

**COUNTY OF CRAIG, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2011**

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**COUNTY OF CRAIG, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2011**

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**COUNTY OF CRAIG, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011**

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## **INTRODUCTORY SECTION**

## COUNTY OF CRAIG, VIRGINIA

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### BOARD OF SUPERVISORS

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

### COUNTY SCHOOL BOARD

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Darlene Stanley, Vice Chair	Dawna McDowell, Chair	James Stephens
Jennifer McPherson	Heather Duncan, Clerk	Sue Bostic

### COUNTY WELFARE BOARD

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

### OTHER OFFICIALS

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Clerk of the Circuit Court .....	Sharon Oliver
Commonwealth's Attorney .....	Thaddeus R. Cox
Commissioner of the Revenue .....	Elizabeth C. Huffman
Treasurer .....	Jackie M. Parsons
Sheriff .....	Clifford Davidson
Superintendent of Schools .....	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

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## Independent Auditors' Report

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### 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, 2011, 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, 2011, 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 described in Note 1 to the financial statements, the County of Craig, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Craig, Virginia's, basic financial statements as a whole. The supplementary financial statements, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The supplementary financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit the information is fairly stated in all material respects in relation to the financial statements as a whole. The supporting schedules and other statistical information have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*Robinson, Famer, Co. Associates*

Christiansburg, Virginia  
November 29, 2011



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## **Basic Financial Statements**

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County of Craig, Virginia  
Statement of Net Assets  
June 30, 2011

	<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>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,388,862	\$ 163,539	\$ 53,258
Investments	266,479	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,366,613	-	-
Other local taxes receivable	69,447	-	-
Accounts receivable	-	10,000	65
Notes receivable	-	-	6,450
Due from component unit	675,635	-	-
Due from other governmental units	285,359	734,573	-
Prepaid expenses	-	38,454	-
Capital assets (net of accumulated depreciation):			
Land	137,635	37,504	524,017
Buildings and improvements	7,394,862	444,369	1,201,653
Machinery and equipment	342,732	254,671	-
Construction in progress	43,734	-	-
Total assets	<u>\$ 12,971,358</u>	<u>\$ 1,683,110</u>	<u>\$ 1,785,443</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 25,172	\$ 232,477	\$ 2,775
Accrued interest payable	81,703	-	-
Due to primary government	-	675,635	-
Unearned revenue	1,202,161	-	502
Long-term liabilities:			
Due within one year	425,208	60,049	-
Due in more than one year	3,920,742	20,016	-
Total liabilities	<u>\$ 5,654,986</u>	<u>\$ 988,177</u>	<u>\$ 3,277</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,725,799	\$ 736,544	\$ 1,725,670
Restricted for:			
Law Library	6,669	-	-
Courthouse Maintenance	5,665	-	-
Unrestricted (deficit)	3,578,239	(41,611)	56,496
Total net assets	<u>\$ 7,316,372</u>	<u>\$ 694,933</u>	<u>\$ 1,782,166</u>

The accompanying 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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	School Board	IDA
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 687,867	\$ 855	\$ 161,415	\$ -	\$ (525,597)		
Judicial administration	282,026	329	224,413	-	(57,284)		
Public safety	1,326,612	43,140	749,820	-	(533,652)		
Public works	523,087	9,919	6,910	-	(506,258)		
Health and welfare	1,907,221	321,791	979,621	-	(605,809)		
Education	1,804,288	-	-	-	(1,804,288)		
Parks, recreation, and cultural	18,353	-	5,505	11,242	(1,606)		
Community development	279,026	1,430	-	-	(277,596)		
Interest on long-term debt	220,027	-	-	-	(220,027)		
Total primary government	\$ 7,048,507	\$ 377,464	\$ 2,127,884	\$ 11,242	\$ (4,532,117)		
<b>COMPONENT UNITS:</b>							
School Board	\$ 7,432,011	\$ 161,583	\$ 5,237,819	\$ -	\$ (2,032,609)	\$ (46,847)	
IDA	46,847	-	-	-			
Total component units	\$ 7,478,858	\$ 161,583	\$ 5,237,819	\$ -	\$ (2,032,609)	\$ (46,847)	
General revenues:							
General property taxes					\$ 3,102,510	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					141,078	-	-
Consumers' utility taxes					113,526	-	-
Consumption taxes					12,864	-	-
Franchise license taxes					5,633	-	-
Motor vehicle licenses					114,698	-	-
Recordation tax					19,073	-	-
Hotel and motel room taxes					12,487	-	-
Restaurant food taxes					68,565	-	-
Unrestricted revenues from use of money and property					103,846	-	11,214
Miscellaneous					116,562	157,943	10,145
Contributions from the County of Craig					-	1,803,789	161,923
Grants and contributions not restricted to specific programs					575,104	-	-
Total general revenues					\$ 4,385,946	\$ 1,961,732	\$ 183,282
Change in net assets					(146,171)	(70,877)	136,435
Net assets - beginning					7,462,543	765,810	1,645,731
Net assets - ending					\$ 7,316,372	\$ 694,933	\$ 1,782,166

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

County of Craig, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2011

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,388,862
Investments	266,479
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,366,613
Other local taxes receivable	69,447
Due from component unit	675,635
Due from other governmental units	285,359
Total assets	<u>\$ 5,052,395</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 25,172
Deferred revenue	1,334,331
Total liabilities	<u>\$ 1,359,503</u>
Fund balances:	
Restricted:	
Law Library	\$ 6,669
Courthouse Maintenance	5,665
Assigned:	
Public Assistance	13,096
Child Care	230,331
Commons	205,444
Memorial	3,052
Unassigned:	3,228,635
Total fund balances	<u>\$ 3,692,892</u>
Total liabilities and fund balances	<u>\$ 5,052,395</u>

The accompanying 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, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,692,892
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,918,963
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	132,170
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,427,653)
Net assets of governmental activities	<u>\$ 7,316,372</u>

The accompanying 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, 2011**

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	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 3,116,109
Other local taxes	487,924
Permits, privilege fees, and regulatory licenses	36,430
Fines and forfeitures	1,516
Revenue from the use of money and property	103,846
Charges for services	339,518
Miscellaneous	116,562
Recovered costs	226,339
Intergovernmental revenues:	
Commonwealth	1,893,844
Federal	820,186
Total revenues	<u>\$ 7,142,274</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 673,402
Judicial administration	289,089
Public safety	1,395,669
Public works	475,083
Health and welfare	1,997,644
Education	1,586,433
Parks, recreation, and cultural	29,595
Community development	457,847
Nondepartmental	65,290
Capital projects	305,814
Debt service:	
Principal retirement	353,609
Interest and other fiscal charges	225,694
Total expenditures	<u>\$ 7,855,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (712,895)</u>
Net change in fund balances	\$ (712,895)
Fund balances - beginning	<u>4,405,787</u>
Fund balances - ending	<u><u>\$ 3,692,892</u></u>

The accompanying 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, 2011

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

Net change in fund balances - total governmental funds	\$ (712,895)
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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.	185,720
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(13,599)
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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.	337,531
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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.	57,072
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Change in net assets of governmental activities	<u><u>\$ (146,171)</u></u>
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The accompanying 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, 2011

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	Agency Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 37,570
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 30,959
Amounts held for land sales	6,611
Total liabilities	\$ 37,570

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



COUNTY OF CRAIG, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

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**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, 2011, 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, 2011

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**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, 2011

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**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 and Land Sale Funds.

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, 2011

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**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."

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 5<sup>th</sup> and June 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$58,325 at June 30, 2011 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

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

6. Capital assets (Continued)

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:

<b>Assets</b>	<b>Years</b>
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.

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.

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

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

9. Fund equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**Note 1—Summary of Significant Accounting Policies: (Continued)**

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

## 9. Fund equity (Continued)

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

## 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 \$(4,427,653) and \$(80,065) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General Obligation Bonds	\$ (4,193,164)	\$ -
Unfunded Pension Obligation	(30,771)	-
Accrued interest payable	(81,703)	-
Net OPEB Obligation	(16,078)	-
Compensated absences	(105,937)	(80,065)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (4,427,653)	\$ (80,065)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$185,720 and \$(41,481) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 567,659	\$ 14,135
Depreciation expense	<u>(381,939)</u>	<u>(55,616)</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>185,720</u>	\$ <u>(41,481)</u>

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 \$337,531 difference in the primary government are as follows:

(Increase) Decrease in Net OPEB Obligation	\$ (16,078)
Principal repayments:	
General obligation debt	\$ 308,760
Unfunded pension obligation	<u>44,849</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>337,531</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$57,072 and \$(13,306) 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	\$ 51,405	\$ (13,306)
(Increase) decrease in accrued interest	5,667	-
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>	\$ 57,072	\$ (13,306)

**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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 3—Stewardship, Compliance, and Accountability: (Continued)**

A. Budgetary information (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. 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

For fiscal year ended June 30, 2011 the CSA department exceeded its appropriations.

C. Deficit fund equity

At June 30, 2011, there were no funds with deficit fund equity.

**Note 4—Deposits and Investments:**

Deposits:

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

Investments:

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 4—Deposits and Investments: (Continued)**

Investments: (Continued)

Credit Risk of Debt Securities

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

The County's rated debt investments as of June 30, 2011 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 266,479

Concentration of Credit Risk

At June 30, 2011, 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, 2011, 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, 2011

**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	\$ 24,699	\$ -
State sales tax	-	116,930
Non-categorical aid	22,607	-
Categorical aid-shared expenses	67,459	-
Categorical aid-Welfare payments	95,270	-
Categorical aid-other	8,267	-
<u>Federal Government:</u>		
Categorical aid-Welfare payments	67,057	-
School federal programs	-	617,643
Totals	<u>\$ 285,359</u>	<u>\$ 734,573</u>

**Note 6—Long-Term Debt:**

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
General obligation bonds	\$ 4,501,924	\$ -	\$ (308,760)	\$ 4,193,164
Unfunded pension				
obligation/refunding bond	75,620	-	(44,849)	30,771
Net OPEB Obligation	-	16,719	(641)	16,078
Compensated absences	157,342	66,602	(118,007)	105,937
Total	<u>\$ 4,734,886</u>	<u>\$ 83,321</u>	<u>\$ (472,257)</u>	<u>\$ 4,345,950</u>

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

**Note 6—Long-Term Debt: (Continued)**

Primary Government - Governmental Activity Indebtedness: (continued)

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
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	342,929	142,077	-	-
2017-2021	1,861,706	429,700	-	-
2022-2024	698,791	34,896	-	-
Totals	\$ 4,193,164	\$ 1,342,009	\$ 30,771	\$ 2,026

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	\$ 940,000	\$ 65,000
VPESA General Obligation Bond	2.35-5.84%	02/02/03	07/15/22	5,210,980	3,253,164	249,984
Total Obligation Bonds					\$ 4,193,164	\$ 314,984
<u>Refunding Bonds:</u>						
Refunding Bond	6.78%	05/26/99	05/01/12	\$ 525,117	\$ 30,771	\$ 30,771
<u>Other Long-term Obligations:</u>						
Compensated Absences					\$ 105,937	\$ 79,453
Net OPEB Obligation (Note 15)					16,078	-
Total Other Long-term Obligations					\$ 122,015	\$ 79,453
Total Long-term Obligations					\$ 4,345,950	\$ 425,208

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

**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, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Compensated absences	\$ 66,759	\$ 63,375	\$ (50,069)	\$ 80,065

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
Other Obligations:		
Compensated absences	\$ 80,065	\$ 60,049

**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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

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

A. Plan Description (Continued)

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2: (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

**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 compensation toward their retirement. All or part of the 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 June 30, 2011 was 13.77% (including the member contribution of 5.00%) 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 compensation toward their retirement. All or part of the 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, 2011 was 16.16% (including the member contribution of 5.00%) of annual covered payroll.

**C. Annual Pension Cost:**

For fiscal year 2011, the County of Craig, Virginia's annual pension cost of \$141,682 and \$45,124 was equal to the County of Craig, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Schedule of Funding Progress

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2011	\$ 141,682	100.00%	\$ -
	6/30/2010	124,845	100.00%	-
	6/30/2009	125,800	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	\$ 45,124	100.00%	\$ -
	6/30/2010	27,481	100.00%	-
	6/30/2009	27,959	100.00%	-

<sup>1</sup> Employer portion only



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

C. Annual Pension Cost: (Continued)

Primary Government:

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75%** to **5.60%** per year for general government employees and **3.50%** to **4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was within a period of 20 years.

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

The FY11 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75%** to **5.60%** per year for general government employees and **3.50%** to **4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was within a period of 20 years.

D. Funded Status and Funding Progress:

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 81.07% funded. The actuarial accrued liability for benefits was \$6,487,303, and the actuarial value of assets was \$5,259,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,228,303. The covered payroll (annual payroll of active employees covered by the plan) was \$1,612,622, and ratio of the UAAL to the covered payroll was 76.17%.

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

As of June 30, 2010, the most recent actuarial valuation date, the plan was 74.84% funded. The actuarial accrued liability for benefits was \$1,359,342, and the actuarial value of assets was \$1,017,292, resulting in an unfunded actuarial accrued liability (UAAL) of \$342,050. The covered payroll (annual payroll of active employees covered by the plan) was \$393,619, and ratio of the UAAL to the covered payroll was 86.90%.

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

D. Funded Status and Funding Progress: (Continued)

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.

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. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 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 compensation toward their retirement. All or part of the 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, 2011, 2010 and 2009 were \$319,297, \$409,959, and \$495,420 (including the member contribution), respectively, and equal to the required contributions for each year. These amounts represent 8.93%, 13.81%, and 13.81% (including the member contribution of 5%), of covered annual payroll for the fiscal years ended 2011, 2010, and 2009, respectively.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

**Note 9—Capital Assets:**

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 118,717	\$ 18,918	\$ -	\$ 137,635
Construction in progress	-	43,734	-	43,734
Total capital assets not being depreciated	\$ 118,717	\$ 62,652	\$ -	\$ 181,369
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,806,202	\$ 275,278	\$ -	\$ 11,081,480
Machinery and equipment	918,999	229,729	-	1,148,728
Total capital assets being depreciated	\$ 11,725,201	\$ 505,007	\$ -	\$ 12,230,208
Less: accumulated depreciation for:		-		
Buildings and improvements	\$ (3,401,248)	\$ (285,370)	\$ -	\$ (3,686,618)
Machinery and equipment	(709,427)	(96,569)	-	(805,996)
Total accumulated depreciation	\$ (4,110,675)	\$ (381,939)	\$ -	\$ (4,492,614)
Total capital assets being depreciated, net	\$ 7,614,526	\$ 123,068	\$ -	\$ 7,737,594
Governmental activities capital assets, net	\$ 7,733,243	\$ 185,720	\$ -	\$ 7,918,963

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

Governmental activities:	
General government administration	\$ 30,301
Judicial administration	1,357
Public safety	82,867
Public works	47,588
Health and welfare	1,971
Education	217,855
Total depreciation expense-governmental activities	\$ 381,939

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

**Note 9—Capital Assets: (Continued)**

Discretely Presented Component Unit

Capital asset activity for the School Board for the year ended June 30, 2011 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	\$ 14,135	\$ -	\$ 1,270,445
Machinery and equipment	799,216	-	-	799,216
Total capital assets being depreciated	\$ 2,055,526	\$ 14,135	\$ -	\$ 2,069,661
Less: accumulated depreciation for:				
Buildings and improvements	\$ (824,473)	\$ (1,603)	\$ -	\$ (826,076)
Machinery and equipment	(490,532)	(54,013)	-	(544,545)
Total accumulated depreciation	\$ (1,315,005)	\$ (55,616)	\$ -	\$ (1,370,621)
Total capital assets being depreciated, net	\$ 740,521	\$ (41,481)	\$ -	\$ 699,040
Governmental activities capital assets, net	\$ 778,025	\$ (41,481)	\$ -	\$ 736,544

**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, 2011

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

USF&G Insurance Company-Surety:

David Fridley, Animal Warden	\$	1,000
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
Heather Duncan, 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 13—Deferred Revenue:**

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,156,419	\$ 1,288,559
Prepaid taxes	45,742	45,742
Total deferred/unearned revenue for governmental funds	\$ 1,202,161	\$ 1,334,301

**Note 14—Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:****A. Plan Description**

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 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 2011 was 0.28% of annual covered payroll.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**Note 14—Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (Continued)**

**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 2011, the County's contribution of \$2,100 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 2011 and the preceding two years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Primary Government:				
County	6/30/2011	\$ 2,100	100.00%	-
	6/30/2010	7,402	100.00%	-
	6/30/2009	7,458	100.00%	-

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 48,080
Actuarial value of plan assets	\$ 32,003
Unfunded actuarial accrued liability (UAAL)	\$ 16,077
Funded ratio (actuarial value of plan assets/AAL)	66.56%
Covered payroll (active plan members)	\$ 1,612,622
UAAL as a percentage of covered payroll	1.00%

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.

**Note 14—Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (Continued)**

**D. Funded Status and Funding Progress (Continued)**

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 7.50% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2010 was 26 years.

**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 0.60% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2011 was \$21,453 and equaled the required contributions.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 15-Other Post-Employment Benefits (OPEB)-Health Insurance:**

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2011, the County recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2011 liability.

**A. Plan Description**

The County of Craig, Virginia administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees in the health insurance programs available to County employees. The Plan will provide retiring employees the option to continue health insurance offered by the County. Any County employee eligible retiree may receive this benefit until he/she has reached sixty five years of age.

To be eligible for this benefit a retiree must meet be eligible to retire with the Virginia Retirement System (VRS-as described in Note 8). The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and can be amended through the Board of Supervisors action. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

The County currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The County currently has 37 employees that are eligible, respectively, for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

Health benefits include Medical, Dental, and Vision coverage for retirees. Retirees are eligible to choose one of the following medical options through the County. The annual premiums are as follows:

	<b>Medical &amp; Rx</b>	
	<b>Retiree</b>	
<b>Under 65</b>	\$	6,480

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

**Note 15-Other Post-Employment Benefits (OPEB)-Health Insurance: (Continued)**

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$	16,719
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		16,719
Contributions made		641
Increase in net OPEB obligation		16,078
Net OPEB obligation - beginning of year		-
Net OPEB obligation - end of year	\$	16,078

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 16,719	3.83%	\$ 16,078

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of June 30, 2011, is as follows:

Actuarial accrued liability (AAL)	\$	161,320
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	161,320
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	1,206,283
UAAL as a percentage of covered payroll		13.37%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 15-Other Post-Employment Benefits (OPEB)-Health Insurance: (Continued)**

**D. Funded Status and Funding Progress (Continued)**

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

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

**E. Actuarial Methods and Assumptions**

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

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

In the June 30, 2011, actuarial valuation, the level percent of payroll amortization method was used. Under this method, payments are calculated as a constant percentage of projected payroll over a given number of years. Assumptions used in the calculation include: inflation rate at 3.00%, discount rate at 4.00%, and healthcare costs trending downward from 8.00% to 4.70% over a ten year period. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011 was 30 years.

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## Required Supplementary Information

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County of Craig, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 3,107,000	\$ 3,107,000	\$ 3,116,109	\$ 9,109
Other local taxes	484,894	484,894	487,924	3,030
Permits, privilege fees, and regulatory licenses	26,600	26,600	36,430	9,830
Fines and forfeitures	3,100	3,100	1,516	(1,584)
Revenue from the use of money and property	85,600	85,600	103,846	18,246
Charges for services	445,712	445,979	339,518	(106,461)
Miscellaneous	85,500	101,117	116,562	15,445
Recovered costs	159,659	170,025	226,339	56,314
Intergovernmental revenues:				
Commonwealth	2,073,003	2,110,275	1,893,844	(216,431)
Federal	876,091	949,830	820,186	(129,644)
Total revenues	\$ 7,347,159	\$ 7,484,420	\$ 7,142,274	\$ (342,146)
EXPENDITURES				
Current:				
General government administration	\$ 638,825	\$ 708,623	\$ 673,402	\$ 35,221
Judicial administration	242,540	313,173	289,089	24,084
Public safety	1,002,076	1,622,488	1,395,669	226,819
Public works	444,279	504,806	475,083	29,723
Health and welfare	2,254,857	2,254,857	1,997,644	257,213
Education	1,931,821	2,195,403	1,586,433	608,970
Parks, recreation, and cultural	28,385	30,467	29,595	872
Community development	282,202	484,438	457,847	26,591
Nondepartmental	150,707	67,564	65,290	2,274
Capital projects	900,544	1,070,450	305,814	764,636
Debt service:				
Principal retirement	353,609	353,609	353,609	-
Interest and other fiscal charges	225,698	230,698	225,694	5,004
Total expenditures	\$ 8,455,543	\$ 9,836,576	\$ 7,855,169	\$ 1,981,407
Excess (deficiency) of revenues over (under) expenditures	\$ (1,108,384)	\$ (2,352,156)	\$ (712,895)	\$ 1,639,261
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 96,516	\$ -	\$ (96,516)
Net change in fund balances	\$ (1,108,384)	\$ (2,255,640)	\$ (712,895)	\$ 1,542,745
Fund balances - beginning	1,108,384	2,396,667	4,405,787	2,009,120
Fund balances - ending	\$ -	\$ 141,027	\$ 3,692,892	\$ 3,551,865

**County of Craig, Virginia**  
**Schedule of Pension and OPEB Funding Progress**  
**For the Year Ended June 30, 2011**

**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)
6/30/2010	\$ 5,259,000	\$ 6,487,303	\$ 1,228,303	81.07%	\$ 1,612,622	76.17%
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%

*County Other Postemployment Benefits Plan-VRS Health Insurance Credit*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 32,003	\$ 48,080	\$ 16,077	66.56%	\$ 1,612,622	1.00%
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%

*County Other Postemployment Benefits Plan-Health Insurance*

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)
6/30/2011	\$ -	\$ 161,320	\$ 161,320	0.00%	\$ 1,206,283	13.37%

\*Only one year available

**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)
6/30/2010	\$ 1,017,292	\$ 1,359,342	\$ 342,050	74.84%	\$ 393,619	86.90%
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%

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## Other Supplementary Information

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County of Craig, Virginia  
Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Assets</b>				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 32,350	\$ 14,094	\$ (15,485)	\$ 30,959
Land Sale Fund	-	6,611	-	6,611
Total Assets	<u>\$ 32,350</u>	<u>\$ 20,705</u>	<u>\$ (15,485)</u>	<u>\$ 37,570</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 32,350	\$ 14,094	\$ (15,485)	\$ 30,959
Amounts held for land sales	-	6,611	-	6,611
Total Liabilities	<u>\$ 32,350</u>	<u>\$ 20,705</u>	<u>\$ (15,485)</u>	<u>\$ 37,570</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, 2011

	School Operating <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 163,539
Receivables (net of allowance for uncollectibles):	
Accounts receivable	10,000
Due from other governmental units	\$ 734,573
Total assets	<u>\$ 908,112</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 232,477
Due to primary government	675,635
Total liabilities	<u>\$ 908,112</u>
Fund balances:	
Unassigned:	<u>\$ -</u>
Total liabilities and fund balances	<u>\$ 908,112</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.	736,544
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(80,065)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	38,454
Net assets of governmental activities	<u>\$ 694,933</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, 2011

	School Operating Fund
<b>REVENUES</b>	
Charges for services	\$ 161,583
Miscellaneous	157,943
Intergovernmental revenues:	
Local government	1,585,934
Commonwealth	3,884,256
Federal	1,353,563
Total revenues	<u>\$ 7,143,279</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 7,143,279</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.	(41,481)
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.	(13,306)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	(16,090)
Change in net assets of governmental activities	<u><u>\$ (70,877)</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, 2011

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 204,373	\$ 204,373	\$ 161,583	\$ (42,790)
Miscellaneous	123,887	146,446	157,943	11,497
Intergovernmental revenues:				
Local government	1,930,255	2,193,837	1,585,934	(607,903)
Commonwealth	4,048,445	4,053,780	3,884,256	(169,524)
Federal	774,196	1,322,315	1,353,563	31,248
Total revenues	<u>\$ 7,081,156</u>	<u>\$ 7,920,751</u>	<u>\$ 7,143,279</u>	<u>\$ (777,472)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 7,081,156	\$ 7,824,235	\$ 7,143,279	\$ 680,956
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 96,516	\$ -	\$ (96,516)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out		\$ (96,516)		\$ 96,516
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, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,490,000	\$ 2,490,000	\$ 2,388,153	\$ (101,847)
Real and personal public service corporation taxes	65,000	65,000	82,292	17,292
Personal property taxes	440,000	440,000	505,936	65,936
Mobile home taxes	13,000	13,000	16,293	3,293
Machinery and tools taxes	52,000	52,000	61,631	9,631
Merchant's capital	10,000	10,000	10,750	750
Penalties	22,000	22,000	30,437	8,437
Interest	15,000	15,000	20,617	5,617
Total general property taxes	<u>\$ 3,107,000</u>	<u>\$ 3,107,000</u>	<u>\$ 3,116,109</u>	<u>\$ 9,109</u>
Other local taxes:				
Local sales and use taxes	\$ 148,894	\$ 148,894	\$ 141,078	\$ (7,816)
Consumers' utility taxes	112,000	112,000	113,526	1,526
Consumption taxes	11,000	11,000	12,864	1,864
Franchise license taxes	1,000	1,000	5,633	4,633
Motor vehicle licenses	115,000	115,000	114,698	(302)
Recordation tax	30,000	30,000	19,073	(10,927)
Hotel and motel room taxes	12,000	12,000	12,487	487
Restaurant food taxes	55,000	55,000	68,565	13,565
Total other local taxes	<u>\$ 484,894</u>	<u>\$ 484,894</u>	<u>\$ 487,924</u>	<u>\$ 3,030</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 9,584	\$ (416)
Transfer fees	200	200	189	(11)
Zoning, subdivision permits and erosion and sediment control	1,200	1,200	1,430	230
Building permits	15,000	14,350	25,227	10,877
Other permits and licenses	200	850	-	(850)
Total permits, privilege fees, and regulatory licenses	<u>\$ 26,600</u>	<u>\$ 26,600</u>	<u>\$ 36,430</u>	<u>\$ 9,830</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 3,000	\$ 3,000	\$ 1,414	\$ (1,586)
Interest on fines	100	100	74	(26)
Law library costs	-	-	28	28
Total fines and forfeitures	<u>\$ 3,100</u>	<u>\$ 3,100</u>	<u>\$ 1,516</u>	<u>\$ (1,584)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 25,000	\$ 25,000	\$ 19,655	\$ (5,345)
Revenue from use of property	60,600	60,600	84,191	23,591
Total revenue from use of money and property	<u>\$ 85,600</u>	<u>\$ 85,600</u>	<u>\$ 103,846</u>	<u>\$ 18,246</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ -	\$ -	\$ 288	\$ 288
Charges for courthouse maintenance	-	-	1,539	1,539
Charges for courthouse security	-	-	6,049	6,049
Document production costs	-	267	666	399
Charges for Commonwealth's Attorney	300	300	301	1
Charges for sanitation and waste removal	2,000	2,000	8,380	6,380
Child and adult daycare charges	442,912	442,912	321,791	(121,121)
Jail admission fees	500	500	504	4
Total charges for services	<u>\$ 445,712</u>	<u>\$ 445,979</u>	<u>\$ 339,518</u>	<u>\$ (106,461)</u>

County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 85,500	\$ 101,117	\$ 116,562	\$ 15,445
Recovered costs:				
Mt Castle salary reimbursement	\$ 129,475	\$ 131,770	\$ 130,825	\$ (945)
LOA	-	-	38,003	38,003
VHDA Admin	-	-	9,018	9,018
Other recovered costs	30,184	38,255	48,493	10,238
Total recovered costs	\$ 159,659	\$ 170,025	\$ 226,339	\$ 56,314
Total revenue from local sources	\$ 4,398,065	\$ 4,424,315	\$ 4,428,244	\$ 3,929
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 300	\$ 300	\$ 381	\$ 81
Mobile home titling tax	10,000	10,000	7,097	(2,903)
Motor vehicle carriers tax	-	-	32	32
Grantor's tax	8,500	8,500	4,718	(3,782)
State recordation tax	9,000	9,000	8,034	(966)
Communication tax	122,000	122,000	120,253	(1,747)
Personal property tax relief funds	341,055	341,055	341,055	-
Total noncategorical aid	\$ 490,855	\$ 490,855	\$ 481,570	\$ (9,285)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 67,983	\$ 67,983	\$ 66,075	\$ (1,908)
Sheriff	469,225	469,225	444,152	(25,073)
Commissioner of revenue	66,854	66,854	65,460	(1,394)
Treasurer	70,690	70,690	68,660	(2,030)
Registrar/electoral board	30,000	30,000	27,295	(2,705)
Clerk of the Circuit Court	126,091	150,665	158,338	7,673
Total shared expenses	\$ 830,843	\$ 855,417	\$ 829,980	\$ (25,437)
Other categorical aid:				
Welfare payments	\$ 274,407	\$ 274,407	\$ 151,308	\$ (123,099)
CSA payments	463,580	463,580	320,587	(142,993)
State and local foster care	-	-	5,305	5,305
Litter control grant	7,500	14,410	6,910	(7,500)
Four-for-life	-	5,783	5,783	-
Fire program	-	-	16,000	16,000
Library grant	5,818	5,823	5,505	(318)
State E-911 program	-	-	38,595	38,595
State seizures	-	-	13,637	13,637
Quality Initiative grant	-	-	6,600	6,600
Emergency medical services	-	-	4,000	4,000
Homeland security grants	-	-	564	564
Forest service grant	-	-	7,500	7,500
Total other categorical aid	\$ 751,305	\$ 764,003	\$ 582,294	\$ (181,709)

County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Total categorical aid	\$ 1,582,148	\$ 1,619,420	\$ 1,412,274	\$ (207,146)
Total revenue from the Commonwealth	\$ 2,073,003	\$ 2,110,275	\$ 1,893,844	\$ (216,431)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 123,000	\$ 123,000	\$ 93,534	\$ (29,466)
Categorical aid:				
Welfare payments	\$ 540,091	\$ 540,091	\$ 309,212	\$ (230,879)
ARRA - Welfare payments	-	-	6,609	6,609
DMV grants	-	22,275	22,275	-
Child care grant	180,000	180,000	180,000	-
Forest Reserve	28,000	35,500	25,450	(10,050)
Greenway trail grant	-	-	11,242	11,242
Criminal Justice	-	-	166,864	166,864
Emergency management preparedness grant	5,000	48,964	5,000	(43,964)
Total categorical aid	\$ 753,091	\$ 826,830	\$ 726,652	\$ (100,178)
Total revenue from the federal government	\$ 876,091	\$ 949,830	\$ 820,186	\$ (129,644)
Total Primary Government	\$ 7,347,159	\$ 7,484,420	\$ 7,142,274	\$ (342,146)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 204,373	\$ 204,373	\$ 161,583	\$ (42,790)
Miscellaneous revenue:				
Miscellaneous	\$ 123,887	\$ 146,446	\$ 157,943	\$ 11,497
Total revenue from local sources	\$ 328,260	\$ 350,819	\$ 319,526	\$ (31,293)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Craig, Virginia	\$ 1,930,255	\$ 2,193,837	\$ 1,585,934	\$ (607,903)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 659,421	\$ 659,421	\$ 686,078	\$ 26,657
Basic school aid	2,256,405	2,256,405	2,140,522	(115,883)
Remedial summer education	38,355	38,355	30,229	(8,126)
Special foster care	4,845	4,845	-	(4,845)
Gifted and talented	22,356	22,356	22,407	51
Composite index hold harmless	53,515	53,515	50,307	(3,208)
English as a second language	-	-	766	766
Remedial education	46,201	46,201	46,308	107



County of Craig, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Special education	\$ 369,612	\$ 369,612	\$ 420,179	\$ 50,567
Textbook payment	26,101	26,101	17,411	(8,690)
Jobs for Virginia graduates	-	-	13,500	13,500
Early intervention	12,938	12,938	10,782	(2,156)
Vocational standards of quality payments	75,015	75,015	62,897	(12,118)
Fringe benefits	231,008	231,008	231,542	534
Occupational prep	-	-	3,162	3,162
Homebound education	8,454	8,454	3,181	(5,273)
School food	4,966	4,966	5,012	46
Vocational education - equipment	6,354	6,354	2,962	(3,392)
At risk payments	33,634	33,634	33,634	-
Primary class size	82,023	82,023	75,944	(6,079)
VPSA technology payment	102,000	107,335	5,335	(102,000)
Standards of Learning algebra readiness	4,420	4,420	4,420	-
Mentor teacher	2,963	2,963	1,068	(1,895)
Lottery proceeds	-	-	8,751	8,751
ISAEF	7,859	7,859	7,859	-
Total categorical aid	\$ 4,048,445	\$ 4,053,780	\$ 3,884,256	\$ (169,524)
Total revenue from the Commonwealth	\$ 4,048,445	\$ 4,053,780	\$ 3,884,256	\$ (169,524)
Revenue from the federal government:				
Categorical aid:				
Adult Literacy	\$ 9,406	\$ 9,406	\$ 5,040	\$ (4,366)
Title I	128,285	128,285	58,910	(69,375)
ARRA - Title I	-	-	74,042	74,042
School improvement grant	-	179,167	71,963	(107,204)
Forest reserve fund	138,232	144,219	144,219	-
Title VI-B, special education flow-through	157,518	157,518	130,941	(26,577)
ARRA Title VI-B, special education flow-through	170,585	170,585	130,977	(39,608)
Vocational education	13,512	13,512	15,910	2,398
Title VI-B, special education pre-school	2,342	2,342	6,872	4,530
ARRA - Title VI-B, special education pre-school	5,744	5,744	4,673	(1,071)
Drug free schools	-	-	2,245	2,245
Title III, Impact aid	12,000	79,871	56,434	(23,437)
Title II, Part A	30,931	30,931	6,786	(24,145)
School breakfast program	20,000	20,000	31,053	11,053
School lunch program	80,000	80,000	140,899	60,899
Other federal funds	4,078	4,078	-	(4,078)
ARRA - State fiscal stabilization funds	-	102,971	280,476	177,505
ARRA - Educational jobs funds	-	192,123	192,123	-
Educational technology	1,563	1,563	-	(1,563)
Total categorical aid	\$ 774,196	\$ 1,322,315	\$ 1,353,563	\$ 31,248
Total revenue from the federal government	\$ 774,196	\$ 1,322,315	\$ 1,353,563	\$ 31,248
Total Discretely Presented Component Unit - School Board	\$ 7,081,156	\$ 7,920,751	\$ 7,143,279	\$ (777,472)

County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 27,660	\$ 35,765	\$ 33,853	\$ 1,912
General and financial administration:				
County administrator	\$ 102,412	\$ 103,717	\$ 102,505	\$ 1,212
Commissioner of revenue	135,426	137,592	130,052	7,540
Reassessment	-	28,082	25,828	2,254
Audit	56,625	57,125	52,997	4,128
Treasurer	161,961	167,901	164,282	3,619
Accounting/purchasing	46,644	47,703	47,034	669
Other general and financial administration	36,220	58,020	55,657	2,363
Total general and financial administration	\$ 539,288	\$ 600,140	\$ 578,355	\$ 21,785
Board of elections:				
Electoral board and officials	\$ 26,825	\$ 26,833	\$ 16,285	\$ 10,548
Registrar	45,052	45,885	44,909	976
Total board of elections	\$ 71,877	\$ 72,718	\$ 61,194	\$ 11,524
Total general government administration	\$ 638,825	\$ 708,623	\$ 673,402	\$ 35,221
Judicial administration:				
Courts:				
Circuit court	\$ 7,050	\$ 15,470	\$ 13,016	\$ 2,454
General district court	1,870	1,870	935	935
Clerk of the circuit court	148,735	202,218	187,219	14,999
Total courts	\$ 157,655	\$ 219,558	\$ 201,170	\$ 18,388
Commonwealth's attorney:				
Commonwealth's attorney	\$ 84,885	\$ 93,615	\$ 87,919	\$ 5,696
Total judicial administration	\$ 242,540	\$ 313,173	\$ 289,089	\$ 24,084
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 705,996	\$ 1,075,852	\$ 904,127	\$ 171,725
Fire and rescue services:				
Public safety	\$ 58,100	\$ 82,675	\$ 85,254	\$ (2,579)
Emergency medical services	14,478	58,710	29,879	28,831
E-911	18,350	163,793	151,595	12,198
Total fire and rescue services	\$ 90,928	\$ 305,178	\$ 266,728	\$ 38,450
Correction and detention:				
Care of prisoners	\$ 20,000	\$ 20,000	\$ 16,248	\$ 3,752
Contribution to Regional Jail	104,416	104,416	104,416	-
Total correction and detention	\$ 124,416	\$ 124,416	\$ 120,664	\$ 3,752
Inspections:				
Building	\$ 21,351	\$ 56,588	\$ 51,204	\$ 5,384

County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 55,829	\$ 56,898	\$ 49,680	\$ 7,218
Medical examiner	350	350	60	290
Forest service	3,206	3,206	3,206	-
Total other protection	<u>\$ 59,385</u>	<u>\$ 60,454</u>	<u>\$ 52,946</u>	<u>\$ 7,508</u>
Total public safety	<u>\$ 1,002,076</u>	<u>\$ 1,622,488</u>	<u>\$ 1,395,669</u>	<u>\$ 226,819</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 349,596	\$ 371,865	\$ 343,726	\$ 28,139
Contribution to PSA	-	-	5,000	(5,000)
Litter control grant	-	-	6,563	(6,563)
Total sanitation and waste removal	<u>\$ 349,596</u>	<u>\$ 371,865</u>	<u>\$ 355,289</u>	<u>\$ 16,576</u>
Maintenance of general buildings and grounds:				
Maintenance of properties	<u>\$ 94,683</u>	<u>\$ 132,941</u>	<u>\$ 119,794</u>	<u>\$ 13,147</u>
Total public works	<u>\$ 444,279</u>	<u>\$ 504,806</u>	<u>\$ 475,083</u>	<u>\$ 29,723</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 58,000</u>	<u>\$ 58,000</u>	<u>\$ 58,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Blue Ridge community services board	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Fairview Home	9,678	9,678	9,678	-
Total mental health and mental retardation	<u>\$ 14,678</u>	<u>\$ 14,678</u>	<u>\$ 14,678</u>	<u>\$ -</u>
Welfare:				
Welfare administration	\$ 909,267	\$ 909,267	\$ 585,267	\$ 324,000
Comprehensive services act	650,000	650,000	818,941	(168,941)
Child and adult daycare	622,912	622,912	520,758	102,154
Total welfare	<u>\$ 2,182,179</u>	<u>\$ 2,182,179</u>	<u>\$ 1,924,966</u>	<u>\$ 257,213</u>
Total health and welfare	<u>\$ 2,254,857</u>	<u>\$ 2,254,857</u>	<u>\$ 1,997,644</u>	<u>\$ 257,213</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 1,566	\$ 1,566	\$ 499	\$ 1,067
Contribution to County School Board	1,930,255	2,193,837	1,585,934	607,903
Total education	<u>\$ 1,931,821</u>	<u>\$ 2,195,403</u>	<u>\$ 1,586,433</u>	<u>\$ 608,970</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
League of older Americans	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ -</u>
Library:				
Regional library	<u>\$ 27,185</u>	<u>\$ 29,267</u>	<u>\$ 28,395</u>	<u>\$ 872</u>
Total parks, recreation, and cultural	<u>\$ 28,385</u>	<u>\$ 30,467</u>	<u>\$ 29,595</u>	<u>\$ 872</u>

County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development:				
Community development	\$ 67,965	\$ 196,320	\$ 18,211	\$ 178,109
Contribution to Craig County Industrial Development Authority	-	-	161,923	(161,923)
Zoning board	1,000	1,000	930	70
Planning	3,750	3,750	2,185	1,565
Tourism	2,500	6,667	-	6,667
Contribution to Virginia's First Regional IFA	-	-	10,844	(10,844)
New Castle commons	35,600	103,019	99,077	3,942
Fifth planning district	3,632	3,632	3,632	-
Total planning and community development	\$ 114,447	\$ 314,388	\$ 296,802	\$ 17,586
Environmental management:				
Mountain Castle-soil conservation	\$ 133,635	\$ 135,930	\$ 133,825	\$ 2,105
Cooperative extension program:				
Extension office	\$ 34,120	\$ 34,120	\$ 27,220	\$ 6,900
Total community development	\$ 282,202	\$ 484,438	\$ 457,847	\$ 26,591
Nondepartmental:				
Fringe benefits	\$ 62,485	\$ 66,676	\$ 65,290	\$ 1,386
Contingencies	88,222	888	-	888
Total nondepartmental	\$ 150,707	\$ 67,564	\$ 65,290	\$ 2,274
Capital projects:				
Other capital projects	\$ 900,544	\$ 1,070,450	\$ 305,814	\$ 764,636
Debt service:				
Principal retirement	\$ 353,609	\$ 353,609	\$ 353,609	\$ -
Interest and other fiscal charges	225,698	230,698	225,694	5,004
Total debt service	\$ 579,307	\$ 584,307	\$ 579,303	\$ 5,004
Total Primary Government	\$ 8,455,543	\$ 9,836,576	\$ 7,855,169	\$ 1,981,407
<b>Discretely Presented Component Unit - School Board</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Executive administration services	\$ 418,202	\$ 462,635	\$ 430,141	\$ 32,494
Instruction costs:				
Instruction costs	\$ 4,782,749	\$ 5,204,385	\$ 4,746,074	\$ 458,311
Technology	372,647	425,237	496,875	(71,638)
Total instruction costs	\$ 5,155,396	\$ 5,629,622	\$ 5,242,949	\$ 386,673
School food services:				
Administration of school food program	\$ 316,399	\$ 343,817	\$ 347,775	\$ (3,958)

County of Craig, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board (Continued)</b>				
<b>Special revenue funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 429,871	\$ 455,479	\$ 422,936	\$ 32,543
Operation and maintenance of school plant	741,288	932,682	699,478	233,204
Other operating costs	20,000	-	-	-
Total operating costs	<u>\$ 1,191,159</u>	<u>\$ 1,388,161</u>	<u>\$ 1,122,414</u>	<u>\$ 265,747</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 7,081,156</u>	<u>\$ 7,824,235</u>	<u>\$ 7,143,279</u>	<u>\$ 680,956</u>

## **OTHER STATISTICAL INFORMATION**

Table 1

**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
2010-11	\$ 687,867	\$ 282,026	\$ 1,326,612	\$ 523,087	\$ 1,907,221	\$ 1,804,288	\$ 18,353	\$ 279,026	\$ 220,027	\$ -	\$ 7,048,507
2009-10	742,649	285,286	1,377,673	468,835	2,026,183	1,792,748	11,933	125,532	236,686	-	7,067,525
2008-09	668,939	285,311	1,289,370	542,706	2,301,150	1,175,969	13,133	807,328	255,051	-	7,338,957
2007-08	645,233	271,315	1,014,886	529,366	2,181,454	1,452,411	16,915	96,785	272,401	-	6,480,766
2006-07	628,265	273,911	1,014,650	530,198	1,841,440	1,186,217	8,689	121,851	291,954	-	5,897,175
2005-06 (2)	474,071	257,274	945,224	477,356	1,401,127	1,201,685	10,747	120,820	301,256	-	5,189,560
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
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

(1) Information has only been available for 8 years.

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

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		
2010-11	\$ 377,464	\$ 2,127,684	\$ 11,242	\$ 3,102,510	\$ 487,924	\$ 103,846	\$ 116,562	\$ 575,104	\$ 6,902,336	
2009-10	329,016	2,930,512	33,993	3,074,902	498,912	102,732	144,796	544,257	7,659,120	
2008-09	326,661	2,657,509	575,252	2,980,979	618,041	136,771	92,443	655,300	8,042,956	
2007-08	348,193	2,424,141	88,563	2,854,684	643,126	133,629	218,487	515,833	7,226,656	
2006-07	382,298	2,153,134	-	2,689,265	693,108	101,978	32,105	526,592	6,578,480	
2005-06	389,019	1,209,452	-	2,563,347	627,873	68,873	93,840	1,289,157	6,241,561	
2004-05	396,915	976,474	-	2,547,538	538,391	29,094	253,818	1,122,795	5,864,995	
2003-04	388,965	1,446,083	227,057	2,212,790	541,617	32,978	118,348	509,296	5,477,134	

(1) Information has only been available for 8 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
2010-11	\$ 673,402	\$ 289,089	\$ 1,395,669	\$ 475,083	\$ 1,987,644	\$ 7,143,778	\$ 29,595	\$ 457,847	\$ 305,814	\$ 65,290	\$ 579,303	\$ 13,412,514
2009-10	656,568	284,860	1,361,176	463,398	2,113,590	7,537,265	11,933	260,609	34,233	58,924	694,303	13,476,859
2008-09	639,441	283,640	1,214,742	491,744	2,397,067	6,945,831	13,133	815,055	39,800	42,662	703,859	13,586,974
2007-08	637,307	269,644	916,489	480,351	2,224,879	6,712,554	16,915	199,290	96,408	33,346	733,796	12,320,979
2006-07	574,869	272,240	1,046,275	478,700	1,916,964	6,889,717	8,699	200,215	-	49,058	744,020	12,180,747
2005-06	640,839	259,637	958,508	427,655	1,489,628	5,824,619	10,747	122,368	-	-	758,245	10,490,246
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
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
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
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

(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
2010-11	\$ 3,116,109	\$ 487,924	\$ 36,430	\$ 1,516	\$ 103,846	\$ 501,101	\$ 274,505	\$ 226,339	\$ 7,951,849	\$ 12,699,619
2009-10	2,994,988	498,912	25,641	1,759	102,732	460,194	362,333	283,696	9,095,019	13,825,274
2008-09	2,997,396	618,041	38,099	3,952	136,771	521,462	200,632	280,575	9,530,737	14,327,665
2007-08	2,851,787	643,126	34,181	3,813	133,629	496,453	410,478	202,776	8,128,290	12,904,533
2006-07	2,836,400	693,108	49,151	3,106	101,983	505,048	125,230	197,161	7,741,727	12,252,914
2005-06	2,587,871	627,873	54,468	4,697	69,810	489,981	211,181	165,256	7,060,993	11,272,130
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
2003-04	2,299,874	541,617	45,948	42	30,231	479,924	208,965	161,766	6,041,629	9,809,996
2002-03	2,004,098	502,792	28,282	19	193,241	408,068	168,040	148,018	5,700,945	9,153,503
2001-02	2,144,690	473,157	40,698	104	269,000	383,043	276,079	128,627	5,666,614	9,382,012

(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
2010-11	\$ 3,408,715	\$ 3,239,539	95.04%	\$ 166,571	\$ 3,406,110	99.92%	\$ 268,519	7.88%
2009-10	3,326,076	3,063,417	92.10%	230,319	3,293,736	99.03%	250,667	7.54%
2008-09	3,319,375	3,063,881	92.30%	243,260	3,307,141	99.63%	233,892	7.05%
2007-08	3,179,745	3,038,611	95.56%	113,253	3,151,864	99.12%	248,628	7.82%
2006-07	3,112,599	2,984,412	95.88%	55,907	3,040,319	97.68%	251,567	8.08%
2005-06	2,929,648	2,736,744	93.42%	230,670	2,967,414	101.29%	334,218	11.41%
2004-05	2,711,600	2,273,471	83.84%	388,249	2,661,720	98.16%	246,286	9.08%
2003-04	2,678,043	2,366,956	88.38%	224,318	2,591,274	96.76%	241,068	9.00%
2002-03	2,395,737	2,130,851	88.94%	188,497	2,319,348	96.81%	242,786	10.13%
2001-02	2,616,720	2,345,019	89.62%	177,712	2,522,731	96.41%	212,926	8.14%

(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.

Table 6

**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
2010-11	\$ 430,698,238	\$ 31,269,216	\$ 2,851,070	\$ 303,873	\$ 12,791,177	\$ 477,913,574
2009-10	425,617,100	30,353,841	3,364,084	337,655	12,131,935	471,804,615
2008-09	420,709,126	33,348,621	2,373,758	307,033	11,474,204	468,212,742
2007-08	417,065,460	28,019,882	2,052,211	230,853	12,866,981	460,235,387
2006-07	408,091,150	31,803,077	1,060,098	249,334	13,430,535	454,634,194
2005-06	339,757,365	30,421,248	817,160	239,243	10,200,472	381,435,488
2004-05	274,639,994	27,937,143	1,222,718	236,649	10,988,011	315,024,515
2003-04	270,208,122	28,102,191	1,573,107	215,800	10,719,107	310,818,327
2002-03	265,938,820	26,278,931	855,190	188,355	11,054,787	304,316,083
2001-02	258,878,714	29,826,973	983,775	257,768	11,916,964	301,864,194

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
2010-11	\$ 0.56	\$ 3.00	\$ 2.20	\$ 3.50
2009-10	0.54/0.56	3.00	2.20	3.50
2008-09	0.54	3.00	2.20	3.50
2007-08	0.52/0.54	3.00	2.20	3.50
2006-07	0.52	3.00	2.20	3.50
2005-06	0.68	3.00	2.20	3.50
2004-05	0.66	3.00	2.20	3.50
2003-04	0.66	3.00	2.20	3.50
2002-03	0.66	2.50	2.20	3.50
2001-02	0.58	2.50	2.20	3.50

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2010-11	5,190	\$ 477,619	\$ 4,223,935	0.88%	\$ 814
2009-10	5,091	471,805	4,577,544	0.97%	899
2008-09	5,091	468,213	5,027,068	1.07%	987
2007-08	5,091	460,235	5,467,859	1.19%	1,074
2006-07	5,091	454,634	5,905,037	1.30%	1,160
2005-06	5,091	381,435	6,333,872	1.66%	1,244
2004-05	5,091	315,025	6,759,520	2.15%	1,328
2003-04	5,091	310,818	7,262,658	2.34%	1,427
2002-03	5,091	304,316	7,630,025	2.51%	1,499
2001-02	5,091	301,864	8,720,585	2.89%	1,713

(1) Bureau of the Census.

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

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

Excludes net OPEB obligation, capital leases, and compensated absences.

**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
2010-11	\$ 353,609	\$ 225,694	\$ 579,303	\$ 13,412,514	4.32%
2009-10	449,524	244,779	694,303	13,476,859	5.15%
2008-09	440,791	263,068	703,859	13,586,974	5.18%
2007-08	452,622	281,174	733,796	12,320,979	5.96%
2006-07	443,398	300,622	744,020	12,180,747	6.11%
2005-06	439,379	318,866	758,245	10,490,246	7.23%
2004-05	290,206	355,294	645,500	9,806,396	6.58%
2003-04	379,576	397,040	776,616	10,057,447	7.72%
2002-03	6,178,054	378,217	6,556,271	18,329,701	35.77%
2001-02	127,239	390,611	517,850	12,692,484	4.08%

(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***

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### **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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 29, 2011. 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 (2011-1, 2011-2 and 2011-3).

#### **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 2011-4 and 2011-5.

We noted certain matters that we reported to management of the County of Craig, Virginia in a separate letter dated November 29, 2011.

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, Fauser, Co. Associates*

Christiansburg, Virginia  
November 29, 2011

# 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 Independent Auditors' Report**

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**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, 2011. 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 2011-6 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 Child Care and Development Cluster 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.

### **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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-6 to be a material weakness.

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, Faure, & Associates*

Christiansburg, Virginia  
November 29, 2011

County of Craig, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

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	0950110	\$ 283
Temporary Assistance for Needy Families (TANF)	93.558	0400110, 0400111	46,356
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110, 0500111	101
Low-Income Home Energy Assistance	93.568	0600410, 0600411	3,934
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770110	228,634
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110, 0760111	12,280
ARRA - Child Care and Development Block Grant	93.713	0780109	880
Chafee Education and Training Vouchers Program	93.599	9160110	800
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110, 0900111	224
Foster Care - Title IV-E	93.658	1100110, 1100111	49,137
ARRA - Foster Care - Title IV-E	93.658	1100110, 1100111	3,492
Foster Care - Title IV-E Subtotal			<u>52,629</u>
Adoption Assistance	93.659	1120110, 1120111	4,568
ARRA - Adoption Assistance	93.659	1120110, 1120111	210
Adoption Assistance Subtotal			<u>4,778</u>
Social Services Block Grant	93.667	1000110, 1000111	29,799
Chafee Foster Care Independence Program	93.674	9150110, 9150111	361
Children's Health Insurance Program	93.767	0540110, 0540111	1,843
Medical Assistance Program	93.778	1200110, 1200111	41,821
Total Department of Health and Human Services			<u>\$ 424,723</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture and Consumer Services:			
Food Distribution (Note 3)	10.555	Not applicable	\$ 23,922
Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	40623	<u>116,977</u>
National School Lunch Program Subtotal			<u>140,899</u>
Department of Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	40591	31,053
Schools and Roads - Grants to States	10.665	43841	169,669
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110, 0010111 0040110, 0040111	69,071
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110, 0010111 0040110, 0040111	2,027
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Subtotal			<u>71,098</u>
Total Department of Agriculture			<u>\$ 412,719</u>

County of Craig, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0799	\$ 165,015
ARRA - Edward Byrne Memorial Justice Assistance Program - Grants to States & Territories	16.803	09SUB90033	1,849
Total Department of Justice			<u>\$ 166,864</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2010 50297 3917	\$ 13,925
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K8-2011 51276 4218	8,350
Total Department of Motor Vehicles - pass-through payments			<u>\$ 22,275</u>
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	SLEN-022-101	\$ 11,242
Total Department of Transportation			<u>\$ 33,517</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency management performance grants	97.042	52740	\$ 5,000
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education-Basic Grants to states	84.002	42801	\$ 5,040
Title I, Part A Cluster:			
Title I: Grants to local educational agencies	84.010	42892, 42901	58,910
ARRA - Title I: Grants to local educational agencies	84.389	42913	74,042
Special Education Cluster:			
Special Education - Grants to states	84.027	43071	130,941
ARRA - Special Education - Grants to states	84.391	61245	130,977
Special Education - Preschool grants	84.173	62521	6,872
ARRA - Special Education - Preschool grants	84.392	61247	4,673
Impact aid	84.041	S041A-2009-5241	56,434
Career and Technical Education: Basic grants to states	84.048	61095	15,910
Safe and drug-free schools and communities	84.186	60511	2,245
School improvement grants	84.377	43040	71,963
Improving teacher quality state grants	84.367	61480	6,786
ARRA - Educational Job Funds	84.410	62700	192,123
ARRA - State fiscal stabilization funds - Education State Grants	84.394	62532	280,476
Total Department of Education			<u>\$ 1,037,392</u>
Total Federal Expenditures			<u>\$ 2,080,215</u>

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County of Craig, Virginia  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2011**

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**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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of Craig County, Virginia, it is not intended to and does not present the financial position, changes in net 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-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

**Note 3 -- Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011 Craig County, Virginia did not report any commodity inventory, as it was immaterial to the financials.

**Note 4 -- Relationship to the Financial Statements:**

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 820,186
Less: Payment in lieu of taxes	<u>(93,534)</u>
Total primary government	<u>\$ 726,652</u>
Component Unit Schools:	
School Operating Fund	<u>\$ 1,353,563</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,080,215</u></u>

**County of Craig, Virginia**

Schedule of Findings, Responses and Questioned Costs  
Year Ended June 30, 2011

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

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies?	None reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Yes

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title I Cluster
84.027/84.391/84.173/84.392	Special Education Cluster
84.394	ARRA - State Fiscal Stabilization Funds - Education State Grants
84.410	ARRA - Educational Job Funds
93.575/93.596/93.713	Child Care and Development Cluster

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, 2011

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#### Section II - Financial Statement Findings

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2011-1

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Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The County (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.

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## County of Craig, Virginia

### Schedule of Findings, Responses and Questioned Costs Year Ended June 30, 2011

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#### 2011-2

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Criteria:	The Department of Social Services lacks proper internal controls over the accounting functions that would allow management to detect material errors in accounts payable, payroll and the reporting process through the Virginia Department of Social Services' Laser system.
Condition:	The Department of Social Services lacks controls regarding accounts payable, payroll and the reporting process.
Cause of Condition:	Department of Social Services has budget constraints which limits its ability to staff appropriately.
Effect of Condition:	There is more than a remote likelihood that the Department's expenditures could be misstated or posted to an incorrect program. In addition, the County could be requesting the wrong amount from the State.
Recommendation:	Management of the Department of Social Services should implement a proper set of controls regarding accounting functions, including getting training or help from the County.
Management's Response:	The Department of Social Services has hired a new Director and is making changes to correct deficiencies.

#### 2011-3

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Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exist.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have proper controls in place to notice and correct errors in closing their year end financial statements.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Recommendation:	The County should review the auditors' proposed audit adjustments for 2011 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The County will review the auditors' proposed audit adjustments for 2011 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

## County of Craig, Virginia

### Schedule of Findings, Responses and Questioned Costs Year Ended June 30, 2011

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#### 2011-4

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Criteria:	The <u>Code of Virginia</u> , (1950), requires that CSA pool expenditures be related to public or private nonresidential or residential services for troubled youths and families. The Auditor of Public Accounts (APA) requires that these expenditures be supported with written contracts or service agreements and an approved amount for the expenditure approved by the local social services board.
Condition:	The Craig County DSS did not use the Uniform Documentation Inventory to assist the Community Policy and Management Team (CPMT) with development and maintenance of case documentation.
Context:	Five invoices were selected for testing. All five case files were lacking service agreements and an approval by the CPMT for the expenditures.
Cause of Condition:	Complexity of the program
Effect of Condition:	The Craig County DSS was unable to provide service agreements or an amount approved for expense by the CPMT for all cases tested.
Recommendation:	The Craig County DSS should use the Uniform Documentation Inventory as recommended by CSA.
Management's Response:	The Department of Social Services has hired a new Director and is making changes to correct deficiencies.

#### 2010-5

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Criteria:	All VIEW case files should be supported by a service plan.
Condition:	The APA Specifications for Audits of Counties, Cities and Towns requires all case file to include a service agreement for all services provided to the clients.
Cause of Condition:	Department of Social Services has budget constraints which limits its ability to staff appropriately.
Effect of Condition:	There is more than a remote likelihood that a client could receive services that have not been approved by management.
Recommendation:	The Department of Social Services should include a service plan in each file.
Management's Response:	The Department of Social Services has hired a new Director and making changes as appropriate.

**County of Craig, Virginia**

Schedule of Findings, Responses and Questioned Costs  
Year Ended June 30, 2011

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

**2011-6**

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Child Care and Development Cluster (includes ARRA funds)

Statement of Condition:	Eligibility: The DSS could not provide two case files and two case files were lacking proof of age for child enrolled in day care.
Criteria:	The Department of Social Services should have internal controls in place to ensure all case files contain appropriate documentation.
Context:	Fifteen case files were selected for testing for Child Care and Development Cluster. Our testing revealed four instances of incomplete case files.
Cause:	Department of Social Services has budget constraints which limits its ability to staff appropriately.
Effect:	Ineligible clients may be receiving services.
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.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

**Department of Social Services**

Title IV-E – Foster Care – CFDA 93.568 (includes ARRA funds)

**Current Status:** The Commonwealth of Virginia's Department of Social Services (the pass-through entity) performed a quality management review during the current fiscal year. As a result of the review, a new Director was hired and new controls were put in place that we believe will eliminate this finding in future years.