

COUNTY OF CRAIG, VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF CRAIG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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COUNTY OF CRAIG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

COUNTY OF CRAIG, VIRGINIA

BOARD OF SUPERVISORS

Carl Bailey	Fred Craft, Chair	Martha Murphy, Vice Chair
Keith Dunbar		Jesse Spence
	Richard C. Flora, Clerk	

COUNTY SCHOOL BOARD

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

COUNTY WELFARE BOARD

Keith Dunbar, Vice Chair	Millie Harrison, Chair	Phyllis Tripp
Dan Early		Opal Horn

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, discretely presented component units, the major fund, and the aggregate remaining fund information of County of Craig, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Craig, Virginia, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 47 and the schedule of pension and OPEB funding progress on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Craig, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Information (continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the County of Craig, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Craig, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 16, 2014

Basic Financial Statements

County of Craig, Virginia
Statement of Net Position
June 30, 2014

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>School Board</u>	<u>Component</u> <u>Unit</u> <u>IDA</u>
ASSETS			
Cash and cash equivalents	\$ 2,980,200	\$ 511,892	\$ 58,641
Investments	267,595	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,478,953	-	-
Other local taxes receivable	35,123	-	-
Accounts receivable	-	10,000	-
Notes receivable	-	-	9,225
Due from component unit	140,870	-	-
Intergovernmental receivable	238,722	278,907	-
Prepaid items	-	67,030	-
Restricted assets:			
Cash and cash equivalents	84,957	-	-
Capital assets not being depreciated:			
Land	256,435	79,830	362,094
Construction in progress	240,776	111,873	-
Capital assets, net of accumulated depreciation:			
Buildings and improvements	6,111,584	1,056,530	1,102,641
Machinery, equipment, and vehicles	246,849	265,913	-
Total Assets	<u>\$ 12,082,064</u>	<u>\$ 2,381,975</u>	<u>\$ 1,532,601</u>
LIABILITIES			
Accounts payable	\$ 73,239	\$ 148,092	\$ 69
Accrued liabilities	-	473,388	741
Accrued interest payable	64,984	-	-
Due to primary government	-	140,870	-
Noncurrent liabilities:			
Due within one year	421,994	78,143	-
Due in more than one year	3,237,984	40,268	-
Total Liabilities	<u>\$ 3,798,201</u>	<u>\$ 880,761</u>	<u>\$ 810</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	<u>\$ 1,347,668</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 3,472,873	\$ 1,514,146	\$ 1,464,735
Restricted:			
Compactor equipment	84,957	-	-
Cafeteria	-	38,449	-
Unrestricted (deficit)	3,378,365	(51,381)	67,056
Total Net Position	<u>\$ 6,936,195</u>	<u>\$ 1,501,214</u>	<u>\$ 1,531,791</u>

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

County of Craig, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Government	Component Units	
			Grants and Contributions	Capital Contributions		School Board	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 791,988	\$ 1,226	\$ 167,213	\$ -	\$ (623,549)		
Judicial administration	323,664	922	228,630	-	(94,112)		
Public safety	1,324,152	90,872	606,587	-	(626,693)		
Public works	609,729	4,976	17,716	-	(587,037)		
Health and welfare	1,043,298	-	703,562	-	(339,736)		
Education	2,119,299	-	-	-	(2,119,299)		
Parks, recreation, and cultural	34,833	-	7,751	313,600	286,518		
Community development	139,465	1,000	-	-	(138,465)		
Interest on long-term debt	177,884	-	-	-	(177,884)		
Total primary government	\$ 6,564,312	\$ 98,996	\$ 1,731,459	\$ 313,600	\$ (4,420,257)		
COMPONENT UNITS:							
School Board	\$ 7,588,512	\$ 154,559	\$ 5,009,204	\$ 134,116	\$ (2,290,633)	\$ -	\$ (39,401)
IDA	39,401	-	-	-	-	-	(39,401)
Total component units	\$ 7,627,913	\$ 154,559	\$ 5,009,204	\$ 134,116	\$ (2,290,633)	\$ (2,290,633)	\$ (39,401)
General revenues:							
General property taxes			\$ 3,394,671		\$ -	\$ -	
Other local taxes:							
Local sales and use taxes			146,007		-	-	-
Consumers' utility taxes			115,708		-	-	-
Consumption taxes			13,108		-	-	-
Franchise license taxes			5,620		-	-	-
Motor vehicle licenses			111,542		-	-	-
Recordation tax			20,199		-	-	-
Hotel and motel room taxes			17,313		-	-	-
Restaurant food taxes			69,536		-	-	-
Unrestricted revenues from use of money and property			84,783		203	14,381	
Miscellaneous			72,073		314,434	4,884	
Contributions from the County of Craig			-		1,961,308	-	
Grants and contributions not restricted to specific programs			635,965		-	-	-
Total general revenues			\$ 4,686,525		\$ 2,275,945	\$ 19,265	
Change in net position			266,268		(14,688)	(20,136)	
Net position - beginning			6,669,927		1,515,902	1,551,927	
Net position - ending			\$ 6,936,195		\$ 1,501,214	\$ 1,531,791	

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

County of Craig, Virginia
Balance Sheet
Governmental Fund
June 30, 2014

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,980,200
Investments	267,595
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,478,953
Other local taxes receivable	35,123
Due from component unit	140,870
Due from other governments	238,722
Restricted assets:	
Cash and cash equivalents	84,957
Total assets	<u>\$ 5,226,420</u>
LIABILITIES	
Accounts payable	<u>\$ 73,239</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 1,501,930</u>
FUND BALANCE	
Restricted:	
Compactor equipment	\$ 84,957
Committed:	
Law library	8,579
Courthouse maintenance	6,069
Assigned:	
Public assistance	16,647
Commons	224,707
Memorial	3,016
Capital projects	1,132,093
Unassigned	2,175,183
Total fund balance	<u>\$ 3,651,251</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,226,420</u>

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

County of Craig, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
To the Statement of Net Position
June 30, 2014

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

Fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$ 3,651,251
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 256,435	
Buildings and improvements	6,111,584	
Machinery and equipment	246,849	
Construction in progress	240,776	6,855,644

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

Unavailable revenue-property taxes	154,262
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (3,237,055)	
Capital lease	(230,673)	
Compensated absences	(87,383)	
Accrued interest payable	(64,984)	
VRS net pension obligation	(104,867)	(3,724,962)

Net position of governmental activities	\$ 6,936,195
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The notes to the financial statements are an integral part of this statement.

County of Craig, Virginia
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2014

	<u>General</u>
REVENUES	
General property taxes	\$ 3,405,962
Other local taxes	499,033
Permits, privilege fees, and regulatory licenses	28,680
Fines and forfeitures	5,007
Revenue from the use of money and property	84,783
Charges for services	65,309
Miscellaneous	72,073
Recovered costs	147,064
Intergovernmental:	
Commonwealth	1,865,214
Federal	502,210
Total revenues	<u>\$ 6,675,335</u>
EXPENDITURES	
Current:	
General government administration	\$ 698,893
Judicial administration	315,527
Public safety	1,233,002
Public works	732,380
Health and welfare	1,066,647
Education	1,969,299
Parks, recreation, and cultural	31,137
Community development	250,823
Nondepartmental	33,105
Debt service:	
Principal retirement	347,371
Interest and other fiscal charges	183,537
Total expenditures	<u>\$ 6,861,721</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (186,386)</u>
Net change in fund balance	\$ (186,386)
Fund balance - beginning	<u>3,837,637</u>
Fund balance - ending	<u><u>\$ 3,651,251</u></u>

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

County of Craig, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Change in Fund Balance of Governmental Fund
To the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balance - governmental fund	\$ (186,386)
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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 depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 170,314	
Depreciation expense	<u>(336,224)</u>	(165,910)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	313,600
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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.

Decrease (increase) in unavailable revenue-property taxes	(11,291)
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Principal payments:		
General obligation bonds	\$ 324,544	
Capital leases	<u>22,827</u>	347,371

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

(Increase) decrease in compensated absences	\$ 15,572	
(Increase) decrease in VRS net pension obligation	(52,341)	
(Increase) decrease in accrued interest payable	<u>5,653</u>	<u>(31,116)</u>

Change in net position of governmental activities	<u>\$ 266,268</u>
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The notes to the financial statements are an integral part of this statement.

County of Craig, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 47,429
	<u>47,429</u>
LIABILITIES	
Amounts held for child care	\$ 20,420
Amounts held for social services clients	27,009
Total liabilities	\$ 47,429
	<u>47,429</u>

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

The County has no blended component units to be included for the fiscal year ended June 30, 2014.

Discretely Presented Component Units

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations - The County, the County of Botetourt and the City of Roanoke participate in supporting the Blue Ridge Community Services Board. For the year ended June 30, 2014, the County contributed \$5,000 to the Community Services Board.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

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

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

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

The government reports the following major governmental fund:

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

Additionally, the government reports the following fund types:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to May 1, the County Administrator submits to the County Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the County Board of Supervisors can change the appropriation by function. The County Administrator is authorized to transfer budgeted amounts within general government activities or departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
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.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

D. Budgets and Budgetary Accounting (Continued)

9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2014, there were not any funds/departments that over expanded appropriations.

Deficit fund equity

At June 30, 2014, there were no funds with deficit fund equity.

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

1. Cash and Cash Equivalents

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

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

2. Receivables and Payables

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

3. Property Taxes

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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 \$37,512 at June 30, 2014 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Prepaid Items

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

7. Capital Assets

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

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

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

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

Assets	Years
Buildings	40
Building improvements	40
Machinery and equipment	4-30

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences.

9. Long-Term Obligations

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

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

10. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

10. Fund Equity (Continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

11. Deferred Outflows/Inflows of Resources (Continued)

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

12. Net Position

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

The County's net position is classified as follows:

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

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

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

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

13. Net Position Flow Assumption

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

Note 2—Deposits and Investments:

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

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

Credit Risk of Debt Securities

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

The County’s rated debt investments as of June 30, 2014 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 267,595

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2—Deposits and Investments: (Continued)

Concentration of Credit Risk

At June 30, 2014, 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, 2014, 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.

Note 3—Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 26,078	\$ -
State sales tax	-	136,631
Noncategorical aid	22,074	-
Categorical aid-shared expenses	67,598	-
Categorical aid-Welfare payments	18,152	-
Categorical aid-other	23,228	-
Comprehensive Services Act (CSA)	44,707	-
School VPSA Technology funds	-	28,680
<u>Federal Government:</u>		
Categorical aid-Welfare payments	27,945	-
School federal programs	-	113,596
Categorical aid-DEQ	8,940	-
Totals	<u>\$ 238,722</u>	<u>\$ 278,907</u>

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 4—Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General obligation bonds	\$ 3,561,599	\$ -	\$ (324,544)	\$ 3,237,055
Capital lease	253,500	-	(22,827)	230,673
Compensated absences	102,955	61,644	(77,216)	87,383
VRS net pension obligation	52,526	52,341	-	104,867
Total	<u>\$ 3,970,580</u>	<u>\$ 113,985</u>	<u>\$ (424,587)</u>	<u>\$ 3,659,978</u>

Primary Government - Governmental Activities Indebtedness: (continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 333,629	\$ 159,689
2016	342,929	142,077
2017	352,454	123,952
2018	362,216	105,410
2019	372,226	86,336
2020-2024	<u>1,473,601</u>	<u>148,898</u>
Totals	<u>\$ 3,237,055</u>	<u>\$ 766,362</u>

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 4—Long-Term Obligations: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds:</u>						
General Obligation Bond	4.25-5.625%	05/01/01	05/01/22	\$ 1,400,000	\$ 740,000	\$ 75,000
VPSA General Obligation Bond	2.35-5.84%	02/02/03	07/15/22	5,210,980	2,497,055	258,629
Total Obligation Bonds					\$ 3,237,055	\$ 333,629
<u>Other Long-Term Obligations:</u>						
Capital Lease (Note 6)					\$ 230,673	\$ 22,828
Compensated Absences					87,383	65,537
VRS Net Pension Obligation					104,867	-
Total Other Long-Term Obligations					\$ 422,923	\$ 88,365
Total Long-Term Obligations					\$ 3,659,978	\$ 421,994

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

Discretely Presented Component Unit - School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2014:

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Compensated absences	\$ 72,683	\$ 86,020	\$ (54,512)	\$ 104,191
VRS net pension obligation	7,031	7,189	-	14,220
Total	\$ 79,714	\$ 93,209	\$ (54,512)	\$ 118,411

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 104,191	\$ 78,143
VRS net pension obligation	14,220	-
Total Long-Term Obligations	\$ 118,411	\$ 78,143

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6—Capital Lease:

Primary Government

In June of 2013, the County entered into a lease agreement to finance the acquisition of a compactor, containers, and other equipment at the Craig County Solid Waste Transfer Station. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments at the date of inception.

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30,	Transfer Station Equipment
2015	\$ 28,514
2016	28,514
2017	28,514
2018	28,514
2019	28,514
2020-2023	114,055
Subtotal	\$ 256,625
Less, amount representing interest	(25,952)
Present Value of Lease Agreement	\$ 230,673

Note 7—Employee Retirement System and Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
2. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
4. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

5. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
6. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

7. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

8. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

9. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

10. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

11. **Normal Retirement Age** - Age 65.

12. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

13. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

14. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 15. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 16. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

- 17. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 18. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- 9. Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
- 10. Normal Retirement Age** - Normal Social Security retirement age.
- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
- 14. Eligibility** - Same as VRS Plan 1—Refer to Section 14.
- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers’ Retirement System (SPORS)
 - Members of the Virginia Law Officers’ Retirement System (VaLORS)

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

- 4. Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. Vesting (Continued)

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2— Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7—Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

16. Disability Coverage (continued) - Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. 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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are 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's and School Board's contribution rates for the fiscal year ended 2014 were 8.77% and 11.16% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$428,365, \$544,812, and \$415,199, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7—Employee Retirement System and Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2014, County's annual pension cost of \$178,374 was not equal to the County's required and actual contributions of \$126,055.

Three Year Trend Information - County			
Fiscal Year Ending	Annual Pension Cost (APC) ⁽¹⁾	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 178,374	70.67%	\$ 104,867
June 30, 2013	179,079	70.67%	52,526
June 30, 2012	140,353	100.00%	-

(1) Employer portion only

For fiscal year 2014, School Board's annual pension cost of \$52,771 was not equal to the School Board's required and actual contributions of \$45,582.

Three Year Trend Information - School Board Non-Professional			
Fiscal Year Ending	Annual Pension Cost (APC) ⁽¹⁾	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 52,771	86.38%	\$ 14,220
June 30, 2013	51,612	86.38%	7,031
June 30, 2012	44,823	100.00%	-

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan1 employees and 2.25% for Plan 2 employees. 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 and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7—Employee Retirement System and Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 84.88% funded. The actuarial accrued liability for benefits was \$6,477,150, and the actuarial value of assets was \$5,498,019, resulting in an unfunded actuarial accrued liability (UAAL) of \$979,131. The covered payroll (annual payroll of active employees covered by the plan) was \$1,467,764 and ratio of the UAAL to the covered payroll was 66.71%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 78.06% funded. The actuarial accrued liability for benefits was \$1,547,158, and the actuarial value of assets was \$1,207,703, resulting in an unfunded actuarial accrued liability (UAAL) of \$339,455. The covered payroll (annual payroll of active employees covered by the plan) was \$389,229 and ratio of the UAAL to the covered payroll was 87.21%.

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

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8—Capital Assets:

Primary Government

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 137,635	\$ 118,800	\$ -	\$ 256,435
Construction in progress	75,662	165,114	-	240,776
Total capital assets not being depreciated	<u>\$ 213,297</u>	<u>\$ 283,914</u>	<u>\$ -</u>	<u>\$ 497,211</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,081,480	\$ 5,200	\$ -	\$ 9,086,680
Machinery and equipment	1,240,736	194,800	-	1,435,536
Total capital assets being depreciated	<u>\$ 10,322,216</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 10,522,216</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,876,364)	\$ (98,732)	\$ -	\$ (2,975,096)
Machinery and equipment	(951,195)	(237,492)	-	(1,188,687)
Total accumulated depreciation	<u>\$ (3,827,559)</u>	<u>\$ (336,224)</u>	<u>\$ -</u>	<u>\$ (4,163,783)</u>
Total capital assets being depreciated, net	<u>\$ 6,494,657</u>	<u>\$ (136,224)</u>	<u>\$ -</u>	<u>\$ 6,358,433</u>
Governmental activities capital assets, net	<u>\$ 6,707,954</u>	<u>\$ 147,690</u>	<u>\$ -</u>	<u>\$ 6,855,644</u>

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

Governmental activities:	
General government administration	\$ 30,368
Judicial administration	1,684
Public safety	84,064
Public works	47,393
Health and welfare	18,649
Education	150,000
Parks, recreation, and culture	3,696
Community development	370
Total depreciation expense-governmental activities	<u>\$ 336,224</u>

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8—Capital Assets: (Continued)

Discretely Presented Component Unit - School Board

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 79,830	\$ -	\$ -	\$ 79,830
Construction in progress	-	111,873	-	111,873
Total capital assets not being depreciated	<u>\$ 79,830</u>	<u>\$ 111,873</u>	<u>\$ -</u>	<u>\$ 191,703</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,372,102	\$ -	\$ -	\$ 3,372,102
Machinery and equipment	885,624	50,440	-	936,064
Total capital assets being depreciated	<u>\$ 4,257,726</u>	<u>\$ 50,440</u>	<u>\$ -</u>	<u>\$ 4,308,166</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,241,046)	\$ (74,526)	\$ -	\$ (2,315,572)
Machinery and equipment	(610,709)	(59,442)	-	(670,151)
Total accumulated depreciation	<u>\$ (2,851,755)</u>	<u>\$ (133,968)</u>	<u>\$ -</u>	<u>\$ (2,985,723)</u>
Total capital assets being depreciated, net	<u>\$ 1,405,971</u>	<u>\$ (83,528)</u>	<u>\$ -</u>	<u>\$ 1,322,443</u>
Governmental activities capital assets, net	<u>\$ 1,485,801</u>	<u>\$ 28,345</u>	<u>\$ -</u>	<u>\$ 1,514,146</u>

Note 9—Risk Management:

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10—Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 11—Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

USF&G Insurance Company-Surety:

David Fridley, Animal Warden	\$ 1,000
Richard C. Flora, County Administrator	2,000
Department of Social Services-blanket bond	30,000

Western Surety Company:

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

Western Surety Company:

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12 - Deferred/Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ 1,282,337	\$ 1,436,599
Prepaid property taxes due in December 2014, but paid in advance by taxpayers.	65,331	65,331
Total deferred/unavailable revenue	\$ 1,347,668	\$ 1,501,930

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

County

A. Plan Description

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

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

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was 0.02% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2014, the County's contribution of \$289 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 2014 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	6/30/2014	\$ 289	100.00%	-
	6/30/2013	726	100.00%	-
	6/30/2012	2,080	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 32,720
Actuarial value of plan assets	\$ 37,577
Unfunded actuarial accrued liability (UAAL)	\$ (4,857)
Funded ratio (actuarial value of plan assets/AAL)	114.84%
Covered payroll (active plan members)	\$ 327,736
UAAL as a percentage of covered payroll	-1.48%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

D. Funded Status and Funding Progress (Continued)

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

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2013 was 29 years.

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

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

A. Plan Description (Continued)

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2014 was \$35,570 and equaled the required contributions.

Note 14—Commitments and Contingencies:

Construction Contracts:

	<u>Original Contract</u>	<u>Amount Paid As of 6/30/2014</u>	<u>Remaining Contract Amount</u>	<u>Accounts Payable</u>
Primary Government:				
Price Buildings - Transfer station Project	\$ 417,300	\$ 142,293	\$ 275,007	\$ 25,729
School Board:				
John T. Morgan Roofing & Sheet Metal - Roof replacement project	208,998	111,873	97,125	111,873

Operating Leases:

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

Note 15—Litigation:

As of June 30, 2014, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 16—Upcoming Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County and School Board believe the implementation of Statement No. 68 will significantly impact their net position; however, no formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

County of Craig, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 3,293,264	\$ 3,293,264	\$ 3,405,962	\$ 112,698
Other local taxes	492,000	492,000	499,033	7,033
Permits, privilege fees, and regulatory licenses	25,700	25,700	28,680	2,980
Fines and forfeitures	1,200	1,200	5,007	3,807
Revenue from the use of money and property	88,000	89,800	84,783	(5,017)
Charges for services	63,352	63,629	65,309	1,680
Miscellaneous	115,000	168,054	72,073	(95,981)
Recovered costs	181,346	188,997	147,064	(41,933)
Intergovernmental:				
Commonwealth	2,043,634	2,107,661	1,865,214	(242,447)
Federal	370,469	420,549	502,210	81,661
Total revenues	<u>\$ 6,673,965</u>	<u>\$ 6,850,854</u>	<u>\$ 6,675,335</u>	<u>\$ (175,519)</u>
EXPENDITURES				
Current:				
General government administration	\$ 686,232	\$ 724,989	\$ 698,893	\$ 26,096
Judicial administration	267,902	328,269	315,527	12,742
Public safety	1,199,775	1,442,885	1,233,002	209,883
Public works	465,958	1,223,116	732,380	490,736
Health and welfare	1,304,524	1,306,458	1,066,647	239,811
Education	2,076,102	2,337,506	1,969,299	368,207
Parks, recreation, and cultural	28,354	31,302	31,137	165
Community development	245,357	288,337	250,823	37,514
Nondepartmental	30,377	38,204	33,105	5,099
Debt service:				
Principal retirement	347,371	347,371	347,371	-
Interest and other fiscal charges	184,229	184,229	183,537	692
Total expenditures	<u>\$ 6,836,181</u>	<u>\$ 8,252,666</u>	<u>\$ 6,861,721</u>	<u>\$ 1,390,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (162,216)</u>	<u>\$ (1,401,812)</u>	<u>\$ (186,386)</u>	<u>\$ 1,215,426</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	\$ -	\$ 253,000	\$ -	\$ (253,000)
Net change in fund balances	\$ (162,216)	\$ (1,148,812)	\$ (186,386)	\$ 962,426
Fund balances - beginning	162,216	1,148,812	3,837,637	2,688,825
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,651,251</u>	<u>\$ 3,651,251</u>

County of Craig, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 5,498,019	\$ 6,477,150	\$ 979,131	84.88%	\$ 1,467,764	66.71%
6/30/2012	5,322,000	6,746,353	1,424,353	78.89%	1,556,166	91.53%
6/30/2011	5,377,596	6,359,509	981,913	84.56%	1,566,678	62.67%

County Other Postemployment Benefits Plan-VRS Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 37,577	\$ 32,720	\$ (4,857)	114.84%	\$ 327,736	-1.48%
6/30/2012	35,967	50,425	14,458	71.33%	552,077	2.62%
6/30/2011	37,152	49,793	12,641	74.61%	587,077	2.15%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 1,207,703	\$ 1,547,158	\$ 339,455	78.06%	\$ 389,229	87.21%
6/30/2012	1,142,165	1,505,611	363,446	75.86%	417,441	87.07%
6/30/2011	1,100,324	1,447,211	346,887	76.03%	409,694	84.67%

OTHER SUPPLEMENTARY INFORMATION SECTION

Other Supplementary Information

County of Craig, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Current Assets				
Cash and cash equivalents				
Child Care Fund	\$ 119,916	\$ 255,935	\$ (355,431)	\$ 20,420
Special Welfare Fund	28,074	5,536	(6,601)	27,009
Total Assets	<u>\$ 147,990</u>	<u>\$ 261,471</u>	<u>\$ (362,032)</u>	<u>\$ 47,429</u>
Liabilities				
Amounts held for child care	\$ 119,916	\$ 255,935	\$ (355,431)	\$ 20,420
Amounts held for social services clients	28,074	5,536	(6,601)	27,009
Total Liabilities	<u>\$ 147,990</u>	<u>\$ 261,471</u>	<u>\$ (362,032)</u>	<u>\$ 47,429</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund 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, 2014

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 511,892
Receivables (net of allowance for uncollectibles):	
Accounts receivable	10,000
Due from other governmental units	278,907
Total assets	<u>\$ 800,799</u>
LIABILITIES	
Accounts payable	\$ 148,092
Accrued payroll liabilities	473,388
Due to primary government	140,870
Total liabilities	<u>\$ 762,350</u>
FUND BALANCE	
Restricted:	
Cafeteria	\$ 38,449
Total fund balance	<u>\$ 38,449</u>
Total liabilities and fund balance	<u>\$ 800,799</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Fund balance per above	\$ 38,449
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 79,830
Construction in progress	111,873
Buildings and improvements	1,056,530
Machinery and equipment	<u>265,913</u>
	1,514,146
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (104,191)
VRS net pension obligation	<u>(14,220)</u>
	(118,411)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	
Prepaid items	67,030
Net position of governmental activities	<u>\$ 1,501,214</u>

County of Craig, Virginia
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund
REVENUES	
Charges for services	\$ 154,559
Revenue from the use of money and property	203
Miscellaneous	314,434
Intergovernmental:	
Local government	1,961,308
Commonwealth	4,205,810
Federal	937,510
Total revenues	<u>\$ 7,573,824</u>
EXPENDITURES	
Current:	
Education	<u>\$ 7,584,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,964)</u>
Net change in fund balance	\$ (10,964)
Fund balance - beginning	<u>49,413</u>
Fund balance - ending	<u><u>\$ 38,449</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balance - governmental fund - per above	\$ (10,964)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	
Capital asset additions	\$ 162,313
Depreciation expense	<u>(133,968)</u> 28,345
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	(31,508)
(Increase) decrease in VRS net pension obligation	<u>(7,189)</u> (38,697)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	
Increase (decrease) in prepaid items	6,628
Change in net position of governmental activities	<u><u>\$ (14,688)</u></u>

County of Craig, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 165,000	\$ 165,000	\$ 154,559	\$ (10,441)
Revenue from the use of money and property	-	-	203	203
Miscellaneous	160,687	209,671	314,434	104,763
Intergovernmental:				
Local government	2,068,111	2,329,515	1,961,308	(368,207)
Commonwealth	4,074,385	4,173,041	4,205,810	32,769
Federal	698,450	979,837	937,510	(42,327)
Total revenues	\$ 7,166,633	\$ 7,857,064	\$ 7,573,824	\$ (283,240)
EXPENDITURES				
Current:				
Education	\$ 7,166,633	\$ 7,857,064	\$ 7,584,788	\$ 272,276
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (10,964)	\$ (10,964)
Net change in fund balance	\$ -	\$ -	\$ (10,964)	\$ (10,964)
Fund balance - beginning	-	-	49,413	49,413
Fund balance - ending	\$ -	\$ -	\$ 38,449	\$ 38,449

Supporting Schedules

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,539,264	\$ 2,539,264	\$ 2,651,376	\$ 112,112
Real and personal public service corporation taxes	70,000	70,000	61,323	(8,677)
Personal property taxes	550,000	550,000	575,109	25,109
Mobile home taxes	16,000	16,000	17,466	1,466
Machinery and tools taxes	60,000	60,000	43,988	(16,012)
Merchant's capital	10,000	10,000	10,005	5
Penalties	30,000	30,000	27,234	(2,766)
Interest	18,000	18,000	19,461	1,461
Total general property taxes	\$ 3,293,264	\$ 3,293,264	\$ 3,405,962	\$ 112,698
Other local taxes:				
Local sales and use taxes	\$ 145,000	\$ 145,000	\$ 146,007	\$ 1,007
Consumers' utility taxes	113,000	113,000	115,708	2,708
Consumption taxes	12,000	12,000	13,108	1,108
Franchise license taxes	5,000	5,000	5,620	620
Motor vehicle licenses	115,000	115,000	111,542	(3,458)
Recordation tax	20,000	20,000	20,199	199
Hotel and motel room taxes	12,000	12,000	17,313	5,313
Restaurant food taxes	70,000	70,000	69,536	(464)
Total other local taxes	\$ 492,000	\$ 492,000	\$ 499,033	\$ 7,033
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,500	\$ 9,500	\$ 8,907	\$ (593)
Transfer fees	200	200	187	(13)
Zoning, subdivision permits and erosion and sediment control	1,000	1,000	1,000	-
Building permits	15,000	15,000	18,586	3,586
Total permits, privilege fees, and regulatory licenses	\$ 25,700	\$ 25,700	\$ 28,680	\$ 2,980
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,000	\$ 1,000	\$ 4,299	\$ 3,299
Interest on fines	100	100	142	42
Law library costs	100	100	566	466
Total fines and forfeitures	\$ 1,200	\$ 1,200	\$ 5,007	\$ 3,807
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 7,700	\$ (12,300)
Revenue from use of property	68,000	69,800	77,083	7,283
Total revenue from use of money and property	\$ 88,000	\$ 89,800	\$ 84,783	\$ (5,017)
Charges for services:				
Charges for law enforcement and traffic control	\$ 100	\$ 100	\$ -	\$ (100)
Charges for courthouse maintenance	1,000	1,277	1,485	208
Charges for courthouse security	6,000	6,000	6,505	505
Document production costs	500	500	1,039	539
Charges for Commonwealth's Attorney	100	100	356	256
Charges for sanitation and waste removal	3,000	3,000	3,491	491
Charges for emergency medical services	52,152	52,152	51,487	(665)
Jail admission fees	500	500	946	446
Total charges for services	\$ 63,352	\$ 63,629	\$ 65,309	\$ 1,680
Miscellaneous revenue:				
Miscellaneous	\$ 115,000	\$ 168,054	\$ 72,073	\$ (95,981)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Mt Castle salary reimbursement	\$ 147,586	\$ 148,822	\$ 115,045	\$ (33,777)
LOA - special welfare	24,960	24,960	20,644	(4,316)
Other recovered costs	8,800	15,215	11,375	(3,840)
Total recovered costs	<u>\$ 181,346</u>	<u>\$ 188,997</u>	<u>\$ 147,064</u>	<u>\$ (41,933)</u>
Total revenue from local sources	<u>\$ 4,259,862</u>	<u>\$ 4,322,644</u>	<u>\$ 4,307,911</u>	<u>\$ (14,733)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 300	\$ 300	\$ 253	\$ (47)
Mobile home titling tax	1,000	1,000	5,778	4,778
Grantor's tax	4,500	4,500	7,879	3,379
State recordation tax	8,000	8,000	8,803	803
Communication tax	115,000	115,000	116,110	1,110
Personal property tax relief funds	341,055	341,055	341,055	-
Total noncategorical aid	<u>\$ 469,855</u>	<u>\$ 469,855</u>	<u>\$ 479,878</u>	<u>\$ 10,023</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 68,911	\$ 68,911	\$ 68,230	\$ (681)
Sheriff	470,222	470,222	469,312	(910)
Commissioner of revenue	68,054	68,054	67,993	(61)
Treasurer	72,646	72,646	71,798	(848)
Registrar/electoral board	30,000	30,000	27,422	(2,578)
Clerk of the Circuit Court	128,449	161,024	160,400	(624)
Total shared expenses	<u>\$ 838,282</u>	<u>\$ 870,857</u>	<u>\$ 865,155</u>	<u>\$ (5,702)</u>
Other categorical aid:				
Welfare payments	\$ 187,161	\$ 187,161	\$ 145,876	\$ (41,285)
CSA payments	469,433	469,433	272,239	(197,194)
Litter control grant	6,000	7,426	7,426	-
Four-for-life	5,600	5,600	5,636	36
Fire program	16,000	34,000	20,000	(14,000)
Library grant	6,303	7,751	7,751	-
State E-911 program	40,000	40,000	41,053	1,053
State seizures	-	-	8,276	8,276
Emergency medical services	-	9,138	5,290	(3,848)
Emergency management preparedness grant	5,000	6,440	6,634	194
Total other categorical aid	<u>\$ 735,497</u>	<u>\$ 766,949</u>	<u>\$ 520,181</u>	<u>\$ (246,768)</u>
Total categorical aid	<u>\$ 1,573,779</u>	<u>\$ 1,637,806</u>	<u>\$ 1,385,336</u>	<u>\$ (252,470)</u>
Total revenue from the Commonwealth	<u>\$ 2,043,634</u>	<u>\$ 2,107,661</u>	<u>\$ 1,865,214</u>	<u>\$ (242,447)</u>

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 65,000	\$ 65,000	\$ 156,087	\$ 91,087
Categorical aid:				
Welfare payments	\$ 280,469	\$ 280,469	\$ 285,447	\$ 4,978
DMV grants	-	10,297	10,297	-
Forest Reserve	25,000	25,000	21,218	(3,782)
Emergency preparedness grant	-	36,545	15,633	(20,912)
Forest service grant	-	3,238	3,238	-
Department of environmental quality grant	-	-	10,290	10,290
Total categorical aid	\$ 305,469	\$ 355,549	\$ 346,123	\$ (9,426)
Total revenue from the federal government	\$ 370,469	\$ 420,549	\$ 502,210	\$ 81,661
Total Primary Government	\$ 6,673,965	\$ 6,850,854	\$ 6,675,335	\$ (175,519)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 165,000	\$ 165,000	\$ 154,559	\$ (10,441)
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 203	\$ 203
Miscellaneous revenue:				
Miscellaneous	\$ 160,687	\$ 209,671	\$ 314,434	\$ 104,763
Total revenue from local sources	\$ 325,687	\$ 374,671	\$ 469,196	\$ 94,525
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Craig, Virginia	\$ 2,068,111	\$ 2,329,515	\$ 1,961,308	\$ (368,207)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 816,584	\$ 816,584	\$ 786,961	\$ (29,623)
Basic school aid	1,958,504	1,958,504	2,021,977	63,473
Foster care	3,328	3,328	3,348	20
Gifted and talented	20,737	20,737	21,121	384
Special education	282,199	282,199	287,434	5,235
Special education regional payments	83,381	83,381	125,122	41,741
Textbook payment	40,450	40,450	41,200	750
Jobs for Virginia graduates	13,500	13,500	13,500	-
Early intervention	8,538	8,538	14,942	6,404
Vocational standards of quality payments	86,102	86,102	87,699	1,597
Fringe benefits	352,523	352,523	359,063	6,540
Occupational prep	-	-	2,978	2,978
Homebound education	3,429	3,429	1,640	(1,789)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education - equipment	\$ 6,739	\$ 6,739	\$ 3,216	\$ (3,523)
At risk payments	44,997	44,997	45,838	841
School food	6,429	6,429	6,637	208
Remedial assistance	72,402	72,402	72,750	348
Primary class size	66,108	66,108	73,129	7,021
VPSA technology payment	102,000	161,807	134,116	(27,691)
Standards of Learning algebra readiness	8,741	8,741	8,741	-
ISAEF	7,859	7,859	-	(7,859)
English Second Language	-	-	4,077	4,077
Supplemental support	88,854	88,854	89,867	1,013
Other state funds	981	39,830	454	(39,376)
Total categorical aid	\$ 4,074,385	\$ 4,173,041	\$ 4,205,810	\$ 32,769
Total revenue from the Commonwealth	\$ 4,074,385	\$ 4,173,041	\$ 4,205,810	\$ 32,769
Revenue from the federal government:				
Categorical aid:				
Adult Literacy	\$ 9,343	\$ 9,343	\$ -	\$ (9,343)
Title I	142,150	142,150	158,390	16,240
School improvement grant	-	139,332	73,589	(65,743)
Forest reserve fund	116,686	116,686	120,237	3,551
Title VI-B, special education flow-through	160,322	160,322	147,003	(13,319)
Vocational education	11,590	11,590	11,973	383
Title VI-B, special education pre-school	6,853	6,853	574	(6,279)
Title III, Impact aid	45,223	187,278	187,278	-
Title II, Part A	26,283	26,283	27,274	991
School breakfast program	40,000	40,000	39,040	(960)
School lunch program	140,000	140,000	172,152	32,152
Total categorical aid	\$ 698,450	\$ 979,837	\$ 937,510	\$ (42,327)
Total revenue from the federal government	\$ 698,450	\$ 979,837	\$ 937,510	\$ (42,327)
Total Discretely Presented Component Unit - School Board	\$ 7,166,633	\$ 7,857,064	\$ 7,573,824	\$ (283,240)

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 29,960	\$ 57,870	52,002	\$ 5,868
General and financial administration:				
County administrator	\$ 107,997	\$ 107,948	107,474	\$ 474
Commissioner of revenue	149,210	149,507	149,096	411
Audit	60,300	60,300	58,767	1,533
Treasurer	174,055	184,273	182,327	1,946
Accounting/purchasing	49,758	49,808	49,719	89
Technology/data processing	45,860	45,260	42,998	2,262
Total general and financial administration	\$ 587,180	\$ 597,096	\$ 590,381	\$ 6,715
Board of elections:				
Electoral board and officials	\$ 27,890	\$ 28,766	\$ 17,554	\$ 11,212
Registrar	41,202	41,257	38,956	2,301
Total board of elections	\$ 69,092	\$ 70,023	\$ 56,510	\$ 13,513
Total general government administration	\$ 686,232	\$ 724,989	\$ 698,893	\$ 26,096
Judicial administration:				
Courts:				
Circuit court	\$ 6,400	\$ 16,395	\$ 13,480	\$ 2,915
General district court	2,257	2,857	2,712	145
Clerk of the circuit court	169,466	211,356	210,544	812
Total courts	\$ 178,123	\$ 230,608	\$ 226,736	\$ 3,872
Commonwealth's attorney:				
Commonwealth's attorney	\$ 89,779	\$ 97,661	\$ 88,791	\$ 8,870
Total judicial administration	\$ 267,902	\$ 328,269	\$ 315,527	\$ 12,742
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 753,985	\$ 845,666	\$ 759,266	\$ 86,400
Fire and rescue services:				
Public safety	\$ 91,128	\$ 187,860	\$ 126,698	\$ 61,162
Emergency medical services	87,316	153,845	103,000	50,845
E-911	16,300	13,300	12,277	1,023
Total fire and rescue services	\$ 194,744	\$ 355,005	\$ 241,975	\$ 113,030
Correction and detention:				
Care of prisoners	\$ 16,000	\$ 13,000	\$ 9,403	\$ 3,597
Contribution to Regional Jail	104,416	104,416	104,416	-
Total correction and detention	\$ 120,416	\$ 117,416	\$ 113,819	\$ 3,597
Inspections:				
Building	\$ 62,868	\$ 62,868	\$ 59,980	\$ 2,888

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 64,206	\$ 58,374	\$ 54,922	\$ 3,452
Medical examiner	350	350	120	230
Forest service	3,206	3,206	2,920	286
Total other protection	\$ 67,762	\$ 61,930	\$ 57,962	\$ 3,968
Total public safety	\$ 1,199,775	\$ 1,442,885	\$ 1,233,002	\$ 209,883
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 336,070	\$ 1,019,195	\$ 534,508	\$ 484,687
Contribution to PSA	5,000	5,000	5,000	-
Litter control grant	6,000	8,737	8,583	154
Stormwater Grant	-	12,809	11,490	1,319
Total sanitation and waste removal	\$ 347,070	\$ 1,045,741	\$ 559,581	\$ 486,160
Maintenance of general buildings and grounds:				
Maintenance of properties	\$ 118,888	\$ 177,375	\$ 172,799	\$ 4,576
Total public works	\$ 465,958	\$ 1,223,116	\$ 732,380	\$ 490,736
Health and welfare:				
Health:				
Supplement of local health department	\$ 58,000	\$ 58,000	\$ 58,000	-
Mental health and mental retardation:				
Blue Ridge community services board	\$ 5,000	\$ 5,000	\$ 5,000	-
Welfare:				
Welfare administration	\$ 629,024	\$ 630,958	\$ 598,386	\$ 32,572
Comprehensive services act	612,500	612,500	405,261	207,239
Total welfare	\$ 1,241,524	\$ 1,243,458	\$ 1,003,647	\$ 239,811
Total health and welfare	\$ 1,304,524	\$ 1,306,458	\$ 1,066,647	\$ 239,811
Education:				
Other instructional costs:				
Contribution to Community College	\$ 7,991	\$ 7,991	\$ 7,991	-
Contribution to County School Board	2,068,111	2,329,515	1,961,308	368,207
Total education	\$ 2,076,102	\$ 2,337,506	\$ 1,969,299	\$ 368,207
Parks, recreation, and cultural:				
Cultural enrichment:				
League of older Americans	\$ 1,200	\$ 1,200	\$ 1,200	-
Library:				
Regional library	\$ 27,154	\$ 30,102	\$ 29,937	\$ 165
Total parks, recreation, and cultural	\$ 28,354	\$ 31,302	\$ 31,137	\$ 165

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community development	\$ 2,365	\$ 2,365	\$ 2,000	\$ 365
Zoning board	1,000	-	-	-
Planning	3,980	3,980	3,505	475
Tourism	5,400	8,300	8,006	294
Contribution to Virginia's First Regional IFA	-	10,844	10,844	-
New Castle commons	45,000	74,000	64,370	9,630
Fifth planning district	3,931	3,931	3,931	-
Total planning and community development	\$ 61,676	\$ 103,420	\$ 92,656	\$ 10,764
Environmental management:				
Mountain Castle-soil conservation	\$ 150,996	\$ 152,232	\$ 127,759	\$ 24,473
Cooperative extension program:				
Extension office	\$ 32,685	\$ 32,685	\$ 30,408	\$ 2,277
Total community development	\$ 245,357	\$ 288,337	\$ 250,823	\$ 37,514
Nondepartmental:				
Fringe benefits	\$ 23,917	\$ 34,151	\$ 33,105	\$ 1,046
Contingencies	6,460	4,053	-	4,053
Total nondepartmental	\$ 30,377	\$ 38,204	\$ 33,105	\$ 5,099
Debt service:				
Principal retirement	\$ 347,371	\$ 347,371	\$ 347,371	\$ -
Interest and other fiscal charges	184,229	184,229	183,537	692
Total debt service	\$ 531,600	\$ 531,600	\$ 530,908	\$ 692
Total Primary Government	\$ 6,836,181	\$ 8,252,666	\$ 6,861,721	\$ 1,390,945
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Executive administration services	\$ 494,250	\$ 506,848	\$ 503,477	\$ 3,371
Instruction costs:				
Instruction costs	\$ 4,783,112	\$ 5,089,087	\$ 5,080,691	\$ 8,396
Technology	316,456	310,456	306,293	4,163
Total instruction costs	\$ 5,099,568	\$ 5,399,543	\$ 5,386,984	\$ 12,559
School food services:				
Administration of school food program	\$ 408,368	\$ 408,368	\$ 382,925	\$ 25,443
Operating costs:				
Pupil transportation	\$ 502,600	\$ 574,713	\$ 497,710	\$ 77,003
Operation and maintenance of school plant	661,847	967,592	813,692	153,900
Total operating costs	\$ 1,164,447	\$ 1,542,305	\$ 1,311,402	\$ 230,903
Total Discretely Presented Component Unit - School Board	\$ 7,166,633	\$ 7,857,064	\$ 7,584,788	\$ 272,276

Other Statistical Information

Table 1

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

Fiscal Year	General				Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Solid Waste Authority	Total
	Government Administration	Judicial Administration	Public Safety	Public Works									
2013-14	\$ 791,988	\$ 323,664	\$ 1,324,152	\$ 609,729	\$ 1,043,298	\$ 2,119,299	\$ 34,833	\$ 139,465	\$ 177,884	\$ -	\$ -	\$ -	6,564,312
2012-13	755,333	296,577	1,329,756	524,687	1,010,860	2,732,769	30,047	103,568	191,361	-	-	-	6,974,958
2011-12	771,452	275,294	1,264,434	492,085	1,641,432	1,961,795	36,364	188,737	204,612	-	-	-	6,836,205
2010-11	687,867	282,026	1,326,612	523,087	1,907,221	1,804,288	18,353	279,026	220,027	-	-	-	7,048,507
2009-10	742,649	285,286	1,377,673	468,835	2,026,183	1,792,748	11,933	125,532	236,686	-	-	-	7,067,525
2008-09	668,939	285,311	1,289,370	542,706	2,301,150	1,175,969	13,133	807,328	255,051	-	-	-	7,338,957
2007-08	645,233	271,315	1,014,886	529,366	2,181,454	1,452,411	16,915	96,785	272,401	-	-	-	6,480,766
2006-07	628,265	273,911	1,014,650	530,198	1,841,440	1,186,217	8,689	121,851	291,954	-	-	-	5,897,175
2005-06 (1)	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

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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services (1)	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2013-14	\$ 98,996	\$ 1,731,459	\$ 313,600	\$	\$ 3,394,671	\$ 499,033	\$ 84,783	\$ 72,073	\$ 635,965	\$ 6,830,580
2012-13	68,084	1,701,928	-		3,395,934	505,675	81,702	97,377	622,697	6,473,397
2011-12	279,913	1,990,992	89,659		3,305,224	509,246	81,751	88,147	584,807	6,929,739
2010-11	377,464	2,127,684	11,242		3,102,510	487,924	103,846	116,562	575,104	6,902,336
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	1,122,765	5,864,995

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

Table 3

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

Fiscal Year	General			Parks,							Debt Service	Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Recreation, and Cultural	Community Development	Capital Projects	Non-departmental		
2013-14	\$ 698,893	\$ 315,527	\$ 1,233,002	\$ 732,380	\$ 1,066,647	\$ 7,592,779	\$ 31,137	\$ 250,823	\$ -	\$ 33,105	\$ 530,908	\$ 12,485,201
2012-13	686,849	288,615	1,231,648	480,036	995,082	7,243,484	30,047	241,045	-	69,512	513,581	11,779,899
2011-12	756,836	273,610	1,247,722	482,996	1,676,392	7,064,450	25,121	321,900	-	56,358	555,794	12,461,179
2010-11	673,402	289,089	1,395,669	475,083	1,997,644	7,143,778	29,595	457,847	305,814	65,290	579,303	13,412,514
2009-10	656,568	284,860	1,361,176	463,398	2,113,590	7,537,265	11,933	260,609	34,233	58,924	694,303	13,476,859
2008-09	639,441	283,640	1,214,742	491,744	2,397,067	6,945,831	13,133	815,055	39,800	42,662	703,859	13,586,974
2007-08	637,307	269,644	916,489	480,351	2,224,879	6,712,554	16,915	199,290	96,408	33,346	733,796	12,320,979
2006-07	574,869	272,240	1,046,275	478,700	1,916,964	6,889,717	8,689	200,215	-	49,058	744,020	12,180,747
2005-06	640,839	259,637	956,508	427,655	1,489,628	5,824,619	10,747	122,368	-	-	758,245	10,490,246
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

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

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

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

Fiscal Year	General Property Taxes		Other Local Taxes		Permits, Privilege Fees, Regulatory Licenses		Fines and Forfeitures		Revenue from the Use of Money and Property		Charges for Services		Miscellaneous		Recovered Costs		Inter- governmental (2)		Total	
2013-14	\$	3,405,962	\$	499,033	\$	28,680	\$	5,007	\$	84,986	\$	219,868	\$	386,507	\$	147,064	\$	7,510,744	\$	12,287,851
2012-13		3,410,578		505,675		25,889		4,661		81,826		186,109		237,905		178,341		7,327,897		11,958,881
2011-12		3,257,197		509,246		23,335		5,801		81,886		414,432		299,252		202,123		7,668,001		12,461,273
2010-11		3,116,109		487,924		36,430		1,516		103,846		501,101		274,505		226,339		7,951,849		12,699,619
2009-10		2,994,988		498,912		25,641		1,759		102,732		460,194		362,333		283,696		9,095,019		13,825,274
2008-09		2,997,396		618,041		38,099		3,952		136,771		521,462		200,632		280,575		9,530,737		14,327,665
2007-08		2,851,787		643,126		34,181		3,813		133,629		496,453		410,478		202,776		8,128,290		12,904,533
2006-07		2,836,400		693,108		49,151		3,106		101,983		505,048		125,230		197,161		7,741,727		12,252,914
2005-06		2,587,871		627,873		54,468		4,697		69,810		489,981		211,181		165,256		7,060,993		11,272,130
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

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy			
2013-14	\$ 3,736,546	\$ 3,543,990	94.85%	\$ 156,332	\$ 3,700,322	99.03%	\$ 234,129	6.27%	
2012-13	3,680,533	3,478,001	94.50%	218,368	3,696,369	100.43%	233,864	6.35%	
2011-12	3,580,886	3,292,776	91.95%	256,343	3,549,119	99.11%	265,974	7.43%	
2010-11	3,408,715	3,239,539	95.04%	166,571	3,406,110	99.92%	268,519	7.88%	
2009-10	3,326,076	3,063,417	92.10%	230,319	3,293,736	99.03%	250,667	7.54%	
2008-09	3,319,375	3,063,881	92.30%	243,260	3,307,141	99.63%	233,892	7.05%	
2007-08	3,179,745	3,038,611	95.56%	113,253	3,151,864	99.12%	248,628	7.82%	
2006-07	3,112,599	2,984,412	95.88%	55,907	3,040,319	97.68%	251,567	8.08%	
2005-06	2,929,648	2,736,744	93.42%	230,670	2,967,414	101.29%	334,218	11.41%	
2004-05	2,711,600	2,273,471	83.84%	388,249	2,661,720	98.16%	246,286	9.08%	

(1) Exclusive of penalties and interest.

(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
2013-14	\$ 485,172,230	\$ 34,622,620	\$ 2,040,191	\$ 285,556	\$ 14,212,421	536,333,018
2012-13	483,945,781	34,330,943	2,309,708	289,470	14,034,655	534,910,557
2011-12	456,489,768	33,674,308	2,528,832	282,742	12,698,689	505,674,339
2010-11	430,698,238	31,269,216	2,851,070	303,873	12,791,177	477,913,574
2009-10	425,617,100	30,353,841	3,364,084	337,655	12,131,935	471,804,615
2008-09	420,709,126	33,348,621	2,373,758	307,033	11,474,204	468,212,742
2007-08	417,065,460	28,019,882	2,052,211	230,853	12,866,981	460,235,387
2006-07	408,091,150	31,803,077	1,060,098	249,334	13,430,535	454,634,194
2005-06	339,757,365	30,421,248	817,160	239,243	10,200,472	381,435,488
2004-05	274,639,994	27,937,143	1,222,718	236,649	10,988,011	315,024,515

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

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
2013-14	0.54/0.56	\$ 3.00	\$ 2.20	\$ 3.50
2012-13	0.54	3.00	2.20	3.50
2011-12	0.56/0.54	3.00	2.20	3.50
2010-11	0.56	3.00	2.20	3.50
2009-10	0.54/0.56	3.00	2.20	3.50
2008-09	0.54	3.00	2.20	3.50
2007-08	0.52/0.54	3.00	2.20	3.50
2006-07	0.52	3.00	2.20	3.50
2005-06	0.68	3.00	2.20	3.50
2004-05	0.66	3.00	2.20	3.50

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2013-14	5,190	\$ 536,333	\$ 3,237,055	0.60%	\$ 624
2012-13	5,190	534,911	3,561,599	0.67%	686
2011-12	5,190	505,674	3,878,180	0.77%	747
2010-11	5,190	477,914	4,223,935	0.88%	814
2009-10	5,091	471,805	4,577,544	0.97%	899
2008-09	5,091	468,213	5,027,068	1.07%	987
2007-08	5,091	460,235	5,467,859	1.19%	1,074
2006-07	5,091	454,634	5,905,037	1.30%	1,160
2005-06	5,091	381,435	6,333,872	1.66%	1,244
2004-05	5,091	315,025	6,759,520	2.15%	1,328

(1) Bureau of the Census.

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

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

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

Table 9

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

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2013-14	\$ 347,371	\$ 183,537	\$ 530,908	\$ 12,485,201	4.25%
2012-13	316,581	197,000	513,581	11,779,899	4.36%
2011-12	345,755	210,039	555,794	12,461,179	4.46%
2010-11	353,609	225,694	579,303	13,412,514	4.32%
2009-10	449,524	244,779	694,303	13,476,859	5.15%
2008-09	440,791	263,068	703,859	13,586,974	5.18%
2007-08	452,622	281,174	733,796	12,320,979	5.96%
2006-07	443,398	300,622	744,020	12,180,747	6.11%
2005-06	439,379	318,866	758,245	10,490,246	7.23%
2004-05	290,206	355,294	645,500	9,806,396	6.58%

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

(2) Excludes bond issuance and other costs.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Craig, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Craig, Virginia's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2014-001, 2014-002].

Compliance and Other Matters

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

County of Craig, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 16, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited 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 County of Craig, Virginia's major federal programs for the year ended June 30, 2014. County of Craig, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Craig, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Craig, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Craig, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of County of Craig, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Craig, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 County of Craig, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, & Associates

Blacksburg, Virginia
December 16, 2014

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	0950113, 0950114	\$ 6,246
Temporary Assistance for Needy Families	93.558	0400113, 0400114	46,544
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113, 0500114	458
Low-Income Home Energy Assistance	93.568	0600413, 0600414	4,709
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113, 0760114	7,061
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113, 0900114	359
Foster Care - Title IV-E	93.658	1100113, 1100114	46,076
Adoption Assistance	93.659	1120113, 1120114	6,490
Social Services Block Grant	93.667	1000113, 1000114	32,800
Chafee Foster Care Independence Program	93.674	9150113, 9150114	583
Children's Health Insurance Program	93.767	0540113, 0540114	2,083
Medical Assistance Program	93.778	1200113, 1200114	61,589
Total Department of Health and Human Services			<u>\$ 214,998</u>
Department of Agriculture:			
Direct Payments:			
Cooperative Forestry Assistance	10.664	Not applicable	<u>\$ 3,238</u>
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution (Note 3)	10.555	Not applicable	\$ 25,795
Department of Education:			
National School Lunch Program	10.555	40623	146,357
National School Lunch Program Subtotal			<u>\$ 172,152</u>
School Breakfast Program	10.553	40591	39,040
Schools and Roads - Grants to States	10.665	43841	141,455
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113, 0010114 0040113, 0040114	<u>70,449</u>
Total Department of Agriculture			<u>\$ 426,334</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2013-53296-5011	<u>\$ 10,297</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Homeland Security Grant Program	97.067	52702, 52703	\$ 8,133
Emergency Management Performance Grants	97.042	52743	<u>7,500</u>
Total Department of Homeland Security			<u>\$ 15,633</u>
Environmental Protection Agency			
Pass Through Payments:			
Department of Conservation and Recreation:			
Chesapeake Bay Program	66.466	SWM2012P11	<u>\$ 10,290</u>

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Direct Payments:			
Impact Aid	84.041	Not applicable	\$ 187,278
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 158,390
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	147,003
Special Education - Preschool Grants	84.173	62521	574
Career and Technical Education: Basic Grants to States	84.048	61095	11,973
School Improvement Grants	84.377	43040	73,589
Improving Teacher Quality State Grants	84.367	61480	27,274
Total Department of Education			\$ 606,081
Total Expenditures of Federal Awards			\$ 1,283,633

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Craig County, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of Craig County, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Craig County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, 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	\$ 502,210
Less: Payment in lieu of taxes	(156,087)
Total primary government	\$ 346,123
Component Unit School Board:	
School Operating Fund	\$ 937,510
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 1,283,633

County of Craig, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
84.010	Title I, Part A Grants to Local Educational Agencies
84.041	Impact Aid (Title VIII of ESEA)

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

County of Craig, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II - Financial Statement Findings

2014-001

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

2014-002

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 School Board 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 School Board's financial statements that is more than inconsequential will not be prevented or detected by the School Board's internal controls over financial reporting.

County of Craig, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued)

2014-002 (Continued)

Recommendation:	The School Board should request funds on reimbursable grants in a more timely manner in order to aid the County and School Board in their annual financial closing process.
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Management's Response:	The School Board will make an effort to request funds on a timely basis in order to provide accurate financial statements.
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Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement finding 2013-1 and 2013-2 are recurring this year as 2014-001 and 2014-002, respectively.