

COUNTY OF CRAIG, VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

COUNTY OF CRAIG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

COUNTY OF CRAIG, VIRGINIA

BOARD OF SUPERVISORS

| | | |
|------------------|-------------------------|------------------------|
| Jennifer Durling | Millie Harrison, Chair | Fred Craft, Vice Chair |
| Helen Looney | Richard C. Flora, Clerk | Martha Murphy |

COUNTY SCHOOL BOARD

| | | |
|--------------------|-----------------------|----------------------------|
| Darlene Stanley | James Stephens, Chair | Dawna McDowell, Vice Chair |
| Jennifer McPherson | Ann Bostic, Clerk | Sue Bostic |

COUNTY WELFARE BOARD

| | | |
|--------------|------------------------|-----------|
| Keith Dunbar | Millie Harrison, Chair | Dan Early |
| Bernie Tripp | | Opal Horn |

OTHER OFFICIALS

| | |
|--|----------------------|
| Judge of the Circuit Court | Malfourd Trumbo |
| Clerk of the Circuit Court | Sharon Braden |
| Judge of the General District Court | Louis Campbell |
| Judge of Juvenile and Domestic Relations Court | Paul Tucker |
| Commonwealth's Attorney | Thaddeus R. Cox |
| Commissioner of the Revenue | Elizabeth C. Huffman |
| Treasurer | Jackie M. Parsons |
| Sheriff | Clifford Davidson |
| Superintendent of Schools | Ronald Gordon |
| Director of Social Services | J. W. (Bill) Wilcher |
| County Administrator | Richard C. Flora |
| County Attorney | James Cornwell |

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF CRAIG, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the County of Craig, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Craig, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the major fund, and the aggregate remaining fund information of the County of Craig, Virginia, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Post-Employment Benefits Other Than Pensions*, Effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the County of Craig, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Craig, Virginia's basic financial statements. The introductory section, supplementary financial statements, supporting schedules, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Craig, Virginia. The supplementary financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Turner, Cox Associates

Christiansburg, Virginia
December 10, 2010

Basic Financial Statements

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

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> | <u>Component</u> <u>Unit</u> <u>School Board</u> | <u>Component</u> <u>Unit</u> <u>IDA</u> |
|--|---|--|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,850,874 | \$ - | \$ 50,535 |
| Investments | 265,927 | - | - |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 1,341,700 | - | - |
| Other local taxes receivable | 27,356 | - | - |
| Accounts receivable | - | - | 64 |
| Due from component unit | 90,389 | - | - |
| Due from other governmental units | 220,948 | 152,796 | - |
| Prepaid expenses | - | 54,544 | - |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 118,717 | 37,504 | 362,084 |
| Buildings and improvements | 7,404,954 | 431,837 | 1,234,657 |
| Machinery and equipment | 209,571 | 308,684 | - |
| Total assets | <u>\$ 13,530,436</u> | <u>\$ 985,365</u> | <u>\$ 1,647,340</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 40,075 | \$ 62,407 | \$ 133 |
| Accrued interest payable | 87,370 | - | - |
| Due to primary government | - | 90,389 | - |
| Unearned revenue | 1,205,563 | - | 1,476 |
| Long-term liabilities: | | | |
| Due within one year | 471,615 | 50,069 | - |
| Due in more than one year | 4,263,270 | 16,690 | - |
| Total liabilities | <u>\$ 6,067,893</u> | <u>\$ 219,555</u> | <u>\$ 1,609</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 3,231,318 | \$ 778,025 | \$ 1,596,741 |
| Unrestricted (deficit) | 4,231,225 | (12,215) | 48,990 |
| Total net assets | <u>\$ 7,462,543</u> | <u>\$ 765,810</u> | <u>\$ 1,645,731</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, 2010

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|----------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Component Unit | | |
| | | | | | Primary Government | School Board | IDA |
| PRIMARY GOVERNMENT: | | | | | Governmental Activities | | |
| Governmental activities: | | | | | | | |
| General government administration | \$ 742,649 | \$ 433 | \$ 215,750 | \$ - | \$ (526,466) | \$ - | \$ - |
| Judicial administration | 285,286 | 778 | 224,133 | - | (60,375) | - | - |
| Public safety | 1,377,673 | 32,770 | 1,065,295 | - | (279,608) | - | - |
| Public works | 468,835 | 7,064 | 13,025 | - | (448,746) | - | - |
| Health and welfare | 2,026,183 | 287,001 | 1,408,909 | - | (330,273) | - | - |
| Education | 1,792,748 | - | - | - | (1,792,748) | - | - |
| Parks, recreation, and cultural | 11,933 | - | - | - | (11,933) | - | - |
| Community development | 125,532 | 970 | 3,400 | 33,993 | (87,169) | - | - |
| Interest on long-term debt | 236,686 | - | - | - | (236,686) | - | - |
| Total primary government | \$ 7,067,525 | \$ 329,016 | \$ 2,930,512 | \$ 33,993 | \$ (3,774,004) | \$ - | \$ - |
| COMPONENT UNITS: | | | | | | | |
| School Board | \$ 7,632,748 | \$ 158,578 | \$ 5,586,257 | \$ - | \$ - | \$ (1,887,913) | \$ - |
| IDA | 44,754 | - | - | - | - | - | (44,754) |
| Total component units | \$ 7,677,502 | \$ 158,578 | \$ 5,586,257 | \$ - | \$ - | \$ (1,887,913) | \$ (44,754) |
| General revenues: | | | | | | | |
| General property taxes | | | | | \$ 3,074,902 | \$ - | \$ - |
| Other local taxes: | | | | | | | |
| Local sales and use taxes | | | | | 144,883 | - | - |
| Consumers' utility taxes | | | | | 113,749 | - | - |
| Consumption taxes | | | | | 13,050 | - | - |
| Franchise license taxes | | | | | 8,604 | - | - |
| Motor vehicle licenses | | | | | 116,294 | - | - |
| Recordation tax | | | | | 22,730 | - | - |
| Hotel and motel room taxes | | | | | 10,705 | - | - |
| Restaurant food taxes | | | | | 68,897 | - | - |
| Unrestricted revenues from use of money and property | | | | | 102,732 | - | 11,550 |
| Miscellaneous | | | | | 144,796 | 217,537 | 11,190 |
| Contributions from the County of Craig | | | | | - | 1,792,227 | - |
| Grants and contributions not restricted to specific programs | | | | | 544,257 | - | - |
| Total general revenues | | | | | \$ 4,365,599 | \$ 2,009,764 | \$ 22,740 |
| Change in net assets | | | | | 591,595 | 121,851 | (22,014) |
| Net assets - beginning | | | | | 6,870,948 | 643,959 | 1,667,745 |
| Net assets - ending | | | | | \$ 7,462,543 | \$ 765,810 | \$ 1,645,731 |

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

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

| | <u>General</u> |
|---|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,850,874 |
| Investments | 265,927 |
| Receivables (net of allowance for uncollectibles): | |
| Taxes receivable | 1,341,700 |
| Other local taxes receivable | 27,356 |
| Due from component unit | 90,389 |
| Due from other governmental units | 220,948 |
| Total assets | <u>\$ 5,797,194</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 40,075 |
| Deferred revenue | 1,351,332 |
| Total liabilities | <u>\$ 1,391,407</u> |
| Fund balances: | |
| Unreserved: | |
| Undesignated, reported in: | |
| General fund | \$ 3,569,816 |
| Designated, reported in: | |
| General fund | 835,971 |
| Total fund balances | <u>\$ 4,405,787</u> |
| Total liabilities and fund balances | <u>\$ 5,797,194</u> |

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

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

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

| | |
|--|---------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 4,405,787 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 7,733,242 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 145,769 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (4,822,255) |
| Net assets of governmental activities | <u>\$ 7,462,543</u> |

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

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

| | <u>General</u> |
|--|----------------------------|
| REVENUES | |
| General property taxes | \$ 2,994,988 |
| Other local taxes | 498,912 |
| Permits, privilege fees, and regulatory licenses | 25,641 |
| Fines and forfeitures | 1,759 |
| Revenue from the use of money and property | 102,732 |
| Charges for services | 301,616 |
| Miscellaneous | 144,796 |
| Recovered costs | 283,696 |
| Intergovernmental revenues: | |
| Commonwealth | 2,556,581 |
| Federal | 952,181 |
| Total revenues | <u>\$ 7,862,902</u> |
| EXPENDITURES | |
| Current: | |
| General government administration | \$ 656,568 |
| Judicial administration | 284,860 |
| Public safety | 1,361,176 |
| Public works | 463,398 |
| Health and welfare | 2,113,590 |
| Education | 1,574,893 |
| Parks, recreation, and cultural | 11,933 |
| Community development | 260,609 |
| Nondepartmental | 58,924 |
| Capital projects | 34,233 |
| Debt service: | |
| Principal retirement | 449,524 |
| Interest and other fiscal charges | 244,779 |
| Total expenditures | <u>\$ 7,514,487</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 348,415</u> |
| Net change in fund balances | \$ 348,415 |
| Fund balances - beginning | 4,057,372 |
| Fund balances - ending | <u><u>\$ 4,405,787</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 Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2010

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

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 348,415 |
| 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. | (302,698) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 79,914 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 493,465 |
| 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. | (27,501) |
| Change in net assets of governmental activities | <u>\$ 591,595</u> |

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

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

| | Agency Fund |
|--|----------------|
| ASSETS | |
| Cash and cash equivalents | \$ 32,350 |
| | <u>32,350</u> |
| LIABILITIES | |
| Amounts held for social services clients | \$ 32,350 |
| | <u>32,350</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, 2010

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. 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.

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

The 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.

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.

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, 2010, 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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

B. Government-wide and fund financial statements (Continued)

normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

The government reports the following major governmental funds:

The *general fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

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. Agency funds include the Special Welfare Fund.

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

D. Assets, liabilities, and net assets or equity (Continued)

2. Receivables and payables

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

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

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable 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 \$56,100 at June 30, 2010 and is comprised solely of property taxes.

5. Use of Estimates

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

6. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

D. Assets, liabilities, and net assets or equity (Continued)

6. Capital assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

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

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. 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.

8. Long-term obligations

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

D. Assets, liabilities, and net assets or equity (Continued)

8. Long-term obligations (Continued)

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

9. Fund equity

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(4,822,255) and \$(66,759) differences for the primary government and discretely presented component unit, respectively, are as follows:

| | Primary Government | Component Unit School Board |
|--|-----------------------|--------------------------------|
| General Obligation Bonds | \$ (4,501,924) | \$ - |
| Unfunded Pension Obligation | (75,620) | - |
| Accrued interest payable | (87,370) | - |
| Compensated absences | (157,341) | (66,759) |
| Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i> | \$ (4,822,255) | \$ (66,759) |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

Another element of that reconciliation states, "Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets." The detail of this \$54,544 difference for the discretely presented component unit is as follows:

| | Component Unit School Board |
|---|--------------------------------|
| Prepaid expenses | \$ 54,544 |
| Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ 54,544 |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$(302,698) and \$102,476 differences for the primary government and discretely presented component unit, respectively, are as follows:

| | Primary Government | Component Unit School Board |
|---|-----------------------|--------------------------------|
| Capital outlays | \$ 64,950 | \$ 157,849 |
| Depreciation expenses | (367,227) | (55,373) |
| Disposed asset (net) | (421) | - |
| Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ (302,698) | \$ 102,476 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$493,465 difference in the primary government are as follows:

| | |
|--|-------------------|
| Principal repayments: | |
| General obligation debt | \$ 307,585 |
| Literary loans | 100,000 |
| Unfunded pension obligation | 41,939 |
| Accrued landfill postclosure | <u>43,941</u> |
| Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>493,465</u> |

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(27,501) and \$4,005 differences for the primary government and discretely presented component unit, respectively, are as follows:

| | Primary Government | Component Unit School Board |
|---|-----------------------|--------------------------------|
| (Increase) decrease in compensated absences | \$ (35,594) | \$ 4,005 |
| (Increase) decrease in accrued interest | <u>8,093</u> | <u>-</u> |
| Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>(27,501)</u> | \$ <u>4,005</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

Another element of that reconciliation states, "Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets." The detail of this \$15,370 difference for the discretely presented component unit is as follows:

| | Component Unit <u>School Board</u> |
|---|---------------------------------------|
| Increase (decrease) in prepaid expense | \$ <u>15,370</u> |
| Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>15,370</u> |

Note 3-Stewardship, Compliance, and Accountability:

- A. Budgetary information

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

1. Prior to 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).

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 3-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (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 reserve that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

The Risk Management department exceeded its appropriations.

C. Deficit fund equity

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

Note 4—Deposits and Investments:

Deposits:

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

Investments:

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

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4—Deposits and Investments: (Continued)

Investments: (Continued)

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

| County's Rated Debt Investments' Values | |
|--|------------------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | <u>AAAm</u> |
| LGIP | \$ 265,927 |

Concentration of Credit Risk

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

Interest Rate Risk

At June 30, 2010, 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.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 5—Due from Other Governmental Units:

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

| | Primary Government | Component Unit School Board |
|----------------------------------|-----------------------|--------------------------------|
| <u>Commonwealth of Virginia:</u> | | |
| Local sales tax | \$ 24,762 | \$ - |
| State sales tax | - | 116,122 |
| State communications tax | 20,398 | - |
| Non-categorical aid | 3,436 | - |
| Categorical aid-shared expenses | 67,952 | - |
| Categorical aid-Welfare payments | 17,592 | - |
| Categorical aid-other | 50,103 | - |
| <u>Federal Government:</u> | | |
| Categorical aid-Welfare payments | 36,705 | - |
| School federal programs | - | 36,674 |
| Categorical aid-CDBG | - | - |
| Totals | \$ 220,948 | \$ 152,796 |

Note 6—Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

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

| Year Ending June 30, | General Obligation Bonds | | Refunding Bond | |
|-------------------------|--------------------------|--------------|----------------|----------|
| | Principal | Interest | Principal | Interest |
| 2011 | \$ 308,760 | \$ 219,571 | \$ 44,849 | \$ 5,123 |
| 2012 | 314,984 | 206,347 | 30,771 | 2,026 |
| 2013 | 316,581 | 192,500 | - | - |
| 2014 | 324,544 | 176,800 | - | - |
| 2015 | 333,629 | 159,689 | - | - |
| 2016-2020 | 1,812,324 | 524,494 | - | - |
| 2021-2024 | 1,091,102 | 148,898 | - | - |
| Totals | \$ 4,501,924 | \$ 1,628,299 | \$ 75,620 | \$ 7,149 |

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 6—Long-Term Debt: (Continued)

Primary Government - Governmental Activity Indebtedness: (continued)

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

| | Balance July 1, 2009 | Issuances | Retirements | Balance June 30, 2010 |
|--------------------------------|-------------------------|------------|--------------|--------------------------|
| General obligation bonds | \$ 4,809,509 | \$ - | \$ (307,585) | \$ 4,501,924 |
| Literary loans | 100,000 | - | (100,000) | - |
| Unfunded pension | | | | |
| obligation/refunding bond | 117,559 | - | (41,939) | 75,620 |
| Compensated absences | 121,747 | 126,904 | (91,310) | 157,341 |
| Landfill postclosure liability | 43,941 | - | (43,941) | - |
| Total | \$ 5,192,756 | \$ 126,904 | \$ (584,775) | \$ 4,734,885 |

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 | \$ 1,000,000 | \$ 60,000 |
| VPSA General Obligation Bond | 2.35-5.84% | 02/02/03 | 07/15/22 | 5,210,980 | 3,501,924 | 248,760 |
| Total Obligation Bonds | | | | | \$ 4,501,924 | \$ 308,760 |
| <u>Refunding Bonds:</u> | | | | | | |
| Refunding Bond | 6.78% | 05/26/99 | 05/01/12 | \$ 525,117 | \$ 75,620 | \$ 44,849 |
| <u>Other Long-term Obligations:</u> | | | | | | |
| Compensated Absences | | | | | \$ 157,341 | \$ 118,006 |
| Total Long-term Obligations | | | | | \$ 4,734,885 | \$ 471,615 |

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7—Long-Term Debt-Component Unit School Board:

Discretely Presented Component Unit - School Board-Indebtedness:

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

| | Balance July 1, 2009 | Issuances | Retirements | Balance June 30, 2010 |
|----------------------|-------------------------|-----------|-------------|--------------------------|
| Compensated absences | \$ 70,764 | \$ 49,068 | \$ (53,073) | \$ 66,759 |

Details of long-term indebtedness:

| | Total Amount | Amount Due Within One Year |
|----------------------|-----------------|-------------------------------|
| Other Obligations: | | |
| Compensated absences | \$ 66,759 | \$ 50,069 |

Note 8—Employee Retirement System and Pension Plans:

A. Plan Description

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

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

The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8—Employee Retirement System and Pension Plans: (Continued)

A. Plan Description (Continued)

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County of Craig, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Craig, Virginia's contribution rate for the fiscal year ended 2010 was 12.59% (including the member contribution) of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2010 was 11.74% (including the member contribution of 5%) of annual covered payroll.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8—Employee Retirement System and Pension Plans: (Continued)

C. Annual Pension Cost:

For fiscal year 2010, the County of Craig, Virginia's annual pension cost of \$124,845 and \$27,481 was equal to the County of Craig, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

| | Fiscal Year Ending | Annual Pension Cost (APC) ¹ | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------------------|--------------------------|--|-------------------------------------|------------------------------|
| Primary Government: | | | | |
| County | 6/30/2008 | \$ 91,896 | 100.00% | \$ - |
| | 6/30/2009 | 125,800 | 100.00% | - |
| | 6/30/2010 | 124,845 | 100.00% | - |
| Discretely Presented-Component Unit: | | | | |
| School Board Non-Professional | 6/30/2008 | \$ 25,801 | 100.00% | \$ - |
| | 6/30/2009 | 27,959 | 100.00% | - |
| | 6/30/2010 | 27,481 | 100.00% | - |

¹ Employer portion only

Primary Government:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8—Employee Retirement System and Pension Plans: (Continued)

C. Annual Pension Cost: (Continued)

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

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

D. Funded Status and Funding Progress:

Primary Government:

As of June 30, 2009, the most recent actuarial valuation date, the plan was 92.78% funded. The actuarial accrued liability for benefits was \$5,602,135, and the actuarial value of assets was \$5,197,928, resulting in an unfunded actuarial accrued liability (UAAL) of \$404,207. The covered payroll (annual payroll of active employees covered by the plan) was \$1,711,403, and ratio of the UAAL to the covered payroll was 23.62%.

Discretely Presented Component Unit - School Board (Non-Instructional):

As of June 30, 2009, the most recent actuarial valuation date, the plan was 84.69% funded. The actuarial accrued liability for benefits was \$1,149,336, and the actuarial value of assets was \$973,418, resulting in an unfunded actuarial accrued liability (UAAL) of \$175,918. The covered payroll (annual payroll of active employees covered by the plan) was \$414,829, and ratio of the UAAL to the covered payroll was 42.41%.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

Note 8—Employee Retirement System and Pension Plans: (Continued)

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

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

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual reported compensation to the VRS. 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contributions to the VRS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$409,959, \$495,420, and \$528,209 (including the member contribution), respectively, and equal to the required contributions for each year. These amounts represent 13.81% for July 2009 through March 2010 and 5.00% for April through June 2010, 13.81%, and 15.30% (including the member contribution of 5%), of covered annual payroll for the fiscal years ended 2009 and 2008, respectively.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9—Capital Assets:

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

Primary Government

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|-------------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 118,717 | \$ - | \$ - | \$ 118,717 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 10,806,202 | \$ - | \$ - | \$ 10,806,202 |
| Machinery and equipment | 887,018 | 64,950 | (32,969) | 918,999 |
| Total capital assets being depreciated | \$ 11,693,220 | \$ 64,950 | \$ (32,969) | \$ 11,725,201 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | \$ (3,115,961) | \$ (285,287) | \$ - | \$ (3,401,248) |
| Machinery and equipment | (660,036) | (81,940) | 32,548 | (709,428) |
| Total accumulated depreciation | \$ (3,775,997) | \$ (367,227) | \$ 32,548 | \$ (4,110,676) |
| Total capital assets being depreciated, net | \$ 7,917,223 | \$ (302,277) | \$ (421) | \$ 7,614,525 |
| Governmental activities capital assets, net | \$ 8,035,940 | \$ (302,277) | \$ (421) | \$ 7,733,242 |

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

| | |
|--|------------|
| Governmental activities: | |
| General government administration | \$ 42,301 |
| Judicial administration | 426 |
| Public safety | 56,773 |
| Public works | 49,381 |
| Health and welfare | 491 |
| Education | 217,855 |
| Total depreciation expense-governmental activities | \$ 367,227 |

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9—Capital Assets: (Continued)

Discretely Presented Component Unit

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------|-------------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 37,504 | \$ - | \$ - | \$ 37,504 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 1,256,310 | \$ - | \$ - | \$ 1,256,310 |
| Machinery and equipment | 659,264 | 157,849 | (17,897) | 799,216 |
| Total capital assets being depreciated | \$ 1,915,574 | \$ 157,849 | \$ (17,897) | \$ 2,055,526 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | \$ (824,473) | \$ - | \$ - | \$ (824,473) |
| Machinery and equipment | (453,056) | (55,373) | 17,897 | (490,532) |
| Total accumulated depreciation | \$ (1,277,529) | \$ (55,373) | \$ 17,897 | \$ (1,315,005) |
| Total capital assets being depreciated, net | \$ 638,045 | \$ 102,476 | \$ - | \$ 740,521 |
| Governmental activities capital assets, net | \$ 675,549 | \$ 102,476 | \$ - | \$ 778,025 |

Note 10—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, 2010

Note 11—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. During the audit matters of noncompliance were disclosed. In addition, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, could be material.

Note 12—Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

| | | |
|---|----|---------|
| Sharon Braden, 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 |
| Richard C. Flora, County Administrator | | 2,000 |
| Department of Social Services-blanket bond | | 30,000 |

Component Unit-School Board:

Western Surety Company:

| | | |
|---|----|--------|
| Ronnie Gordon, Superintendent of Schools | \$ | 10,000 |
| Ann Bostic, Payroll and bookkeeping | | 10,000 |
| Sonja S. Switzer, Payroll and bookkeeping back-up | | 10,000 |
| Each Principal at schools | | 10,000 |

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 13—Designated and Reserved Fund Balances:

Primary Government:

Governmental Activities:

| | | |
|--|----|----------------|
| Designated for Future Capital Expenditures | \$ | 279,233 |
| Designated for New Castle Commons | | 256,480 |
| Designated for Child and Adult Daycare | | 281,454 |
| Designated for Courthouse Maintenance | | 6,277 |
| Designated for Sale of Land | | 6,599 |
| Designated for Law Library | | 5,928 |
| | | <hr/> |
| Total Designated Fund Balances | \$ | <u>835,971</u> |

Note 14—Deferred Revenue:

Deferred 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 revenue is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,292,902.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$45,231 at June 30, 2010.

Deferred Grant Revenue – Unspent grants at June 30, 2010 totaled \$13,199.

Note 15—Other Post-Employment Benefits (OPEB):

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 15—Other Post-Employment Benefits (OPEB): (Continued)

A. Plan Description (Continued)

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 8.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2010 was 0.45% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation:

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

For 2010, the County's contribution of \$7,402 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010:

| | Fiscal Year Ending | Annual OPEB Cost (ARC) | Percentage of ARC Contributed | Net OPEB Obligation |
|---------------------|--------------------------|------------------------------|-------------------------------------|---------------------------|
| Primary Government: | | | | |
| County | 6/30/2010 | \$ 7,402 | 100.00% | \$ - |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 15—Other Post-Employment Benefits (OPEB): (Continued)

D. Funded Status and Funding Progress

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

| | | |
|---|----|-----------|
| Actuarial accrued liability (AAL) | \$ | 45,815 |
| Actuarial value of plan assets | \$ | 24,155 |
| Unfunded actuarial accrued liability (UAAL) | \$ | 21,660 |
| Funded ratio (actuarial value of plan assets/AAL) | | 52.72% |
| Covered payroll (active plan members) | \$ | 1,711,403 |
| UAAL as a percentage of covered payroll | | 1.27% |

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

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

E. Actuarial Methods and Assumptions

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

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

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Note 15—Other Post-Employment Benefits (OPEB): (Continued)

F. Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2010 was \$26,883 and equaled the required contributions.

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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, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------|-----------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 2,932,906 | \$ 2,932,906 | \$ 2,994,988 | \$ 62,082 |
| Other local taxes | 448,000 | 448,000 | 498,912 | 50,912 |
| Permits, privilege fees, and regulatory licenses | 27,900 | 27,900 | 25,641 | (2,259) |
| Fines and forfeitures | 3,400 | 3,400 | 1,759 | (1,641) |
| Revenue from the use of money and property | 102,600 | 104,400 | 102,732 | (1,668) |
| Charges for services | 390,370 | 390,566 | 301,616 | (88,950) |
| Miscellaneous | 60,418 | 72,195 | 144,796 | 72,601 |
| Recovered costs | 268,266 | 276,986 | 283,696 | 6,710 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 2,616,676 | 2,786,972 | 2,556,581 | (230,391) |
| Federal | 748,595 | 768,886 | 952,181 | 183,295 |
| Total revenues | <u>\$ 7,599,131</u> | <u>\$ 7,812,211</u> | <u>\$ 7,862,902</u> | <u>\$ 50,691</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 690,954 | \$ 707,294 | \$ 656,568 | \$ 50,726 |
| Judicial administration | 281,809 | 309,105 | 284,860 | 24,245 |
| Public safety | 1,021,875 | 1,895,336 | 1,361,176 | 534,160 |
| Public works | 430,231 | 489,886 | 463,398 | 26,488 |
| Health and welfare | 2,582,338 | 2,582,338 | 2,113,590 | 468,748 |
| Education | 1,573,975 | 1,839,542 | 1,574,893 | 264,649 |
| Parks, recreation, and cultural | 11,917 | 12,417 | 11,933 | 484 |
| Community development | 272,232 | 383,066 | 260,609 | 122,457 |
| Nondepartmental | 89,399 | 74,850 | 58,924 | 15,926 |
| Capital projects | 308,480 | 1,025,584 | 34,233 | 991,351 |
| Debt service: | | | | |
| Principal retirement | 417,215 | 417,215 | 449,524 | (32,309) |
| Interest and other fiscal charges | 227,186 | 227,186 | 244,779 | (17,593) |
| Total expenditures | <u>\$ 7,907,611</u> | <u>\$ 9,963,819</u> | <u>\$ 7,514,487</u> | <u>\$ 2,449,332</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (308,480)</u> | <u>\$ (2,151,608)</u> | <u>\$ 348,415</u> | <u>\$ 2,500,023</u> |
| Net change in fund balances | <u>\$ (308,480)</u> | <u>\$ (2,151,608)</u> | <u>\$ 348,415</u> | <u>\$ 2,500,023</u> |
| Fund balances - beginning | 308,480 | 2,146,786 | 4,057,372 | 1,910,586 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ (4,822)</u> | <u>\$ 4,405,787</u> | <u>\$ 4,410,609</u> |

County of Craig, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2010

Primary Government:

County Retirement Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio Assets as % of AAL (2) / (3) | Annual Covered Payroll | UAAL as a % of Covered Payroll (4) / (6) |
|--------------------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 6/30/2009 | \$ 5,197,928 | \$ 5,602,135 | \$ 404,207 | 92.78% | \$ 1,711,403 | 23.62% |
| 6/30/2008 | 5,051,766 | 5,330,559 | 278,793 | 94.77% | 1,658,145 | 16.81% |
| 6/30/2007 | 4,560,321 | 4,671,556 | 111,235 | 97.62% | 1,573,126 | 7.07% |

County Other Postemployment Benefits Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio Assets as % of AAL (2) / (3) | Annual Covered Payroll | UAAL as a % of Covered Payroll (4) / (6) |
|--------------------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 6/30/2009 | \$ 24,155 | \$ 45,815 | \$ 21,660 | 52.72% | \$ 1,711,403 | 1.27% |
| 6/30/2008 | 25,201 | 44,069 | 18,868 | 57.19% | 1,658,145 | 1.14% |
| 6/30/2007 | 22,071 | 95,371 | 73,300 | 23.14% | 1,573,126 | 4.66% |

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

| Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio Assets as % of AAL (2)/(3) | Annual Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|--------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 6/30/2009 | \$ 973,418 | \$ 1,149,336 | \$ 175,918 | 84.69% | \$ 414,829 | 42.41% |
| 6/30/2008 | 853,225 | 1,049,595 | 196,370 | 81.29% | 406,162 | 48.35% |
| 6/30/2007 | 745,363 | 893,154 | 147,791 | 83.45% | 389,908 | 37.90% |

Other Supplementary Information

County of Craig, Virginia
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance End of Year</u> |
|---|--|------------------|------------------|------------------------------------|
| Special Welfare Fund | | | | |
| Assets | | | | |
| Cash and cash equivalents | <u>\$ 47,968</u> | <u>\$ 10,127</u> | <u>\$ 25,745</u> | <u>\$ 32,350</u> |
| Liabilities | | | | |
| Amount held for social services clients | <u>\$ 47,968</u> | <u>\$ 10,127</u> | <u>\$ 25,745</u> | <u>\$ 32,350</u> |

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

| | School Operating Fund |
|--|-----------------------------|
| ASSETS | |
| Due from other governmental units | \$ 152,796 |
| Total assets | <u>\$ 152,796</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 62,407 |
| Due to primary government | 90,389 |
| Total liabilities | <u>\$ 152,796</u> |
| Fund balances: | |
| Undesignated | <u>\$ -</u> |
| Total liabilities and fund balances | <u>\$ 152,796</u> |
| Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because: | |
| Total fund balances per above | \$ - |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 778,025 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (66,759) |
| Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets. | 54,544 |
| Net assets of governmental activities | <u>\$ 765,810</u> |

County of Craig, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

| | School Operating Fund |
|---|-----------------------------|
| REVENUES | |
| Charges for services | \$ 158,578 |
| Miscellaneous | 217,537 |
| Intergovernmental revenues: | |
| Local government | 1,574,372 |
| Commonwealth | 4,326,359 |
| Federal | 1,259,898 |
| Total revenues | <u>\$ 7,536,744</u> |
| EXPENDITURES | |
| Current: | |
| Education | <u>\$ 7,536,744</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> |
| Net change in fund balances | \$ - |
| Fund balances - beginning | - |
| Fund balances - ending | <u><u>\$ -</u></u> |
| Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because: | |
| Net change in fund balances - total governmental funds - per above | \$ - |
| 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. | 102,476 |
| 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. | 4,005 |
| Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets. | 15,370 |
| Change in net assets of governmental activities | <u><u>\$ 121,851</u></u> |

County of Craig, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 204,373 | \$ 204,373 | \$ 158,578 | \$ (45,795) |
| Miscellaneous | 15,000 | 62,000 | 217,537 | 155,537 |
| Intergovernmental revenues: | | | | |
| Local government | 1,572,387 | 1,837,954 | 1,574,372 | (263,582) |
| Commonwealth | 4,466,955 | 4,668,440 | 4,326,359 | (342,081) |
| Federal | 894,067 | 1,213,453 | 1,259,898 | 46,445 |
| Total revenues | <u>\$ 7,152,782</u> | <u>\$ 7,986,220</u> | <u>\$ 7,536,744</u> | <u>\$ (449,476)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>\$ 7,152,782</u> | <u>\$ 7,986,220</u> | <u>\$ 7,536,744</u> | <u>\$ 449,476</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

SUPPORTING SCHEDULES

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 2,331,432 | \$ 2,331,432 | \$ 2,296,726 | \$ (34,706) |
| Real and personal public service corporation taxes | 83,362 | 83,362 | 85,083 | 1,721 |
| Personal property taxes | 435,000 | 435,000 | 468,675 | 33,675 |
| Mobile home taxes | 13,606 | 13,606 | 16,657 | 3,051 |
| Machinery and tools taxes | 23,075 | 23,075 | 73,706 | 50,631 |
| Merchant's capital | 8,796 | 8,796 | 11,834 | 3,038 |
| Penalties | 22,439 | 22,439 | 26,538 | 4,099 |
| Interest | 15,196 | 15,196 | 15,769 | 573 |
| Total general property taxes | <u>\$ 2,932,906</u> | <u>\$ 2,932,906</u> | <u>\$ 2,994,988</u> | <u>\$ 62,082</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 135,000 | \$ 135,000 | \$ 144,883 | \$ 9,883 |
| Consumers' utility taxes | 110,000 | 110,000 | 113,749 | 3,749 |
| Consumption taxes | 12,000 | 12,000 | 13,050 | 1,050 |
| Franchise license taxes | 1,000 | 1,000 | 8,604 | 7,604 |
| Motor vehicle licenses | 110,000 | 110,000 | 116,294 | 6,294 |
| Recordation tax | 25,000 | 25,000 | 22,730 | (2,270) |
| Hotel and motel room taxes | 10,000 | 10,000 | 10,705 | 705 |
| Restaurant food taxes | 45,000 | 45,000 | 68,897 | 23,897 |
| Total other local taxes | <u>\$ 448,000</u> | <u>\$ 448,000</u> | <u>\$ 498,912</u> | <u>\$ 50,912</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 10,000 | \$ 10,000 | \$ 9,527 | \$ (473) |
| Transfer fees | 200 | 200 | 210 | 10 |
| Zoning, subdivision permits and erosion and sediment control | 1,720 | 1,720 | 970 | (750) |
| Building permits | 15,980 | 15,980 | 14,934 | (1,046) |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 27,900</u> | <u>\$ 27,900</u> | <u>\$ 25,641</u> | <u>\$ (2,259)</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 3,000 | \$ 3,000 | \$ 989 | \$ (2,011) |
| Interest on fines | 100 | 100 | 89 | (11) |
| Law library costs | 300 | 300 | 681 | 381 |
| Total fines and forfeitures | <u>\$ 3,400</u> | <u>\$ 3,400</u> | <u>\$ 1,759</u> | <u>\$ (1,641)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 30,000 | \$ 30,000 | \$ 29,220 | \$ (780) |
| Revenue from use of property | 72,600 | 74,400 | 73,512 | (888) |
| Total revenue from use of money and property | <u>\$ 102,600</u> | <u>\$ 104,400</u> | <u>\$ 102,732</u> | <u>\$ (1,668)</u> |
| Charges for services: | | | | |
| Charges for law enforcement and traffic control | \$ - | \$ - | \$ 15 | \$ 15 |
| Charges for courthouse maintenance | - | - | 1,522 | 1,522 |
| Charges for courthouse security | - | - | 6,391 | 6,391 |
| Document production costs | 300 | 496 | 223 | (273) |
| Charges for Commonwealth's Attorney | 150 | 150 | 97 | (53) |
| Charges for sanitation and waste removal | - | - | 5,542 | 5,542 |
| Child and adult daycare charges | 389,420 | 389,420 | 287,001 | (102,419) |
| Jail admission fees | 500 | 500 | 825 | 325 |
| Total charges for services | <u>\$ 390,370</u> | <u>\$ 390,566</u> | <u>\$ 301,616</u> | <u>\$ (88,950)</u> |

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 60,418 | \$ 72,195 | \$ 144,796 | \$ 72,601 |
| Recovered costs: | | | | |
| Mt Castle salary reimbursement | \$ 127,180 | \$ 127,180 | \$ 135,077 | \$ 7,897 |
| LOA | - | - | 49,145 | 49,145 |
| Child care tax reimbursement | 73,437 | 73,437 | 65,269 | (8,168) |
| VHDA Admin | - | - | 8,526 | 8,526 |
| Other recovered costs | 67,649 | 76,369 | 25,679 | (50,690) |
| Total recovered costs | \$ 268,266 | \$ 276,986 | \$ 283,696 | \$ 6,710 |
| Total revenue from local sources | \$ 4,233,860 | \$ 4,256,353 | \$ 4,354,140 | \$ 97,787 |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Rolling stock tax | \$ 377 | \$ 377 | \$ 369 | \$ (8) |
| Mobile home titling tax | 20,000 | 20,000 | 1,458 | (18,542) |
| Motor vehicle carriers tax | - | - | 12 | 12 |
| Grantor's tax | 8,500 | 8,500 | 5,034 | (3,466) |
| State recordation tax | 12,343 | 12,343 | 10,086 | (2,257) |
| Communication tax | 125,000 | 125,000 | 120,850 | (4,150) |
| Personal property tax relief funds | 343,595 | 343,595 | 341,055 | (2,540) |
| Total noncategorical aid | \$ 509,815 | \$ 509,815 | \$ 478,864 | \$ (30,951) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 72,976 | \$ 71,714 | \$ 68,333 | \$ (3,381) |
| Sheriff | 504,261 | 474,361 | 430,827 | (43,534) |
| Commissioner of revenue | 81,081 | 77,414 | 74,656 | (2,758) |
| Treasurer | 89,325 | 85,087 | 81,782 | (3,305) |
| Registrar/electoral board | 36,000 | 36,000 | 31,032 | (4,968) |
| Clerk of the Circuit Court | 139,655 | 160,039 | 155,800 | (4,239) |
| Total shared expenses | \$ 923,298 | \$ 904,615 | \$ 842,430 | \$ (62,185) |
| Other categorical aid: | | | | |
| Welfare payments | \$ 333,082 | \$ 333,082 | \$ 211,228 | \$ (121,854) |
| CSA payments | 471,669 | 471,669 | 564,259 | 92,590 |
| State and local foster care | - | - | 3,202 | 3,202 |
| Litter control grant | - | 6,125 | 6,125 | - |
| Four-for-life | 8,800 | 8,800 | 5,337 | (3,463) |
| Fire program | 16,000 | 16,000 | 16,000 | - |
| State E-911 program | - | 150,000 | 175,380 | 25,380 |
| VJCCA grant | - | - | 8,525 | 8,525 |
| State seizures | - | 304 | 2,539 | 2,235 |
| Quality Initiative grant | - | - | 6,600 | 6,600 |
| Community Development Greenway grant | - | - | 3,400 | 3,400 |
| Emergency medical services | - | 25,550 | 692 | (24,858) |
| Child care grant | 354,012 | 354,012 | 225,000 | (129,012) |
| Forest service grant | - | 7,000 | 7,000 | - |
| Total other categorical aid | \$ 1,183,563 | \$ 1,372,542 | \$ 1,235,287 | \$ (137,255) |

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Total categorical aid | \$ 2,106,861 | \$ 2,277,157 | \$ 2,077,717 | \$ (199,440) |
| Total revenue from the Commonwealth | \$ 2,616,676 | \$ 2,786,972 | \$ 2,556,581 | \$ (230,391) |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | \$ 120,017 | \$ 120,017 | \$ 65,393 | \$ (54,624) |
| Categorical aid: | | | | |
| Welfare payments | \$ 628,578 | \$ 628,578 | \$ 380,787 | \$ (247,791) |
| Welfare payments - ARRA | - | - | 17,833 | 17,833 |
| Community development block grant | - | - | 33,993 | 33,993 |
| DMV grant | - | 12,750 | 23,450 | 10,700 |
| Homeland security grants | - | - | 244,737 | 244,737 |
| Child care roof grant | - | - | 6,900 | 6,900 |
| Forest Reserve | - | - | 28,280 | 28,280 |
| Criminal Justice | - | 1,849 | 145,808 | 143,959 |
| Emergency management preparedness grant | - | 5,692 | 5,000 | (692) |
| Total categorical aid | \$ 628,578 | \$ 648,869 | \$ 886,788 | \$ 237,919 |
| Total revenue from the federal government | \$ 748,595 | \$ 768,886 | \$ 952,181 | \$ 183,295 |
| Total Primary Government | \$ 7,599,131 | \$ 7,812,211 | \$ 7,862,902 | \$ 50,691 |
| Discretely Presented Component Unit - School Board: | | | | |
| Special Revenue Funds: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria sales | \$ 204,373 | \$ 204,373 | \$ 158,578 | \$ (45,795) |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 15,000 | \$ 62,000 | \$ 217,537 | \$ 155,537 |
| Total revenue from local sources | \$ 219,373 | \$ 266,373 | \$ 376,115 | \$ 109,742 |
| Intergovernmental revenues: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Craig, Virginia | \$ 1,572,387 | \$ 1,837,954 | \$ 1,574,372 | \$ (263,582) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 692,288 | \$ 692,288 | \$ 660,660 | \$ (31,628) |
| Basic school aid | 2,457,321 | 2,457,321 | 2,282,831 | (174,490) |
| Remedial summer education | 13,775 | 13,775 | 32,927 | 19,152 |
| Special foster care | 15,009 | 15,009 | 4,895 | (10,114) |
| Gifted and talented | 23,050 | 23,050 | 23,227 | 177 |
| Remedial education | 43,094 | 43,094 | 43,425 | 331 |

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| Special Revenue Funds: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Special education | \$ 436,955 | \$ 436,955 | \$ 469,045 | \$ 32,090 |
| Special education regional payments | 7,946 | 7,946 | - | (7,946) |
| Textbook payment | 59,390 | 59,390 | - | (59,390) |
| Jobs for Virginia graduates | 15,000 | 15,000 | 13,500 | (1,500) |
| Early intervention | 8,848 | 8,848 | 13,273 | 4,425 |
| Vocational standards of quality payments | 82,180 | 82,180 | 82,811 | 631 |
| Fringe benefits | 343,250 | 343,250 | 296,906 | (46,344) |
| Occupational prep | - | - | 2,814 | 2,814 |
| Homebound education | 146 | 146 | 8,140 | 7,994 |
| School food | 5,607 | 5,607 | 3,975 | (1,632) |
| Vocational education - equipment | 7,048 | 7,048 | 2,668 | (4,380) |
| At risk payments | 27,817 | 27,817 | 27,463 | (354) |
| Primary class size | 67,205 | 67,205 | 63,289 | (3,916) |
| VPSA technology payment | 102,000 | 213,485 | 208,151 | (5,334) |
| Standards of Learning algebra readiness | 4,519 | 4,519 | 4,519 | - |
| Mentor teacher | 1,113 | 1,113 | 742 | (371) |
| Lottery proceeds | - | - | 58,296 | 58,296 |
| School construction funds | 45,535 | 45,535 | - | (45,535) |
| ISAP | 7,859 | 7,859 | 7,859 | - |
| Other state funds | - | 90,000 | 14,943 | (75,057) |
| Total categorical aid | \$ 4,466,955 | \$ 4,668,440 | \$ 4,326,359 | \$ (342,081) |
| Total revenue from the Commonwealth | \$ 4,466,955 | \$ 4,668,440 | \$ 4,326,359 | \$ (342,081) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Adult Literacy | \$ 9,607 | \$ 9,607 | \$ 7,808 | \$ (1,799) |
| Title I | 124,785 | 367,633 | 312,073 | (55,560) |
| Forest reserve fund | 100,000 | 160,254 | 160,254 | - |
| Title VI-B, special education flow-through | 155,739 | 155,739 | 170,254 | 14,515 |
| Vocational education | 13,512 | 13,512 | 15,480 | 1,968 |
| Title VI-B, special education pre-school | 6,927 | 6,927 | 6,870 | (57) |
| Drug free schools | 2,457 | 2,457 | 2,068 | (389) |
| Title III, Impact aid | 12,000 | 15,784 | 39,005 | 23,221 |
| Title II, Part A | 31,551 | 31,551 | 29,444 | (2,107) |
| School breakfast program | 20,000 | 20,000 | 26,156 | 6,156 |
| School lunch program | 80,000 | 80,000 | 152,997 | 72,997 |
| Other federal funds | - | 12,500 | - | (12,500) |
| State fiscal stabilization funds - ARRA | 335,932 | 335,932 | 335,932 | - |
| Educational technology | 1,557 | 1,557 | 1,557 | - |
| Total categorical aid | \$ 894,067 | \$ 1,213,453 | \$ 1,259,898 | \$ 46,445 |
| Total revenue from the federal government | \$ 894,067 | \$ 1,213,453 | \$ 1,259,898 | \$ 46,445 |
| Total Discretely Presented Component Unit - School Board | \$ 7,152,782 | \$ 7,986,220 | \$ 7,536,744 | \$ (449,476) |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 29,260 | \$ 49,270 | \$ 32,124 | \$ 17,146 |
| General and financial administration: | | | | |
| County administrator | \$ 105,724 | \$ 105,724 | \$ 104,201 | \$ 1,523 |
| Commissioner of revenue | 135,591 | 131,081 | 126,577 | 4,504 |
| Board of equalization | 45,000 | 50,000 | 43,878 | 6,122 |
| Audit | 53,300 | 54,600 | 54,088 | 512 |
| Treasurer | 160,177 | 165,644 | 164,425 | 1,219 |
| Accounting/purchasing | 46,155 | 46,155 | 45,591 | 564 |
| Other general and financial administration | 43,220 | 30,720 | 19,270 | 11,450 |
| Total general and financial administration | \$ 589,167 | \$ 583,924 | \$ 558,030 | \$ 25,894 |
| Board of elections: | | | | |
| Electoral board and officials | \$ 27,925 | \$ 29,498 | \$ 23,015 | \$ 6,483 |
| Registrar | 44,602 | 44,602 | 43,399 | 1,203 |
| Total board of elections | \$ 72,527 | \$ 74,100 | \$ 66,414 | \$ 7,686 |
| Total general government administration | \$ 690,954 | \$ 707,294 | \$ 656,568 | \$ 50,726 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 6,890 | \$ 6,890 | \$ 3,682 | \$ 3,208 |
| General district court | 1,870 | 870 | 440 | 430 |
| Clerk of the circuit court | 187,791 | 216,576 | 197,380 | 19,196 |
| Total courts | \$ 196,551 | \$ 224,336 | \$ 201,502 | \$ 22,834 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 85,258 | \$ 84,769 | \$ 83,358 | \$ 1,411 |
| Total judicial administration | \$ 281,809 | \$ 309,105 | \$ 284,860 | \$ 24,245 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 704,137 | \$ 1,381,794 | \$ 1,042,918 | \$ 338,876 |
| Fire and rescue services: | | | | |
| Public safety | \$ 84,775 | \$ 133,809 | \$ 122,678 | \$ 11,131 |
| Emergency medical services | 3,103 | 3,103 | - | 3,103 |
| E-911 | 23,850 | 175,214 | 17,097 | 158,117 |
| Total fire and rescue services | \$ 111,728 | \$ 312,126 | \$ 139,775 | \$ 172,351 |
| Correction and detention: | | | | |
| Care of prisoners | \$ 15,000 | \$ 15,000 | \$ 5,436 | \$ 9,564 |
| Contribution to Regional Jail | 104,416 | 104,416 | 104,416 | - |
| Total correction and detention | \$ 119,416 | \$ 119,416 | \$ 109,852 | \$ 9,564 |
| Inspections: | | | | |
| Building | \$ 23,850 | \$ 22,227 | \$ 18,308 | \$ 3,919 |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Other protection: | | | | |
| Animal control | \$ 55,575 | \$ 55,654 | \$ 47,057 | \$ 8,597 |
| Medical examiner | 350 | 350 | 60 | 290 |
| Forest service | 6,819 | 3,769 | 3,206 | 563 |
| Total other protection | \$ 62,744 | \$ 59,773 | \$ 50,323 | \$ 9,450 |
| Total public safety | \$ 1,021,875 | \$ 1,895,336 | \$ 1,361,176 | \$ 534,160 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 332,598 | \$ 369,221 | \$ 346,729 | \$ 22,492 |
| Contribution to PSA | 5,000 | 5,000 | 5,000 | - |
| Litter control grant | - | 10,841 | 10,210 | 631 |
| Total sanitation and waste removal | \$ 337,598 | \$ 385,062 | \$ 361,939 | \$ 23,123 |
| Maintenance of general buildings and grounds: | | | | |
| Maintenance of properties | \$ 92,633 | \$ 104,824 | \$ 101,459 | \$ 3,365 |
| Total public works | \$ 430,231 | \$ 489,886 | \$ 463,398 | \$ 26,488 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 68,551 | \$ 68,551 | \$ 68,551 | \$ - |
| Mental health and mental retardation: | | | | |
| Blue Ridge community services board | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ - |
| Fairview Home | 9,876 | 9,876 | 9,876 | - |
| Total mental health and mental retardation | \$ 14,876 | \$ 14,876 | \$ 14,876 | \$ - |
| Welfare: | | | | |
| Welfare administration | \$ 580,410 | \$ 580,410 | \$ 480,339 | \$ 100,071 |
| Public assistance | 467,807 | 467,807 | 387,151 | 80,656 |
| Comprehensive services act | 664,000 | 664,000 | 650,545 | 13,455 |
| Child and adult daycare | 786,694 | 786,694 | 512,128 | 274,566 |
| Total welfare | \$ 2,498,911 | \$ 2,498,911 | \$ 2,030,163 | \$ 468,748 |
| Total health and welfare | \$ 2,582,338 | \$ 2,582,338 | \$ 2,113,590 | \$ 468,748 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to Community College | \$ 1,588 | \$ 1,588 | \$ 521 | \$ 1,067 |
| Contribution to County School Board | 1,572,387 | 1,837,954 | 1,574,372 | 263,582 |
| Total education | \$ 1,573,975 | \$ 1,839,542 | \$ 1,574,893 | \$ 264,649 |
| Parks, recreation, and cultural: | | | | |
| Cultural enrichment: | | | | |
| League of older Americans | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ - |
| Library: | | | | |
| Regional library | \$ 10,717 | \$ 11,217 | \$ 10,733 | \$ 484 |
| Total parks, recreation, and cultural | \$ 11,917 | \$ 12,417 | \$ 11,933 | \$ 484 |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | \$ 50,058 | \$ 158,792 | \$ 43,987 | \$ 114,805 |
| Zoning board | 1,000 | 1,000 | - | 1,000 |
| Planning | 3,750 | 3,750 | 1,484 | 2,266 |
| Contribution to Virginia's First Regional IFA | 11,000 | 11,000 | 10,844 | 156 |
| New Castle commons | 35,600 | 37,700 | 38,900 | (1,200) |
| Fifth planning district | 3,639 | 3,639 | 3,639 | - |
| Total planning and community development | <u>\$ 105,047</u> | <u>\$ 215,881</u> | <u>\$ 98,854</u> | <u>\$ 117,027</u> |
| Environmental management: | | | | |
| Mountain Castle-soil conservation | \$ 130,180 | \$ 130,180 | \$ 127,659 | \$ 2,521 |
| Other environmental management | 1,160 | 1,160 | - | 1,160 |
| Total environmental management | <u>\$ 131,340</u> | <u>\$ 131,340</u> | <u>\$ 127,659</u> | <u>\$ 3,681</u> |
| Cooperative extension program: | | | | |
| Extension office | \$ 35,845 | \$ 35,845 | \$ 34,096 | \$ 1,749 |
| Total community development | <u>\$ 272,232</u> | <u>\$ 383,066</u> | <u>\$ 260,609</u> | <u>\$ 122,457</u> |
| Nondepartmental: | | | | |
| Fringe benefits | \$ 51,996 | \$ 58,246 | \$ 58,924 | \$ (678) |
| Contingencies | 37,403 | 16,604 | - | 16,604 |
| Total nondepartmental | <u>\$ 89,399</u> | <u>\$ 74,850</u> | <u>\$ 58,924</u> | <u>\$ 15,926</u> |
| Capital projects: | | | | |
| Other capital projects | \$ 308,480 | \$ 1,025,584 | \$ 34,233 | \$ 991,351 |
| Debt service: | | | | |
| Principal retirement | \$ 417,215 | \$ 417,215 | \$ 449,524 | \$ (32,309) |
| Interest and other fiscal charges | 227,186 | 227,186 | 244,779 | (17,593) |
| Total debt service | <u>\$ 644,401</u> | <u>\$ 644,401</u> | <u>\$ 694,303</u> | <u>\$ (49,902)</u> |
| Total Primary Government | <u>\$ 7,907,611</u> | <u>\$ 9,963,819</u> | <u>\$ 7,514,487</u> | <u>\$ 2,449,332</u> |
| Discretely Presented Component Unit - School Board | | | | |
| Special revenue funds: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Executive administration services | \$ 409,833 | \$ 454,833 | \$ 442,991 | \$ 11,842 |
| Instruction costs: | | | | |
| Instruction costs | \$ 4,736,147 | \$ 5,228,384 | \$ 5,091,950 | \$ 136,434 |
| Technology | 410,190 | 567,075 | 540,900 | 26,175 |
| Total instruction costs | <u>\$ 5,146,337</u> | <u>\$ 5,795,459</u> | <u>\$ 5,632,850</u> | <u>\$ 162,609</u> |
| School food services: | | | | |
| Administration of school food program | \$ 309,980 | \$ 323,516 | \$ 345,561 | \$ (22,045) |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Discretely Presented Component Unit - School Board (Continued) | | | | |
| Special revenue funds: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Education: (Continued) | | | | |
| Operating costs: | | | | |
| Pupil transportation | \$ 443,214 | \$ 549,214 | \$ 501,894 | \$ 47,320 |
| Operation and maintenance of school plant | 823,418 | 863,198 | 613,448 | 249,750 |
| Other operating costs | 20,000 | - | - | - |
| Total operating costs | <u>\$ 1,286,632</u> | <u>\$ 1,412,412</u> | <u>\$ 1,115,342</u> | <u>\$ 297,070</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 7,152,782</u> | <u>\$ 7,986,220</u> | <u>\$ 7,536,744</u> | <u>\$ 449,476</u> |

OTHER STATISTICAL INFORMATION

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Solid Waste Authority | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|----------------------------|-----------------------|--------------|
| 2003-04 | \$ 570,826 | \$ 163,104 | \$ 835,503 | \$ 163,381 | \$ 1,104,874 | \$ 1,946,449 | \$ 2,581 | \$ 294,265 | \$ 346,661 | \$ 333,060 | \$ 5,760,704 |
| 2004-05 | 722,490 | 165,972 | 1,050,674 | 118,840 | 1,032,545 | 1,441,834 | 146,095 | 126,218 | 355,233 | 217,469 | 5,377,370 |
| 2005-06 (2) | 474,071 | 257,274 | 945,224 | 477,356 | 1,401,127 | 1,201,885 | 10,747 | 120,820 | 301,256 | - | 5,189,560 |
| 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 |
| 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 |
| 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 |
| 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 |

(1) Information has only been available for 7 years.

(2) Solid waste activities are accounted for through the County's general fund.

Table 2

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

| Fiscal Year | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | | Total |
|-------------|----------------------|------------------------------------|----------------------------------|------------------------|-------------------|----------------------------------|---------------|--|--------------|-------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | | |
| 2003-04 | \$ 388,965 | \$ 1,446,083 | \$ 227,057 | \$ 2,212,790 | \$ 541,617 | \$ 32,978 | \$ 118,348 | \$ 509,296 | \$ 5,477,134 | |
| 2004-05 | 396,915 | 976,474 | - | 2,547,538 | 538,391 | 29,094 | 253,818 | 1,122,765 | 5,864,995 | |
| 2005-06 | 389,019 | 1,209,452 | - | 2,563,347 | 627,873 | 68,873 | 93,840 | 1,289,157 | 6,241,561 | |
| 2006-07 | 382,298 | 2,153,134 | - | 2,689,265 | 693,108 | 101,978 | 32,105 | 526,592 | 6,578,480 | |
| 2007-08 | 348,193 | 2,424,141 | 88,563 | 2,854,684 | 643,126 | 133,629 | 218,487 | 515,833 | 7,226,656 | |
| 2008-09 | 326,661 | 2,657,509 | 575,252 | 2,980,979 | 618,041 | 136,771 | 92,443 | 655,300 | 8,042,956 | |
| 2009-10 | 329,016 | 2,930,512 | 33,993 | 3,074,902 | 498,912 | 102,732 | 144,796 | 544,257 | 7,659,120 | |

(1) Information has only been available for 7 years.

Table 3

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Parks, Recreation, and Cultural | Community Development | Capital Projects | Non-departmental | Debt Service | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|------------------|------------------|--------------|--------------|
| 2000-01 | \$ 537,032 | \$ 147,681 | \$ 700,526 | \$ 410,455 | \$ 654,407 | \$ 5,006,846 | \$ 2,500 | \$ 87,303 | \$ 850,279 | \$ - | \$ 196,350 | \$ 8,593,379 |
| 2001-02 | 564,660 | 157,739 | 772,810 | 477,449 | 822,856 | 4,830,495 | 2,500 | 128,010 | 4,418,115 | - | 517,850 | 12,692,484 |
| 2002-03 | 556,387 | 151,491 | 708,041 | 449,741 | 882,461 | 5,538,048 | 1,875 | 131,731 | 3,353,655 | - | 6,556,271 | 18,329,701 |
| 2003-04 | 564,990 | 161,432 | 1,029,527 | 125,488 | 1,130,147 | 5,915,569 | 2,581 | 351,097 | - | - | 776,616 | 10,057,447 |
| 2004-05 | 706,349 | 166,850 | 1,025,131 | 80,776 | 1,103,672 | 5,805,805 | 146,095 | 126,218 | - | - | 645,500 | 9,806,396 |
| 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 |
| 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 |
| 2007-08 | 637,307 | 289,644 | 916,489 | 480,351 | 2,224,879 | 6,712,554 | 16,915 | 199,290 | 96,408 | 33,346 | 733,796 | 12,320,979 |
| 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 |
| 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 |

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

(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 |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|--------------|
| | | | | | | | | | | |
| 2000-01 | \$ 1,543,884 | \$ 456,197 | \$ 41,167 | \$ 59 | \$ 149,062 | \$ 320,765 | \$ 221,327 | \$ 58,643 | \$ 5,332,308 | \$ 8,123,412 |
| 2001-02 | 2,144,690 | 473,157 | 40,698 | 104 | 269,000 | 383,043 | 276,079 | 128,627 | 5,666,614 | 9,382,012 |
| 2002-03 | 2,004,098 | 502,792 | 28,282 | 19 | 193,241 | 408,068 | 168,040 | 148,018 | 5,700,945 | 9,153,503 |
| 2003-04 | 2,299,874 | 541,617 | 45,948 | 42 | 30,231 | 479,924 | 208,965 | 161,766 | 6,041,629 | 9,809,996 |
| 2004-05 | 2,417,985 | 540,761 | 41,576 | 4,649 | 30,830 | 505,651 | 358,382 | 103,352 | 6,390,407 | 10,393,593 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Units.

(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 (1,3) | 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 |
|-------------|----------------------|-----------------------------|---------------------------|----------------------------------|-----------------------|--|----------------------------------|---|
| 2000-01 (3) | \$ 2,105,859 | \$ 1,556,294 | 73.90% | \$ 184,716 | \$ 1,741,010 | 82.67% | \$ 127,864 | 6.07% |
| 2001-02 | 2,616,720 | 2,345,019 | 89.62% | 177,712 | 2,522,731 | 96.41% | 212,926 | 8.14% |
| 2002-03 | 2,395,737 | 2,130,851 | 88.94% | 188,497 | 2,319,348 | 96.81% | 242,786 | 10.13% |
| 2003-04 | 2,678,043 | 2,366,956 | 88.38% | 224,318 | 2,591,274 | 96.76% | 241,068 | 9.00% |
| 2004-05 | 2,711,600 | 2,273,471 | 83.84% | 388,249 | 2,661,720 | 98.16% | 246,286 | 9.08% |
| 2005-06 | 2,929,648 | 2,736,744 | 93.42% | 230,670 | 2,967,414 | 101.29% | 334,218 | 11.41% |
| 2006-07 | 3,112,599 | 2,984,412 | 95.88% | 55,907 | 3,040,319 | 97.68% | 251,567 | 8.08% |
| 2007-08 | 3,179,745 | 3,038,611 | 95.56% | 113,253 | 3,151,864 | 99.12% | 248,628 | 7.82% |
| 2008-09 | 3,319,375 | 3,063,881 | 92.30% | 243,260 | 3,307,141 | 99.63% | 233,892 | 7.05% |
| 2009-10 | 3,326,076 | 3,063,417 | 92.10% | 230,319 | 3,293,736 | 99.03% | 250,667 | 7.54% |

(1) Exclusive of penalties and interest.

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

(3) 2001 first half taxes were not billed until the end of June, 2001.

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

| Fiscal Year | Real Estate | Personal Property and Mobile Homes | Machinery and Tools | Merchant's Capital | Public Utilities (1) | Total |
|-------------|----------------|------------------------------------|---------------------|--------------------|----------------------|----------------|
| 2000-01 | \$ 258,892,920 | \$ 25,913,118 | \$ 584,530 | \$ 192,670 | \$ 13,883,135 | \$ 299,466,373 |
| 2001-02 | 258,878,714 | 29,826,973 | 983,775 | 257,768 | 11,916,964 | 301,864,194 |
| 2002-03 | 265,938,820 | 26,278,931 | 855,190 | 188,355 | 11,054,787 | 304,316,083 |
| 2003-04 | 270,208,122 | 28,102,191 | 1,573,107 | 215,800 | 10,719,107 | 310,818,327 |
| 2004-05 | 274,639,994 | 27,937,143 | 1,222,718 | 236,649 | 10,988,011 | 315,024,515 |
| 2005-06 | 339,757,365 | 30,421,248 | 817,160 | 239,243 | 10,200,472 | 381,435,488 |
| 2006-07 | 408,091,150 | 31,803,077 | 1,060,098 | 249,334 | 13,430,535 | 454,634,194 |
| 2007-08 | 417,065,460 | 28,019,882 | 2,052,211 | 230,853 | 12,866,981 | 460,235,387 |
| 2008-09 | 420,709,126 | 33,348,621 | 2,373,758 | 307,033 | 11,474,204 | 468,212,742 |
| 2009-10 | 425,617,100 | 30,353,841 | 3,364,084 | 337,655 | 12,131,935 | 471,804,615 |

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 |
|----------------|-------------|----------------------|------------------------|-----------------------|
| 2000-01 | \$ 0.54 | \$ 2.50 | \$ 2.20 | \$ 3.50 |
| 2001-02 | 0.58 | 2.50 | 2.20 | 3.50 |
| 2002-03 | 0.66 | 2.50 | 2.20 | 3.50 |
| 2003-04 | 0.66 | 3.00 | 2.20 | 3.50 |
| 2004-05 | 0.66 | 3.00 | 2.20 | 3.50 |
| 2005-06 | 0.68 | 3.00 | 2.20 | 3.50 |
| 2006-07 | 0.52 | 3.00 | 2.20 | 3.50 |
| 2007-08 | 0.52/0.54 | 3.00 | 2.20 | 3.50 |
| 2008-09 | 0.54 | 3.00 | 2.20 | 3.50 |
| 2009-10 | 0.54/0.56 | 3.00 | 2.20 | 3.50 |

(1) Per \$100 of assessed value.

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 |
|-------------|----------------|-----------------------------------|---------------------|--|----------------------------|
| 2000-01 | 5,091 | \$ 299,466 | \$ 9,000,441 | 3.01% | \$ 1,768 |
| 2001-02 | 5,091 | 301,864 | 8,720,585 | 2.89% | 1,713 |
| 2002-03 | 5,091 | 304,316 | 7,630,025 | 2.51% | 1,499 |
| 2003-04 | 5,091 | 310,818 | 7,262,658 | 2.34% | 1,427 |
| 2004-05 | 5,091 | 315,025 | 6,759,520 | 2.15% | 1,328 |
| 2005-06 | 5,091 | 381,435 | 6,333,872 | 1.66% | 1,244 |
| 2006-07 | 5,091 | 454,634 | 5,905,037 | 1.30% | 1,160 |
| 2007-08 | 5,091 | 460,235 | 5,467,859 | 1.19% | 1,074 |
| 2008-09 | 5,091 | 468,213 | 5,027,068 | 1.07% | 987 |
| 2009-10 | 5,091 | 471,805 | 4,577,544 | 0.97% | 899 |

(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 landfill closure/post-closure care liability, capital leases, and compensated absences.

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 |
|-------------|------------|--------------|--------------------|---|--|
| 2000-01 | \$ 133,503 | \$ 62,847 | \$ 196,350 | \$ 8,593,379 | 2.28% |
| 2001-02 | 127,239 | 390,611 | 517,850 | 12,692,484 | 4.08% |
| 2002-03 | 6,178,054 | 378,217 | 6,556,271 | 18,329,701 | 35.77% |
| 2003-04 | 379,576 | 397,040 | 776,616 | 10,057,447 | 7.72% |
| 2004-05 | 290,206 | 355,294 | 645,500 | 9,806,396 | 6.58% |
| 2005-06 | 439,379 | 318,866 | 758,245 | 10,490,246 | 7.23% |
| 2006-07 | 443,398 | 300,622 | 744,020 | 12,180,747 | 6.11% |
| 2007-08 | 452,622 | 281,174 | 733,796 | 12,320,979 | 5.96% |
| 2008-09 | 440,791 | 263,068 | 703,859 | 13,586,974 | 5.18% |
| 2009-10 | 449,524 | 244,779 | 694,303 | 13,476,859 | 5.15% |

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

(2) Excludes bond issuance and other costs.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF CRAIG, VIRGINIA

We have audited the financial statements of the governmental activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the County of Craig, Virginia as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 10, 2010. 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 of Audits for Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2010-1 and 2010-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Craig, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-3 and 2010-4.

We noted certain matters that we reported to management of the County of Craig, Virginia in a separate letter dated December 10, 2010.

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

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

Robinson, Turner, Co. Associates

Christiansburg, Virginia
December 10, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF CRAIG, VIRGINIA

Compliance

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, 2010. The County of Craig, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Craig, Virginia's management. Our responsibility is to express an opinion on the County of Craig, Virginia's compliance based on our audit.

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

As described in item 2010-5 in the accompanying schedule of findings and questioned costs, County of Craig, Virginia did not comply with requirements regarding eligibility that are applicable to its Title IV-E program. Compliance with such requirements is necessary, in our opinion, for the County of Craig, Virginia to comply with the requirements applicable to that program.

As described in item 2010-6 in the accompanying schedule of findings and questioned costs, County of Craig, Virginia did not comply with requirements regarding cash management that are applicable to its Title VI-B program. Compliance with such requirements is necessary, in our opinion, for the County of Craig, Virginia to comply with the requirements applicable to that program.

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

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-5 and 2010-6 to be material weaknesses.

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

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

Robinson, Turner, Co. Associates

Christiansburg, Virginia
December 10, 2010

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

| 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 | 90249, 90360 | \$ 499 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90366, 90409 90411, 90412, 90413 | 47,808 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 90113, 90233, 90413, 90713 | 177 |
| Low-Income Home Energy Assistance | 93.568 | 90114, 90115, 90234, 90235 | 2,784 |
| Child Care and Development Block Grant | 93.575 | 90544, 90545 | 35,958 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 90116, 90117, 90118, 90236 90237, 90238, 90378 | 9,389 |
| Chafee Education and Training Vouchers Program | 93.599 | 90353 | 14,152 |
| Child Welfare Services - State Grants | 93.645 | 90251 | 142 |
| Foster Care - Title IV-E | 93.658 | 90105, 90106, 90107, 90209 90225, 90226, 90227, 90253 90258, 90405, 90406, 90407 90636, 90637, 90639, 90658 90705, 90706, 90707, 90733 90738 | 119,510 |
| ARRA - Foster Care - Title IV-E | 93.658 | 90636, 90637, 90639, 90658 | 12,368 |
| Adoption Assistance | 93.659 | 90108, 90214, 90228, 90408 90606, 90708 | 3,867 |
| ARRA - Adoption Assistance | 93.659 | 90606 | 239 |
| Social Services Block Grant | 93.667 | 90120, 90122, 90123, 90240 90242, 90243, 90262, 90306 90312, 90322, 90339, 90340 | 19,490 |
| Chafee Foster Care Independence Program | 93.674 | 90254 | 348 |
| ARRA - Child Care and Development Block Grant | 93.713 | 90517, 90545 | 3,164 |
| Children's Health Insurance Program | 93.767 | 90102, 90222, 90402, 90702 | 3,695 |
| Medical Assistance Program | 93.778 | 90101, 90146, 90213, 90221 90266, 90401, 90446, 90701 90746 | 45,227 |
| Total Department of Health and Human Services | | | \$ 318,817 |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Department of Agriculture: | | | |
| Food Distribution (Note 3) | 10.555 | 40623 | \$ 21,534 |
| Schools and Roads-Grants to States | 10.665 | 43841 | 188,534 |
| Department of Education: | | | |
| National school breakfast program | 10.553 | 40591 | 26,156 |
| National school lunch program | 10.555 | 40623 | 131,463 |

County of Craig, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

| Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| Department of Agriculture: (continued) | | | |
| Pass Through Payments: (continued) | | | |
| Rural Development: | | | |
| Community Facilities Loans and Grants | 10.766 | Not applicable | 6,900 |
| Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704 | 77,791 |
| ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704 | 2,062 |
| Total Department of Agriculture | | | <u>\$ 454,440</u> |
| Department of the Interior: | | | |
| Direct payments: | | | |
| Bureau of Land Management: | | | |
| Payments in Lieu of Taxes | 15.226 | Not applicable | <u>\$ 65,393</u> |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| Department of Criminal Justice Services: | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2008CKWX0799 | \$ 130,421 |
| Compensation Board: | | | |
| ARRA - Edward Byrne Memorial Justice Assistance Program - Grants to States & Territories | 16.803 | 09SUB9033 | <u>15,387</u> |
| Total Department of Justice | | | <u>\$ 145,808</u> |
| Department of Housing and Urban Development: | | | |
| Pass Through Payments: | | | |
| Department of Housing and Community Development: | | | |
| Community Development Block Grant | 14.228 | Not applicable | <u>\$ 33,993</u> |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| Department of Motor Vehicles: | | | |
| State and Community Highway Safety | 20.600 | SC-2009 59164 3467 SC-2010 50297 3917 | <u>\$ 23,450</u> |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| Department of Emergency Management: | | | |
| Emergency management performance grants | 97.042 | 52749 | \$ 5,000 |
| State homeland security program | 97.073 | 52707 | 25,500 |
| Law enforcement terrorism prevention program | 97.074 | 52717 | 119,187 |
| Performance State Domestic Preparedness Equipment Support Program | 97.004 | 52717 | <u>100,000</u> |
| Total Department of Homeland Security | | | <u>\$ 249,687</u> |

County of Craig, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

| Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| Department of Education: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Adult Education-Basic Grants to states | 84.002 | V002A080046 | \$ 7,808 |
| Title I: Grants to local educational agencies | 84.010 | 42892, 42901 | 208,336 |
| Special Education - Grants to states | 84.027 | 43071 | 170,254 |
| Title III: Impact aid | 84.041 | S041A-2009-5241 | 39,005 |
| Career and Technical Education: Basic grants to states | 84.048 | 61095 | 15,480 |
| Special Education - Preschool grants | 84.173 | 62521 | 6,870 |
| Safe and Drug-free schools and communities | 84.186 | 6051 | 2,068 |
| Education Technology state grants | 84.318 | 61600 | 1,557 |
| Improving teacher quality state grants | 84.367 | 61480 | 29,444 |
| School improvement grants | 84.377 | 43040 | 103,737 |
| ARRA - State fiscal stabilization funds - Education State Grants | 84.394 | 62532 | 335,932 |
| Total Department of Education | | | \$ 920,491 |
| Total Federal Expenditures | | | \$ 2,212,079 |

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, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profits 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 assets, 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-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 -- Food Distribution

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

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund \$ 952,181

Component Unit Schools:

School Operating Fund \$ 1,259,898

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 2,212,079

County of Craig, Virginia

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

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|-------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | Yes |
| Significant deficiencies? | No |
| Noncompliance material to financial statements noted? | Yes |

Federal Awards

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

Identification of major programs:

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u> |
|---------------|--|
| 10.553/10.555 | Child Nutrition Cluster |
| 84.010 | Title I: Grants to local educational agencies |
| 84.027/84.173 | Special Education Cluster |
| 84.394 | ARRA - State fiscal stabilization funds - Education state grants |
| 93.658 | Title IV-E Foster Care (includes ARRA funds) |
| 97.004 | State Domestic Preparedness Equipment Support Program |

| | |
|--|-----------|
| 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, Responses and Questioned Costs
Year Ended June 30, 2010

Section II - Financial Statement Findings

2010-1

| | |
|------------------------|---|
| 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 (including Social Services) 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; Accounts Payable and Payroll at the School Board; and Accounts Payable and Payroll in the Department of Social Services. |
| Cause of Condition: | The County, Social Services, 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. |

2010-2

| | |
|------------------------|--|
| Criteria: | All purchases should be properly cancelled and documented for review. |
| Condition: | The Department of Social Services lacks controls regarding accounts payable including: cancellation, proper supporting documentation, and detailed receipts for credit card purchases. |
| Cause of Condition: | Department of Social Services is unable to provide documentation for purchases made as they are improperly filed. |
| Effect of Condition: | There is more than a remote likelihood that an invoice would be paid twice or paid for an expense that is not the responsibility of the Department of Social Services. |
| Recommendation: | Management of Department of Social Services should implement a proper set of controls regarding accounts payable. This includes reviewing invoices, marking them as paid, and filing them in an orderly fashion with all necessary documentation attached. |
| Management's Response: | Management will have the Department of Social Services Director review invoices for approval prior to payment. |

County of Craig, Virginia

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

2010-3

| | |
|------------------------|--|
| Criteria: | All required documentation should be included in case files. |
| Condition: | A review, on a test basis, disclosed Comprehensive Services Act (CSA) case files missing necessary documentation. |
| Context: | Five case files were selected for testing for CSA. Our testing revealed three instances of incomplete case files. |
| Cause of Condition: | Department of Social Services is unable to provide documentation for CSA cases as they are improperly filed. |
| Effect of Condition: | There is more than a remote likelihood that all CSA case files do not contain required documentation. |
| Recommendation: | Management of Department of Social Services should maintain proper case files including all necessary information. |
| Management's Response: | Management of the Department of Social Services will review case files and include all required documentation going forward. |

2010-4

| | |
|------------------------|--|
| Criteria: | Behavioral aide expenditures are the responsibility of the School Board. |
| Condition: | The Department of Social Services reimbursed the School Board for behavioral aide expenses which is not an allowable Comprehensive Services Act (CSA) expense. |
| Cause of Condition: | Department of Social Services failed to quit this practice when the State Department of Social Services issued a letter to cease this operation. |
| Effect of Condition: | There is more than a remote likelihood that the State reimbursed the Department of Social Services for more expenses than were allowable. |
| Recommendation: | The Department of Social Services should discontinue this practice. |
| Management's Response: | The Department of Social Services will discontinue this practice. |

County of Craig, Virginia

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

Section III - Federal Award Findings and Questioned Costs

2010-5

Title IV-E-Foster Care-CFDA No. 93.658 (includes ARRA funds)

| | |
|-------------------------|---|
| Statement of Condition: | Eligibility: The County's case files lacked documentation of licensure of the foster parent's/home by the State Foster Care Licensing Authority that are applicable to the program. |
| Criteria: | The Department of Social Services should have internal controls in place to ensure all case files contain appropriate documentation of foster parent/home approval. |
| Context: | Five case files were selected for testing for Title IV-E Foster Care. Our testing revealed one instance of incomplete case files. |
| Cause: | Lack of oversight over the review of foster care case files. |
| Effect: | The Department of Social Services may use parents/homes that were not properly approved for foster care. |
| Recommendation: | Management should put into place internal controls such that these types of problems do not occur in the future. |
| Management's Response: | Management of the Department of Social Services has acknowledged the issue and will review case files for proper documentation. |

2010-6

Title VI-B-Special Education-CFDA No. 84.027/84.173

| | |
|-------------------------|---|
| Statement of Condition: | Unallowable expense: A review of expenditures on a test basis disclosed reimbursement requests in excess of applicable salary related to Title VI-B. |
| Criteria: | The School Board should have internal controls in place to ensure only expenditures incurred are included in the reimbursement requests. |
| Context: | Nine payroll transactions were selected for testing. Our review disclosed all nine transactions were calculated incorrectly for reimbursement. |
| Cause: | Lack of oversight over the reimbursement requests. |
| Questioned Costs: | Our review disclosed the School Board requested \$15,936 inappropriately. |
| Effect: | The School Board received more funds from the Federal Government than they should have received otherwise. |
| Recommendation: | Management should put into place internal controls such that these types of problems do not occur in the future. |
| Management's Response: | Management of the School Board has acknowledged the reimbursement requests exceeded actual expenditures incurred. They will use actual expenditures incurred going forward. |

County of Craig, Virginia

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Financial Statement finding 2009-1 was recurring this year. Financial Statement finding 2009-2 was corrected during this year. Federal Finding 2009-3 was corrected during the year.

Department of Social Services

FINDING 2009-3

Title IV-E – Foster Care – CFDA 93.568

Condition: A review of expenditures on a test basis disclosed an expenditure for therapy related to Foster Care. This is not an allowable expense.

Recommendation: The auditor recommended that management of the Department of Social Services should put into place internal controls such that these types of problems do not occur in the future.

Current Status: Management of the Department of Social Services has acknowledged the expenditure as unallowable. They reviewed the list of allowable expenses for future years.