$ 396,774	\$ 397,843	\$ (1,069)
 Total School Cafeteria Fund	 \$ 396,774	 \$ 396,774	 \$ 397,843	 \$ (1,069)
 Total Discretely Presented Component Unit - School Board	 <u>\$ 7,530,296</u>	 <u>\$ 7,930,006</u>	 <u>\$ 7,900,593</u>	 <u>\$ 29,413</u>

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
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
2009-10	742,649	285,286	1,377,673	468,835	2,026,183	1,792,748	11,933	125,532	236,686	7,067,525
2008-09	668,939	285,311	1,289,370	542,706	2,301,150	1,175,969	13,133	807,328	255,051	7,338,957
2007-08	645,233	271,315	1,014,886	529,366	2,181,454	1,452,411	16,915	96,785	272,401	6,480,766
2006-07	628,265	273,911	1,014,650	530,198	1,841,440	1,186,217	8,689	121,851	291,954	5,897,175
2005-06	474,071	257,274	945,224	477,356	1,401,127	1,201,685	10,747	120,820	301,256	5,189,560

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	Total
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	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	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	11,242	3,102,510	487,924	103,846	116,562	575,104	6,902,336
2009-10	329,016	2,930,512	33,993	33,993	3,074,902	498,912	102,732	144,796	544,257	7,659,120
2008-09	326,661	2,657,509	575,252	575,252	2,980,979	618,041	136,771	92,443	655,300	8,042,956
2007-08	348,193	2,424,141	88,563	88,563	2,854,684	643,126	133,629	218,487	515,833	7,226,656
2006-07	382,298	2,153,134	-	-	2,689,265	693,108	101,978	32,105	526,592	6,578,480
2005-06	389,019	1,209,452	-	-	2,563,347	627,873	68,873	93,840	1,289,157	6,241,561

(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	Parks, Recreation, and Cultural Education (2)				Community Development	Capital Projects	Non-departmental	Debt Service	Total									
	Administration	Government					Education (2)	Recreation, and Cultural	Community Development	Capital Projects						Non-departmental	Debt Service							
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
2009-10		656,568		284,860		1,361,176		463,398		2,113,590		7,537,265		11,933		260,609		34,233		58,924		694,303		13,476,859
2008-09		639,441		283,640		1,214,742		491,744		2,397,067		6,945,831		13,133		815,055		39,800		42,662		703,859		13,586,974
2007-08		637,307		269,644		916,489		480,351		2,224,879		6,712,554		16,915		199,290		96,408		33,346		733,796		12,320,979
2006-07		574,869		272,240		1,046,275		478,700		1,916,964		6,889,717		8,689		200,215		-		49,058		744,020		12,180,747
2005-06		640,839		259,637		956,508		427,655		1,489,628		5,824,619		10,747		122,368		-		-		758,245		10,490,246

(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.

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	
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
2009-10		2,994,988		498,912		25,641		1,759		102,732		460,194		362,333		283,696		9,095,019		13,825,274
2008-09		2,997,396		618,041		38,099		3,952		136,771		521,462		200,632		280,575		9,530,737		14,327,665
2007-08		2,851,787		643,126		34,181		3,813		133,629		496,453		410,478		202,776		8,128,290		12,904,533
2006-07		2,836,400		693,108		49,151		3,106		101,983		505,048		125,230		197,161		7,741,727		12,252,914
2005-06		2,587,871		627,873		54,468		4,697		69,810		489,981		211,181		165,256		7,060,993		11,272,130

(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.

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	
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1) Percent of Delinquent Taxes to Tax Levy
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%
2009-10	3,326,076	3,063,417	92.10%	230,319	3,293,736	99.03%	250,667 7.54%
2008-09	3,319,375	3,063,881	92.30%	243,260	3,307,141	99.63%	233,892 7.05%
2007-08	3,179,745	3,038,611	95.56%	113,253	3,151,864	99.12%	248,628 7.82%
2006-07	3,112,599	2,984,412	95.88%	55,907	3,040,319	97.68%	251,567 8.08%
2005-06	2,929,648	2,736,744	93.42%	230,670	2,967,414	101.29%	334,218 11.41%

(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
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
2009-10	425,617,100	30,353,841	3,364,084	337,655	12,131,935	471,804,615
2008-09	420,709,126	33,348,621	2,373,758	307,033	11,474,204	468,212,742
2007-08	417,065,460	28,019,882	2,052,211	230,853	12,866,981	460,235,387
2006-07	408,091,150	31,803,077	1,060,098	249,334	13,430,535	454,634,194
2005-06	339,757,365	30,421,248	817,160	239,243	10,200,472	381,435,488

(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 as of January 1, 1995.

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
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
2009-10	0.54/0.56	3.00	2.20	3.50
2008-09	0.54	3.00	2.20	3.50
2007-08	0.52/0.54	3.00	2.20	3.50
2006-07	0.52	3.00	2.20	3.50
2005-06	0.68	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
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
2009-10	5,091	471,805	4,577,544	0.97%	899
2008-09	5,091	468,213	5,027,068	1.07%	987
2007-08	5,091	460,235	5,467,859	1.19%	1,074
2006-07	5,091	454,634	5,905,037	1.30%	1,160
2005-06	5,091	381,435	6,333,872	1.66%	1,244

(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 OPEB obligation, 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
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%
2009-10	449,524	244,779	694,303	13,476,859	5.15%
2008-09	440,791	263,068	703,859	13,586,974	5.18%
2007-08	452,622	281,174	733,796	12,320,979	5.96%
2006-07	443,398	300,622	744,020	12,180,747	6.11%
2005-06	439,379	318,866	758,245	10,490,246	7.23%

(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.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of
the Board of Supervisors
County of 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 the County of Craig, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County of Craig, Virginia's basic financial statements and have issued our report thereon dated December 16, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2015-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County of Craig, Virginia's Response to Findings

County of Craig, Virginia's response to the finding 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.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 16, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the County of Craig, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Craig, Virginia's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of 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 the County of Craig, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control Over Compliance

Management of the 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 the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 16, 2015

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950114, 0950115	\$ 6,094
Temporary Assistance for Needy Families	93.558	0400114, 0400115	47,986
Refugee and Entrant Assistance - State Administered Programs	93.566	0500114, 0500115	82
Low-Income Home Energy Assistance	93.568	0600414, 0600415	5,261
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760114, 0760115	12,262
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114, 0900115	352
Foster Care - Title IV-E	93.658	1100114, 1100115	46,502
Adoption Assistance	93.659	1120114, 1120115	9,816
Social Services Block Grant	93.667	1000114, 1000115	30,993
Chafee Foster Care Independence Program	93.674	9150114, 9150115	379
Children's Health Insurance Program	93.767	0540114, 0540115	2,172
Medical Assistance Program	93.778	1200114, 1200115	74,487
Total Department of Health and Human Services			<u>\$ 236,386</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution (Note 3)	10.555	Not available	\$ 22,235
Department of Education:			
National School Lunch Program	10.555	40623	149,235
National School Lunch Program Subtotal			<u>\$ 171,470</u>
School Breakfast Program	10.553	40591	42,669
Schools and Roads - Grants to States	10.665	43841	131,701
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010114, 0010115 0040114, 0040115	64,262
Total Department of Agriculture			<u>\$ 410,102</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2015-55390-6129	\$ 18,735
National Highway Traffic Safety Administration (NHTSA):			
National Priority Safety Programs	20.616	M2HVE-2015-55422-6161	\$ 1,700
Total Department of Transportation			<u>\$ 20,435</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Homeland Security Grant Program	97.067	52703	\$ 69,515

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Direct Payments:			
Impact Aid	84.041	Not applicable	\$ 51,311
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 201,784
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	126,395
Special Education - Preschool Grants	84.173	62521	12,708
Career and Technical Education: Basic Grants to States	84.048	61095	4,760
Advanced Placement Program	84.330	60957	296
Improving Teacher Quality State Grants	84.367	61480	33,491
Total Department of Education			\$ 430,745
Total Expenditures of Federal Awards			\$ 1,167,183

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 grant activity of Craig County, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of Craig County, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Craig County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, Craig County, Virginia did not report any commodity inventory, as it was immaterial to the financials.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 577,074
Less: Payment in lieu of taxes	(166,721)
Total primary government	\$ 410,353
Component Unit School Board:	
School Operating Fund	\$ 542,691
School Cafeteria Fund	214,139
Total Component Unit Schools	\$ 756,830
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 1,167,183

County of Craig, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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 Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
10.665	Schools and Roads - Grants to States
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:	\$300,000
Auditee qualified as low-risk auditee?	No

County of Craig, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

2015-001

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 more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected 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 - Status of Prior Audit Findings and Questioned Costs

There are no findings from prior year related to federal awards.