

COUNTY OF CRAIG, VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

**COUNTY OF CRAIG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

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FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

COUNTY OF CRAIG, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

COUNTY WELFARE BOARD

Dan Early	Millie Harrison, Chair	Keith Dunbar, Vice Chair
Bernie Tripp		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	Ronnie Gordon
Director of Social Services	James T. Weber
County Administrator.....	Richard C. Flora
County Attorney.....	James Cornwell

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

TO THE BOARD OF SUPERVISORS COUNTY OF CRAIG, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the County of Craig, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Craig, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the County of Craig, Virginia, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the County of Craig, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Craig, Virginia's basic financial statements as a whole. The other supplementary information, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other statistical information has 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.

Robinson, Turner, & Associates

Blacksburg, Virginia
December 12, 2012

Basic Financial Statements

County of Craig, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government Governmental Activities	Component Unit School Board	Component Unit IDA
ASSETS			
Cash and cash equivalents	\$ 2,359,034	\$ 692,050	\$ 63,973
Investments	266,885	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,467,189	-	-
Other local taxes receivable	29,166	-	-
Accounts receivable	-	-	471
Notes receivable	-	-	9,225
Due from component unit	746,536	-	-
Due from other governmental units	276,944	161,542	-
Prepaid expenses	-	61,288	-
Capital assets (net of accumulated depreciation):			
Land	137,635	37,504	404,420
Buildings and improvements	7,093,211	443,662	1,276,286
Machinery and equipment	332,843	279,164	-
Construction in progress	70,281	-	-
Total assets	<u>\$ 12,779,724</u>	<u>\$ 1,675,210</u>	<u>\$ 1,754,375</u>
LIABILITIES			
Accounts payable	\$ 34,336	\$ 50,128	\$ 51
Accrued interest payable	76,276	-	-
Due to primary government	-	746,536	-
Unearned revenue	1,295,163	-	964
Long-term liabilities:			
Due within one year	380,978	53,716	-
Due in more than one year	3,583,065	17,905	-
Total liabilities	<u>\$ 5,369,818</u>	<u>\$ 868,285</u>	<u>\$ 1,015</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,755,790	\$ 760,330	\$ 1,680,706
Restricted for:			
Law Library	6,669	-	-
Courthouse Maintenance	5,665	-	-
Cafeteria	-	56,928	-
Unrestricted (deficit)	3,641,782	(10,333)	72,654
Total net assets	<u>\$ 7,409,906</u>	<u>\$ 806,925</u>	<u>\$ 1,753,360</u>

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

County of Craig, Virginia
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					Primary Government	School Board	IDA
PRIMARY GOVERNMENT:					Total		
Governmental activities:							
General government administration	\$ 771,452	\$ 835	\$ 163,312	\$ -	\$ (607,305)		
Judicial administration	275,294	1,197	209,382	-	(64,715)		
Public safety	1,264,434	35,199	642,696	-	(586,539)		
Public works	492,085	4,821	6,000	-	(481,264)		
Health and welfare	1,641,432	237,101	963,741	-	(440,590)		
Education	1,961,795	-	-	-	(1,961,795)		
Parks, recreation, and cultural	36,364	-	5,861	89,659	59,156		
Community development	188,737	760	-	-	(187,977)		
Interest on long-term debt	204,612	-	-	-	(204,612)		
Total primary government	\$ 6,836,205	\$ 279,913	\$ 1,990,992	\$ 89,659	\$ (4,475,641)		
COMPONENT UNITS:							
School Board	\$ 7,226,720	\$ 163,655	\$ 5,002,543	\$ -	\$ (2,060,522)	\$ -	\$ (53,829)
IDA	53,829	-	-	-	-	-	(53,829)
Total component units	\$ 7,280,549	\$ 163,655	\$ 5,002,543	\$ -	\$ (2,060,522)	\$ -	\$ (53,829)
General revenues:							
General property taxes					\$ 3,305,224	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					147,593	-	-
Consumers' utility taxes					114,785	-	-
Consumption taxes					12,310	-	-
Franchise license taxes					5,430	-	-
Motor vehicle licenses					115,054	-	-
Recordation tax					25,643	-	-
Hotel and motel room taxes					14,618	-	-
Restaurant food taxes					73,813	-	-
Unrestricted revenues from use of money and property					81,751	135	12,811
Miscellaneous					88,147	211,105	12,212
Contributions from the County of Craig					-	1,961,274	-
Grants and contributions not restricted to specific programs					584,807	-	-
Total general revenues					\$ 4,569,175	\$ 2,172,514	\$ 25,023
Change in net assets					93,534	111,992	(28,806)
Net assets - beginning					7,316,372	694,933	1,782,166
Net assets - ending					\$ 7,409,906	\$ 806,925	\$ 1,753,360

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

County of Craig, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,359,034
Investments	266,885
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,467,189
Other local taxes receivable	29,166
Due from component unit	746,536
Due from other governmental units	276,944
Total assets	<u>\$ 5,145,754</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 34,336
Deferred revenue	1,475,360
Total liabilities	<u>\$ 1,509,696</u>
Fund balances:	
Restricted:	
Law Library	\$ 6,669
Courthouse Maintenance	5,665
Assigned:	
Public Assistance	13,096
Child Care	230,331
Commons	205,444
Memorial	3,052
Unassigned:	3,171,801
Total fund balances	<u>\$ 3,636,058</u>
Total liabilities and fund balances	<u>\$ 5,145,754</u>

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

County of Craig, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,636,058
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,633,970
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	180,197
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,040,319)
Net assets of governmental activities	<u>\$ 7,409,906</u>

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

County of Craig, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>
REVENUES	
General property taxes	\$ 3,257,197
Other local taxes	509,246
Permits, privilege fees, and regulatory licenses	23,335
Fines and forfeitures	5,801
Revenue from the use of money and property	81,751
Charges for services	250,777
Miscellaneous	88,147
Recovered costs	202,123
Intergovernmental revenues:	
Commonwealth	2,011,667
Federal	653,791
Total revenues	<u>\$ 7,083,835</u>
EXPENDITURES	
Current:	
General government administration	\$ 756,836
Judicial administration	273,610
Public safety	1,247,722
Public works	482,996
Health and welfare	1,676,392
Education	1,743,940
Parks, recreation, and cultural	25,121
Community development	321,900
Nondepartmental	56,358
Debt service:	
Principal retirement	345,755
Interest and other fiscal charges	210,039
Total expenditures	<u>\$ 7,140,669</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (56,834)</u>
Net change in fund balances	\$ (56,834)
Fund balances - beginning	3,692,892
Fund balances - ending	<u><u>\$ 3,636,058</u></u>

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

County of Craig, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$ (56,834)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(284,993)
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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.	48,027
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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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.	345,755
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	41,579
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Change in net assets of governmental activities	\$ 93,534
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The accompanying notes to the financial statements are an integral part of this statement.

County of Craig, Virginia
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 38,048
LIABILITIES	
Amounts held for social services clients	\$ 31,420
Amounts held for land sales	6,628
Total liabilities	\$ 38,048

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

COUNTY OF CRAIG, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

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.

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

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

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

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

Jointly Governed Organizations – The County, the County of Botetourt and the City of Roanoke participate in supporting the Blue Ridge Community Services Board. For the year ended June 30, 2012, the County contributed \$5,000 to the Community Services Board.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which 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 assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide statement of net assets and report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 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.

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the County in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare and Land Sale Funds.

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$21,154 at June 30, 2012 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

6. Capital assets

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

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

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

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

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

7. Compensated Absences

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

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

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

8. Long-term obligations

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

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

9. Fund equity

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

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

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

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

9. Fund equity (Continued)

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.

10. Net Assets

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 2—Reconciliation of Government-Wide and Fund Financial Statements:**

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(4,040,319) and \$(71,621) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General Obligation Bonds	\$ (3,878,180)	\$ -
Accrued interest payable	(76,276)	-
Compensated absences	(85,863)	(71,621)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (4,040,319)	\$ (71,621)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$(284,993) and \$23,786 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 108,465	\$ 75,485
Depreciation expense	(393,458)	(51,699)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (284,993)	\$ 23,786

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 2—Reconciliation of Government-Wide and Fund Financial Statements: (Continued)**

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$345,755 difference in the primary government are as follows:

Principal repayments:	
General obligation debt	\$ 314,984
Unfunded pension obligation	<u>30,771</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>345,755</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$41,579 and \$8,444 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ 20,074	\$ 8,444
(Increase) decrease in net OPEB obligation	16,078	-
(Increase) decrease in accrued interest	<u>5,427</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>41,579</u>	\$ <u>8,444</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to May 1, the County Administrator submits to the County Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the County Board of Supervisors can change the appropriation by function. The County Administrator is authorized to transfer budgeted amounts within general government activities or departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate capital projects by project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

A. Excess of expenditures over appropriations

For fiscal year ended June 30, 2012, there were no departments that exceeded its appropriations.

B. Deficit fund equity

At June 30, 2012, there were no funds with deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 4—Deposits and Investments:

Deposits:

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

Investments:

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

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, 2012 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	\$ 266,885

Concentration of Credit Risk

At June 30, 2012, 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, 2012, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 4—Deposits and Investments: (Continued)

Investments: (Continued)

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 5—Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 24,490	\$ -
State sales tax	-	125,978
Non-categorical aid	22,215	-
Categorical aid-shared expenses	66,219	-
Categorical aid-Welfare payments	14,499	-
Categorical aid-other	48,893	-
Comprehensive Services Act (CSA)	78,360	-
<u>Federal Government:</u>		
Categorical aid-Welfare payments	22,268	-
School federal programs	-	35,564
Totals	\$ 276,944	\$ 161,542

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 6—Long-Term Obligations:Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012:

	Balance July 1, 2011	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2012
General obligation bonds	\$ 4,193,164	\$ -	\$ (314,984)	\$ 3,878,180
Unfunded pension				
obligation/refunding bond	30,771	-	(30,771)	-
Net OPEB Obligation (1)	16,078	-	(16,078)	-
Compensated absences	105,937	59,379	(79,453)	85,863
Total	\$ 4,345,950	\$ 59,379	\$ (441,286)	\$ 3,964,043

(1) Terminated in fiscal year 2012

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 316,581	\$ 192,500
2014	324,544	176,800
2015	333,629	159,689
2016	342,929	142,077
2017	352,454	123,952
2018-2022	1,911,252	333,436
2023	296,791	7,209
Totals	\$ 3,878,180	\$ 1,135,663

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 6—Long-Term Obligations: (Continued)

Primary Government - Governmental Activity Indebtedness: (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	\$ 875,000	\$ 65,000
VPSA General Obligation Bond	2.35-5.84%	02/02/03	07/15/22	5,210,980	3,003,180	251,581
Total Obligation Bonds					\$ 3,878,180	\$ 316,581
<u>Other Long-term Obligations:</u>						
Compensated Absences					\$ 85,863	\$ 64,397
Total Long-term Obligations					\$ 3,964,043	\$ 380,978

Note 7—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, 2012:

	Balance July 1, 2011	Increase	Decrease	Balance June 30, 2012
Compensated absences	\$ 80,065	\$ 51,605	\$ (60,049)	\$ 71,621

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 71,621	\$ 53,716

Note 8—Employee Retirement System and Defined Benefit Pension Plans:

A. Plan Description

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

The County of Craig contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

A. Plan Description (Continued)

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

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

The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-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

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Craig, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Craig, Virginia's contribution rate for the fiscal year ended June 30, 2012 was 13.77% (including the member contribution of 5.00%) of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2012 was 16.16% (including the member contribution of 5.00%) of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 8—Employee Retirement System and Defined Benefit Pension Plans: (Continued)**C. Annual Pension Cost**

For fiscal year 2012, the County of Craig, Virginia's annual pension cost of \$140,353 and \$44,823 for VRS was equal to the County of Craig, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Schedule of Funding Progress

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 140,353	100.00%	\$ -
	6/30/2011	141,682	100.00%	-
	6/30/2010	124,845	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 44,823	100.00%	\$ -
	6/30/2011	45,124	100.00%	-
	6/30/2010	27,481	100.00%	-

¹ Employer portion only

Primary Government

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75%** to **5.60%** per year for general government employees and **3.50%** to **4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was within a period of 20 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

C. Annual Pension Cost (Continued)

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

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75%** to **5.60%** per year for general government employees and **3.50%** to **4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was within a period of 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 84.56% funded. The actuarial accrued liability for benefits was \$6,359,509, and the actuarial value of assets was \$5,377,596, resulting in an unfunded actuarial accrued liability (UAAL) of \$981,913. The covered payroll (annual payroll of active employees covered by the plan) was \$1,566,678, and ratio of the UAAL to the covered payroll was 62.67%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.03% funded. The actuarial accrued liability for benefits was \$1,447,211 and the actuarial value of assets was \$1,100,324 resulting in an unfunded actuarial accrued liability (UAAL) of \$346,887. The covered payroll (annual payroll of active employees covered by the plan) was \$409,694, and ratio of the UAAL to the covered payroll was 84.67%.

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

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Craig County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contributions to the VRS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$415,199, \$319,297, and \$409,959 (including the member contribution), respectively, and equal to the required contributions for each year. These amounts represent 11.33%, 8.93%, and 13.81% (including the member contribution of 5%), of covered annual payroll for the fiscal years ended 2012, 2011, and 2010, respectively.

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COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9—Capital Assets:

Primary Government

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 137,635	\$ -	\$ -	\$ 137,635
Construction in progress	43,734	37,790	(11,243)	70,281
Total capital assets not being depreciated	<u>\$ 181,369</u>	<u>\$ 37,790</u>	<u>\$ (11,243)</u>	<u>\$ 207,916</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,081,480	\$ -	\$ -	\$ 11,081,480
Machinery and equipment	1,148,728	81,918	-	1,230,646
Total capital assets being depreciated	<u>\$ 12,230,208</u>	<u>\$ 81,918</u>	<u>\$ -</u>	<u>\$ 12,312,126</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (3,686,618)	\$ (301,651)	\$ -	\$ (3,988,269)
Machinery and equipment	(805,996)	(91,807)	-	(897,803)
Total accumulated depreciation	<u>\$ (4,492,614)</u>	<u>\$ (393,458)</u>	<u>\$ -</u>	<u>\$ (4,886,072)</u>
Total capital assets being depreciated, net	<u>\$ 7,737,594</u>	<u>\$ (311,540)</u>	<u>\$ -</u>	<u>\$ 7,426,054</u>
Governmental activities capital assets, net	<u>\$ 7,918,963</u>	<u>\$ (273,750)</u>	<u>\$ (11,243)</u>	<u>\$ 7,633,970</u>

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

Governmental activities:	
General government administration	\$ 28,770
Judicial administration	1,684
Public safety	82,108
Public works	47,392
Health and welfare	15,649
Education	<u>217,855</u>
Total depreciation expense-governmental activities	<u>\$ 393,458</u>

COUNTY OF CRAIG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9—Capital Assets: (Continued)

Discretely Presented Component Unit

Capital asset activity for the School Board for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 37,504	\$ -	\$ -	\$ 37,504
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,270,445	\$ -	\$ -	\$ 1,270,445
Machinery and equipment	799,216	75,485	-	874,701
Total capital assets being depreciated	\$ 2,069,661	\$ 75,485	\$ -	\$ 2,145,146
Less: accumulated depreciation for:				
Buildings and improvements	\$ (826,076)	\$ (707)	\$ -	\$ (826,783)
Machinery and equipment	(544,545)	(50,992)	-	(595,537)
Total accumulated depreciation	\$ (1,370,621)	\$ (51,699)	\$ -	\$ (1,422,320)
Total capital assets being depreciated, net	\$ 699,040	\$ 23,786	\$ -	\$ 722,826
Governmental activities capital assets, net	\$ 736,544	\$ 23,786	\$ -	\$ 760,330

Note 10—Risk Management:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11—Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. During the audit matters of noncompliance were disclosed. In addition, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, could be material.

Note 12—Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

USF&G Insurance Company-Surety:

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

Component Unit-School Board:

Western Surety Company:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 13—Deferred (Unearned) Revenue:

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,402,566	\$ 1,222,369
Prepaid taxes	72,794	72,794
Total deferred/unearned revenue for governmental funds	\$ 1,475,360	\$ 1,295,163

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

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 8.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 0.28% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 14—Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (Continued)**C. OPEB Cost and Net OPEB Obligation**

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

For 2012, the County's contribution of \$2,080 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 2012 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	6/30/2012	\$ 2,080	100.00%	-
	6/30/2011	2,100	100.00%	-
	6/30/2010	7,402	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 49,793
Actuarial value of plan assets	\$ 37,152
Unfunded actuarial accrued liability (UAAL)	\$ 12,641
Funded ratio (actuarial value of plan assets/AAL)	74.61%
Covered payroll (active plan members)	\$ 587,077
UAAL as a percentage of covered payroll	2.15%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% 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, 2011 was 30 years.

F. Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2012 was \$21,988 and equaled the required contributions.

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

During fiscal year 2012, the County of Craig terminated post-employment retiree healthcare coverage. Therefore, the County no longer has an OPEB obligation for this plan.

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 3,036,000	\$ 3,036,000	\$ 3,257,197	\$ 221,197
Other local taxes	474,000	484,508	509,246	24,738
Permits, privilege fees, and regulatory licenses	25,700	25,700	23,335	(2,365)
Fines and forfeitures	1,600	1,600	5,801	4,201
Revenue from the use of money and property	53,000	54,800	81,751	26,951
Charges for services	370,621	371,981	250,777	(121,204)
Miscellaneous	95,900	124,042	88,147	(35,895)
Recovered costs	235,563	237,258	202,123	(35,135)
Intergovernmental revenues:				
Commonwealth	2,354,226	2,461,376	2,011,667	(449,709)
Federal	327,714	388,414	653,791	265,377
Total revenues	<u>\$ 6,974,324</u>	<u>\$ 7,185,679</u>	<u>\$ 7,083,835</u>	<u>\$ (101,844)</u>
EXPENDITURES				
Current:				
General government administration	\$ 640,769	\$ 800,486	\$ 756,836	\$ 43,650
Judicial administration	253,088	298,177	273,610	24,567
Public safety	1,025,917	1,420,444	1,247,722	172,722
Public works	445,437	507,472	482,996	24,476
Health and welfare	2,049,799	2,052,939	1,676,392	376,547
Education	1,825,490	1,825,490	1,743,940	81,550
Parks, recreation, and cultural	29,160	30,213	25,121	5,092
Community development	305,161	423,407	321,900	101,507
Nondepartmental	140,719	71,418	56,358	15,060
Debt service:				
Principal retirement	318,664	318,664	345,755	(27,091)
Interest and other fiscal charges	203,736	203,736	210,039	(6,303)
Total expenditures	<u>\$ 7,237,940</u>	<u>\$ 7,952,446</u>	<u>\$ 7,140,669</u>	<u>\$ 811,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (263,616)</u>	<u>\$ (766,767)</u>	<u>\$ (56,834)</u>	<u>\$ 709,933</u>
Net change in fund balances	<u>\$ (263,616)</u>	<u>\$ (766,767)</u>	<u>\$ (56,834)</u>	<u>\$ 709,933</u>
Fund balances - beginning	263,616	756,972	3,692,892	2,935,920
Fund balances - ending	<u>\$ -</u>	<u>\$ (9,795)</u>	<u>\$ 3,636,058</u>	<u>\$ 3,645,853</u>

County of Craig, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2012

Primary Government:*County Retirement Plan*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 5,377,596	\$ 6,359,509	\$ 981,913	84.56%	\$ 1,566,678	62.67%
6/30/2010	5,259,000	6,487,303	1,228,303	81.07%	1,612,622	76.17%
6/30/2009	5,197,928	5,602,135	404,207	92.78%	1,711,403	23.62%

County Other Postemployment Benefits Plan-VRS Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 37,152	\$ 49,793	\$ 12,641	74.61%	\$ 587,077	2.15%
6/30/2010	32,003	48,080	16,077	66.56%	1,612,622	1.00%
6/30/2009	24,155	45,815	21,660	52.72%	1,711,403	1.27%

Discretely Presented Component Unit:*School Board Non-Professional Retirement Plan*

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 1,100,324	\$ 1,447,211	\$ 346,887	76.03%	\$ 409,694	84.67%
6/30/2010	1,017,292	1,359,342	342,050	74.84%	393,619	86.90%
6/30/2009	973,418	1,149,336	175,918	84.69%	414,829	42.41%

Other Supplementary Information

County of Craig, Virginia
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 30,959	\$ 7,784	\$ (7,323)	\$ 31,420
Land Sale Fund	6,611	17	-	6,628
Total Assets	<u>\$ 37,570</u>	<u>\$ 7,801</u>	<u>\$ (7,323)</u>	<u>\$ 38,048</u>
Liabilities				
Amounts held for social services clients	\$ 30,959	\$ 7,784	\$ (7,323)	\$ 31,420
Amounts held for land sales	6,611	17	-	6,628
Total Liabilities	<u>\$ 37,570</u>	<u>\$ 7,801</u>	<u>\$ (7,323)</u>	<u>\$ 38,048</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Craig, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 692,050
Due from other governmental units	161,542
Total assets	<u>\$ 853,592</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 50,128
Due to primary government	746,536
Total liabilities	<u>\$ 796,664</u>
Fund balances:	
Restricted:	
Cafeteria	\$ 56,928
Total fund balances	<u>\$ 56,928</u>
Total liabilities and fund balances	<u>\$ 853,592</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 56,928
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	760,330
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(71,621)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	61,288
Net assets of governmental activities	<u>\$ 806,925</u>

County of Craig, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund
REVENUES	
Charges for services	\$ 163,655
Revenue from the use of money and property	135
Miscellaneous	211,105
Intergovernmental revenues:	
Local government	1,743,419
Commonwealth	4,110,508
Federal	892,035
Total revenues	<u>\$ 7,120,857</u>
EXPENDITURES	
Current:	
Education	<u>\$ 7,063,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 56,928</u>
Net change in fund balances	\$ 56,928
Fund balances - beginning	-
Fund balances - ending	<u><u>\$ 56,928</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 56,928
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.	23,786
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.	8,444
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	22,834
Change in net assets of governmental activities	<u><u>\$ 111,992</u></u>

County of Craig, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 204,373	\$ 204,373	\$ 163,655	\$ (40,718)
Revenue from the use of money and property	-	-	135	135
Miscellaneous	125,581	141,537	211,105	69,568
Intergovernmental revenues:				
Local government	1,823,903	1,823,903	1,743,419	(80,484)
Commonwealth	4,142,459	4,143,459	4,110,508	(32,951)
Federal	856,204	1,079,648	892,035	(187,613)
Total revenues	<u>\$ 7,152,520</u>	<u>\$ 7,392,920</u>	<u>\$ 7,120,857</u>	<u>\$ (272,063)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 7,152,520</u>	<u>\$ 7,392,920</u>	<u>\$ 7,063,929</u>	<u>\$ 328,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,928</u>	<u>\$ 56,928</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,928</u>	<u>\$ 56,928</u>
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,928</u>	<u>\$ 56,928</u>

Supporting Schedules

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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	\$ 2,350,000	\$ 2,350,000	\$ 2,496,043	\$ 146,043
Real and personal public service corporation taxes	85,000	85,000	55,121	(29,879)
Personal property taxes	470,000	470,000	574,404	104,404
Mobile home taxes	16,000	16,000	16,936	936
Machinery and tools taxes	65,000	65,000	55,623	(9,377)
Merchant's capital	10,000	10,000	9,937	(63)
Penalties	25,000	25,000	30,151	5,151
Interest	15,000	15,000	18,982	3,982
Total general property taxes	\$ 3,036,000	\$ 3,036,000	\$ 3,257,197	\$ 221,197
Other local taxes:				
Local sales and use taxes	\$ 150,000	\$ 160,508	\$ 147,593	\$ (12,915)
Consumers' utility taxes	113,000	113,000	114,785	1,785
Consumption taxes	12,000	12,000	12,310	310
Franchise license taxes	-	-	5,430	5,430
Motor vehicle licenses	116,000	116,000	115,054	(946)
Recordation tax	14,000	14,000	25,643	11,643
Hotel and motel room taxes	9,000	9,000	14,618	5,618
Restaurant food taxes	60,000	60,000	73,813	13,813
Total other local taxes	\$ 474,000	\$ 484,508	\$ 509,246	\$ 24,738
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,500	\$ 9,500	\$ 9,727	\$ 227
Transfer fees	200	200	219	19
Zoning, subdivision permits and erosion and sediment control	1,000	1,000	760	(240)
Building permits	15,000	15,000	12,629	(2,371)
Total permits, privilege fees, and regulatory licenses	\$ 25,700	\$ 25,700	\$ 23,335	\$ (2,365)
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,000	\$ 1,000	\$ 5,108	\$ 4,108
Interest on fines	100	100	128	28
Law library costs	500	500	565	65
Total fines and forfeitures	\$ 1,600	\$ 1,600	\$ 5,801	\$ 4,201
Revenue from use of money and property:				
Revenue from use of money	\$ 29,000	\$ 29,000	\$ 13,751	\$ (15,249)
Revenue from use of property	24,000	25,800	68,000	42,200
Total revenue from use of money and property	\$ 53,000	\$ 54,800	\$ 81,751	\$ 26,951
Charges for services:				
Charges for law enforcement and traffic control	\$ -	\$ -	\$ 193	\$ 193
Charges for courthouse maintenance	1,000	2,360	1,512	(848)
Charges for courthouse security	6,000	6,000	6,575	575
Document production costs	-	-	616	616
Charges for Commonwealth's Attorney	100	100	632	532
Charges for sanitation and waste removal	3,000	3,000	3,309	309
Child and adult daycare charges	360,521	360,521	237,101	(123,420)
Jail admission fees	-	-	839	839
Total charges for services	\$ 370,621	\$ 371,981	\$ 250,777	\$ (121,204)
Miscellaneous revenue:				
Miscellaneous	\$ 95,900	\$ 124,042	\$ 88,147	\$ (35,895)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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:				
New Castle Commons	\$ 36,800	\$ 36,800	\$ -	\$ (36,800)
Mt Castle salary reimbursement	144,763	144,763	133,163	(11,600)
LOA - special welfare	-	-	24,821	24,821
VHDA Admin	8,500	10,195	-	(10,195)
Other recovered costs	45,500	45,500	44,139	(1,361)
Total recovered costs	\$ 235,563	\$ 237,258	\$ 202,123	\$ (35,135)
Total revenue from local sources	\$ 4,292,384	\$ 4,335,889	\$ 4,418,377	\$ 82,488
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 300	\$ 300	\$ 274	\$ (26)
Mobile home titling tax	1,500	1,500	280	(1,220)
Grantor's tax	5,000	5,000	5,123	123
State recordation tax	10,000	10,000	9,522	(478)
Communication tax	120,000	120,000	117,810	(2,190)
Personal property tax relief funds	341,055	341,055	341,055	-
Total noncategorical aid	\$ 477,855	\$ 477,855	\$ 474,064	\$ (3,791)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 67,286	\$ 67,286	\$ 65,825	\$ (1,461)
Sheriff	458,725	458,725	432,999	(25,726)
Commissioner of revenue	65,909	65,909	65,134	(775)
Treasurer	68,105	68,105	67,162	(943)
Registrar/electoral board	30,000	35,335	31,016	(4,319)
Clerk of the Circuit Court	124,219	144,565	141,911	(2,654)
Total shared expenses	\$ 814,244	\$ 839,925	\$ 804,047	\$ (35,878)
Other categorical aid:				
Welfare payments	\$ 538,912	\$ 540,960	\$ 133,934	\$ (407,026)
CSA payments	471,030	471,030	452,317	(18,713)
Litter control grant	-	6,000	6,000	-
Four-for-life	-	5,524	5,524	-
Fire program	-	16,000	16,000	-
Library grant	6,185	6,185	5,861	(324)
State E-911 program	40,000	40,000	39,999	(1)
VJCCA grant	-	-	1,646	1,646
State seizures	-	21,117	18,766	(2,351)
Quality Initiative grant	-	-	13,209	13,209
Emergency medical services	-	-	9,520	9,520
Homeland security grants	-	30,780	30,780	-
Forest service grant	6,000	6,000	-	(6,000)
Total other categorical aid	\$ 1,062,127	\$ 1,143,596	\$ 733,556	\$ (410,040)
Total categorical aid	\$ 1,876,371	\$ 1,983,521	\$ 1,537,603	\$ (445,918)
Total revenue from the Commonwealth	\$ 2,354,226	\$ 2,461,376	\$ 2,011,667	\$ (449,709)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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 revenues: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 65,000	\$ 65,000	\$ 110,743	\$ 45,743
Categorical aid:				
Welfare payments	\$ 79,714	\$ 79,714	\$ 214,281	\$ 134,567
DMV grants	-	26,400	26,400	-
Child care grant	150,000	150,000	150,000	-
Forest Reserve	28,000	35,500	7,500	(28,000)
Greenway trail grant	-	-	89,659	89,659
Criminal Justice	-	-	31,918	31,918
Emergency management preparedness grant	5,000	31,800	23,290	(8,510)
Total categorical aid	\$ 262,714	\$ 323,414	\$ 543,048	\$ 219,634
Total revenue from the federal government	\$ 327,714	\$ 388,414	\$ 653,791	\$ 265,377
Total Primary Government	\$ 6,974,324	\$ 7,185,679	\$ 7,083,835	\$ (101,844)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 204,373	\$ 204,373	\$ 163,655	\$ (40,718)
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 135	\$ 135
Miscellaneous revenue:				
Miscellaneous	\$ 125,581	\$ 141,537	\$ 211,105	\$ 69,568
Total revenue from local sources	\$ 329,954	\$ 345,910	\$ 374,895	\$ 28,985
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Craig, Virginia	\$ 1,823,903	\$ 1,823,903	\$ 1,743,419	\$ (80,484)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 710,461	\$ 710,461	\$ 720,223	\$ 9,762
Basic school aid	2,229,125	2,229,125	2,170,349	(58,776)
Remedial summer education	31,042	31,042	36,080	5,038
Special foster care	-	-	2,678	2,678
Gifted and talented	22,356	22,356	21,892	(464)
Composite index hold harmless	62,683	-	-	-
English as a second language	782	782	-	(782)
Remedial education	46,201	46,201	45,242	(959)
Special education	370,109	370,109	390,098	19,989
Special education regional payments	32,234	32,234	46,569	14,335
Textbook payment	20,149	20,149	19,732	(417)
Jobs for Virginia graduates	15,000	15,000	13,500	(1,500)
Early intervention	10,782	10,782	6,469	(4,313)
Vocational standards of quality payments	75,015	75,015	73,458	(1,557)
Fringe benefits	275,222	275,222	269,509	(5,713)
Occupational prep	-	-	3,674	3,674
Homebound education	3,372	3,372	4,262	890

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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 revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education - equipment	\$ 5,482	\$ 5,482	\$ 3,065	\$ (2,417)
At risk payments	33,744	33,744	32,990	(754)
School food	5,376	5,376	5,836	460
Primary class size	76,082	76,082	69,647	(6,435)
VPSA technology payment	102,000	102,000	96,179	(5,821)
Standards of Learning algebra readiness	4,420	4,420	6,577	2,157
Mentor teacher	2,963	3,963	1,563	(2,400)
Lottery proceeds	-	-	25,978	25,978
ISAEF	7,859	7,859	7,859	-
Supplemental support	-	62,683	37,079	(25,604)
Total categorical aid	\$ 4,142,459	\$ 4,143,459	\$ 4,110,508	\$ (32,951)
Total revenue from the Commonwealth	\$ 4,142,459	\$ 4,143,459	\$ 4,110,508	\$ (32,951)
Revenue from the federal government:				
Categorical aid:				
Adult Literacy	\$ 9,750	\$ 9,750	\$ 8,060	\$ (1,690)
Title I	334,330	155,165	117,423	(37,742)
ARRA - Title I	-	-	3,926	3,926
School improvement grant	-	179,167	172,665	(6,502)
Forest reserve fund	124,409	129,970	152,906	22,936
Title VI-B, special education flow-through	157,518	157,518	113,373	(44,145)
ARRA Title VI-B, special education flow-through	-	-	39,608	39,608
Vocational education	13,512	13,512	12,840	(672)
Title VI-B, special education pre-school	6,872	6,872	6,123	(749)
ARRA - Title VI-B, special education pre-school	-	-	1,071	1,071
Drug free schools	-	-	1,114	1,114
Title III, Impact aid	12,000	49,696	49,696	-
Title II, Part A	31,250	31,250	16,133	(15,117)
School breakfast program	25,000	25,000	37,990	12,990
School lunch program	140,000	140,000	150,907	10,907
Other federal funds	-	177,505	-	(177,505)
ARRA - State fiscal stabilization funds	-	2,680	2,680	-
ARRA - Educational technology	-	-	3,957	3,957
Educational technology	1,563	1,563	1,563	-
Total categorical aid	\$ 856,204	\$ 1,079,648	\$ 892,035	\$ (187,613)
Total revenue from the federal government	\$ 856,204	\$ 1,079,648	\$ 892,035	\$ (187,613)
Total Discretely Presented Component Unit - School Board	\$ 7,152,520	\$ 7,570,425	\$ 7,120,857	\$ (449,568)

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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	\$ 28,060	\$ 38,839	\$ 35,099	\$ 3,740
General and financial administration:				
County administrator	\$ 104,274	\$ 104,274	\$ 101,533	\$ 2,741
Commissioner of revenue	134,825	134,840	128,818	6,022
Reassessment	-	103,650	102,284	1,366
Audit	57,125	57,125	53,292	3,833
Treasurer	161,153	164,111	163,437	674
Accounting/purchasing	46,430	46,430	46,203	227
Other general and financial administration	36,320	42,476	33,783	8,693
Total general and financial administration	\$ 540,127	\$ 652,906	\$ 629,350	\$ 23,556
Board of elections:				
Electoral board and officials	\$ 27,630	\$ 40,403	\$ 34,150	\$ 6,253
Registrar	44,952	68,338	58,237	10,101
Total board of elections	\$ 72,582	\$ 108,741	\$ 92,387	\$ 16,354
Total general government administration	\$ 640,769	\$ 800,486	\$ 756,836	\$ 43,650
Judicial administration:				
Courts:				
Circuit court	\$ 7,050	\$ 7,050	\$ 4,051	\$ 2,999
General district court	1,870	2,370	2,222	148
Clerk of the circuit court	159,246	196,572	182,961	13,611
Total courts	\$ 168,166	\$ 205,992	\$ 189,234	\$ 16,758
Commonwealth's attorney:				
Commonwealth's attorney	\$ 84,922	\$ 92,185	\$ 84,376	\$ 7,809
Total judicial administration	\$ 253,088	\$ 298,177	\$ 273,610	\$ 24,567
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 690,067	\$ 957,044	\$ 853,913	\$ 103,131
Fire and rescue services:				
Public safety	\$ 64,155	\$ 88,528	\$ 92,755	\$ (4,227)
Emergency medical services	16,478	103,837	50,818	53,019
E-911	18,350	31,150	27,765	3,385
Total fire and rescue services	\$ 98,983	\$ 223,515	\$ 171,338	\$ 52,177
Correction and detention:				
Care of prisoners	\$ 15,000	\$ 16,140	\$ 7,543	\$ 8,597
Contribution to Regional Jail	104,416	104,416	104,416	-
Total correction and detention	\$ 119,416	\$ 120,556	\$ 111,959	\$ 8,597
Inspections:				
Building	\$ 58,636	\$ 58,636	\$ 57,174	\$ 1,462

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 55,259	\$ 57,137	\$ 50,112	\$ 7,025
Medical examiner	350	350	20	330
Forest service	3,206	3,206	3,206	-
Total other protection	<u>\$ 58,815</u>	<u>\$ 60,693</u>	<u>\$ 53,338</u>	<u>\$ 7,355</u>
Total public safety	<u>\$ 1,025,917</u>	<u>\$ 1,420,444</u>	<u>\$ 1,247,722</u>	<u>\$ 172,722</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 350,454	\$ 402,909	\$ 384,830	\$ 18,079
Contribution to PSA	5,000	5,000	5,000	-
Litter control grant	-	6,121	6,121	-
Total sanitation and waste removal	<u>\$ 355,454</u>	<u>\$ 414,030</u>	<u>\$ 395,951</u>	<u>\$ 18,079</u>
Maintenance of general buildings and grounds:				
Maintenance of properties	\$ 89,983	\$ 93,442	\$ 87,045	\$ 6,397
Total public works	<u>\$ 445,437</u>	<u>\$ 507,472</u>	<u>\$ 482,996</u>	<u>\$ 24,476</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 58,000	\$ 58,000	\$ 58,000	\$ -
Mental health and mental retardation:				
Blue Ridge community services board	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Fairview Home	9,678	9,678	-	9,678
Total mental health and mental retardation	<u>\$ 14,678</u>	<u>\$ 14,678</u>	<u>\$ 5,000</u>	<u>\$ 9,678</u>
Welfare:				
Welfare administration	\$ 796,600	\$ 798,648	\$ 777,726	\$ 20,922
Comprehensive services act	670,000	670,000	367,538	302,462
Child and adult daycare	510,521	511,613	468,128	43,485
Total welfare	<u>\$ 1,977,121</u>	<u>\$ 1,980,261</u>	<u>\$ 1,613,392</u>	<u>\$ 366,869</u>
Total health and welfare	<u>\$ 2,049,799</u>	<u>\$ 2,052,939</u>	<u>\$ 1,676,392</u>	<u>\$ 376,547</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 1,587	\$ 1,587	\$ 520	\$ 1,067
Contribution to County School Board	1,823,903	1,823,903	1,743,420	80,483
Total education	<u>\$ 1,825,490</u>	<u>\$ 1,825,490</u>	<u>\$ 1,743,940</u>	<u>\$ 81,550</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
League of older Americans	\$ 1,200	\$ 1,200	\$ 1,200	\$ -
Library:				
Regional library	\$ 27,960	\$ 29,013	\$ 23,921	\$ 5,092
Total parks, recreation, and cultural	<u>\$ 29,160</u>	<u>\$ 30,213</u>	<u>\$ 25,121</u>	<u>\$ 5,092</u>

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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	\$ 70,695	\$ 174,241	\$ 105,001	\$ 69,240
Zoning board	1,000	1,000	-	1,000
Planning	3,750	3,750	2,701	1,049
Tourism	5,940	9,640	9,565	75
Contribution to Virginia's First Regional IFA	-	11,000	10,844	156
New Castle commons	36,800	36,800	28,851	7,949
Fifth planning district	3,933	3,933	3,933	-
Total planning and community development	\$ 122,118	\$ 240,364	\$ 160,895	\$ 79,469
Environmental management:				
Erosion and Sediment Control	\$ 1,160	\$ 1,160	\$ -	\$ 1,160
Mountain Castle-soil conservation	147,763	147,763	136,167	11,596
Total environmental management	\$ 148,923	\$ 148,923	\$ 136,167	\$ 12,756
Cooperative extension program:				
Extension office	\$ 34,120	\$ 34,120	\$ 24,838	\$ 9,282
Total community development	\$ 305,161	\$ 423,407	\$ 321,900	\$ 101,507
Nondepartmental:				
Fringe benefits	\$ 55,513	\$ 56,360	\$ 56,358	\$ 2
Contingencies	85,206	15,058	-	15,058
Total nondepartmental	\$ 140,719	\$ 71,418	\$ 56,358	\$ 15,060
Debt service:				
Principal retirement	\$ 318,664	\$ 318,664	\$ 345,755	\$ (27,091)
Interest and other fiscal charges	203,736	203,736	210,039	(6,303)
Total debt service	\$ 522,400	\$ 522,400	\$ 555,794	\$ (33,394)
Total Primary Government	\$ 7,237,940	\$ 7,952,446	\$ 7,140,669	\$ 811,777
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Executive administration services	\$ 433,615	\$ 514,180	\$ 510,877	\$ 3,303
Instruction costs:				
Instruction costs	\$ 4,743,616	\$ 4,763,631	\$ 4,726,148	\$ 37,483
Technology	358,537	482,402	308,428	173,974
Total instruction costs	\$ 5,102,153	\$ 5,246,033	\$ 5,034,576	\$ 211,457
School food services:				
Administration of school food program	\$ 374,749	\$ 374,749	\$ 347,398	\$ 27,351
Operating costs:				
Pupil transportation	\$ 433,293	\$ 449,248	\$ 448,004	\$ 1,244
Operation and maintenance of school plant	788,710	788,710	703,074	85,636
Other operating costs	20,000	20,000	20,000	-
Total operating costs	\$ 1,242,003	\$ 1,257,958	\$ 1,171,078	\$ 86,880
Total Discretely Presented Component Unit - School Board	\$ 7,152,520	\$ 7,392,920	\$ 7,063,929	\$ 328,991

OTHER STATISTICAL INFORMATION

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Solid Waste Authority	Total
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 (2)	474,071	257,274	945,224	477,356	1,401,127	1,201,685	10,747	120,820	301,256	-	5,189,560
2004-05	722,490	165,972	1,050,674	118,840	1,032,545	1,441,834	146,095	126,218	355,233	217,469	5,377,370
2003-04	570,826	163,104	835,503	163,381	1,104,874	1,946,449	2,581	294,265	346,661	333,060	5,760,704

(1) Information has only been available for 9 years.

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

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
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
2003-04	388,965	1,446,083	227,057		2,212,790	541,617	32,978	118,348	509,296		5,477,134

(1) Information has only been available for 9 years.

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
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
2003-04	564,990	161,432	1,029,527	125,488	1,130,147	5,915,569	2,581	351,097	-	-	776,616	10,057,447
2002-03	556,387	151,491	708,041	449,741	882,461	5,538,048	1,875	131,731	3,353,655	-	6,556,271	18,329,701

(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
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	54,488	4,697	69,810	489,981	211,181	165,256	7,060,993	11,272,130
2004-05	2,417,985	540,761	41,576	4,649	30,830	505,651	358,382	103,352	6,390,407	10,393,593
2003-04	2,299,874	541,617	45,948	42	30,231	479,924	208,965	161,766	6,041,629	9,809,996
2002-03	2,004,098	502,792	28,282	19	193,241	408,068	168,040	148,018	5,700,945	9,153,503

(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.

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
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%
2003-04	2,678,043	2,366,956	88.38%	224,318	2,591,274	96.76%	241,068	9.00%
2002-03	2,395,737	2,130,851	88.94%	188,497	2,319,348	96.81%	242,786	10.13%

(1) Exclusive of penalties and interest.

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

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
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
2003-04	270,208,122	28,102,191	1,573,107	215,800	10,719,107	310,818,327
2002-03	265,938,820	26,278,931	855,190	188,355	11,054,787	304,316,083

(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
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
2003-04	0.66	3.00	2.20	3.50
2002-03	0.66	2.50	2.20	3.50

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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
2003-04	5,091	310,818	7,262,658	2.34%	1,427
2002-03	5,091	304,316	7,630,025	2.51%	1,499

(1) Bureau of the Census.

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
Excludes net OPEB obligation, capital leases, and compensated absences.

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

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2003-04	379,576	397,040	776,616	10,057,447	7.72%
2002-03	6,178,054	378,217	6,556,271	18,329,701	35.77%

(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

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

TO THE BOARD OF SUPERVISORS COUNTY OF CRAIG, VIRGINIA

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Craig, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications of Audits for Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2012-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Craig, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-2.

We noted certain matters that we reported to management of the County of Craig, Virginia in a separate letter dated December 12, 2012.

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

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 12, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**TO THE BOARD OF SUPERVISORS
COUNTY OF CRAIG, VIRGINIA**

Compliance

We have audited the County of Craig, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Craig, Virginia's major federal programs for the year ended June 30, 2012. The County of Craig, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Craig, Virginia's management. Our responsibility is to express an opinion on the County of Craig, Virginia's compliance based on our audit.

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

As described in item 2012-3 in the accompanying schedule of findings and questioned costs, the County of Craig, Virginia did not comply with the requirements regarding earmarking that are applicable to Schools and Roads – Grants to States (10.665). Compliance with such requirements is necessary, in our opinion, for the County of Craig, Virginia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County of Craig, Virginia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of County of Craig, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Craig, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Craig, Virginia's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-3 to be a material weakness.

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

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

Robinson, Turner, & Associates

Blacksburg, Virginia
December 12, 2012

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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	0950111	\$ 70
Temporary Assistance for Needy Families	93.558	0400111, 0400112	43,118
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111, 0500112	86
Low-Income Home Energy Assistance	93.568	0600411, 0600412	4,522
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770110, 0770111	162,916
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111, 0760112	12,011
Chafee Education and Training Vouchers Program	93.599	9160111	3,260
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111, 0900112	130
Foster Care - Title IV-E	93.658	1100111, 1100112	24,610
Adoption Assistance	93.659	1120111, 1120112	6,830
Social Services Block Grant	93.667	1000111, 1000112	29,081
Chafee Foster Care Independence Program	93.674	9150111, 9150112	1,691
Children's Health Insurance Program	93.767	0540111, 0540112	1,266
Medical Assistance Program	93.778	1200111, 1200112	28,214
Total Department of Health and Human Services			<u>\$ 317,805</u>
Department of Agriculture:			
Direct Payments:			
Cooperative Forestry Assistance	10.664	Not applicable	<u>\$ 7,500</u>
Pass Through Payments:			
Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
Food Distribution (Note 3)	10.555	Not applicable	\$ 19,124
Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	40623	131,783
National School Lunch Program Subtotal			<u>\$ 150,907</u>
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	40591	37,990
Schools and Roads - Grants to States	10.665	43841	152,906
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111, 0010112 0040111, 0040112	<u>46,476</u>
Total Department of Agriculture			<u>\$ 395,779</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0799	<u>\$ 31,918</u>

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K8-2011-51276-4218 K8-2012-52247-4625	\$ 26,400
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	SLEN-022-101	\$ 89,659
Total Department of Transportation			\$ 116,059
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	52709	\$ 23,290
Department of Education:			
Direct Payments:			
Impact Aid	84.041	Not applicable	\$ 49,696
Pass Through Payments:			
Department of Education:			
Adult Education-Basic Grants to states	84.002	42801	\$ 8,060
Title I, Part A Cluster:			
Title I: Grants to Local Educational Agencies	84.010	42892, 42901	117,423
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	3,926
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	113,373
ARRA - Special Education - Grants to States	84.391	61245	39,608
Special Education - Preschool Grants	84.173	62521	6,123
ARRA - Special Education - Preschool Grants	84.392	61247	1,071
Career and Technical Education: Basic Grants to States	84.048	61095	12,840
Safe and Drug-Free Schools and Communities	84.186	60511	1,114
School Improvement Grants	84.377	43040	172,665
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	61600	1,563
ARRA - Education Technology State Grants	84.386	60897	3,957
Improving Teacher Quality State Grants	84.367	61480	16,133
ARRA - Educational Job Funds	84.410	62700	2,680
Total Department of Education			\$ 550,232
Total Expenditures of Federal Awards			\$ 1,435,083

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County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of Craig County, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Craig County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012 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

\$	653,791
	<u>(110,743)</u>

Less: Payment in lieu of taxes

Total primary government

\$	<u>543,048</u>
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Component Unit Schools:

School Operating Fund

\$	<u>892,035</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$	<u><u>1,435,083</u></u>
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County of Craig, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
10.665	Schools & Roads - Grants to States
84.010/84.389	Title I, Part A Cluster
84.027/84.391/84.173/84.392	Special Education Cluster
84.377	School Improvement Grants

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
Year Ended June 30, 2012

Section II - Financial Statement Findings

2012-1

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

2012-2

Criteria:	The <u>Code of Virginia</u> , (1950), requires that CSA pool expenditures be related to public or private nonresidential or residential services for troubled youths and families. The Auditor of Public Accounts (APA) requires that these expenditures be supported with written contracts or service agreements and an approved amount for the expenditure approved by the local social services board.
Condition:	The Craig County DSS did not use the Uniform Documentation Inventory to assist the Community Policy and Management Team (CPMT) with development and maintenance of case documentation.

County of Craig, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section II - Financial Statement Findings (Continued)

2012-2 (Continued)

Context:	Seven invoices were selected for testing. All seven case files were lacking service agreements and an approval by the CPMT for the expenditures.
Cause of Condition:	Complexity of the program
Effect of Condition:	The Craig County DSS was unable to provide service agreements or an amount approved for expenditure by the CPMT for all cases tested.
Recommendation:	The Craig County DSS should use the Uniform Documentation Inventory as recommended by CSA.
Management's Response:	The Department of Social Services has hired a new Director and is making changes to correct deficiencies.

Section III - Federal Award Findings and Questioned Costs

2012-3 Schools & Roads - Grants to States (10.665)

Statement of Condition:	Earmarking: The County could not support expenditures of 15% of funds for Title II or Title III expenditures.
Criteria:	Counties that receive greater than \$100,000 but less than \$350,000 must allocate 15 to 20 percent of its share to Title II, Title III, or a combination of the two, or return the funds to the US Treasury.
Context:	100 percent of the funds were used for public schools instead of 85 percent.
Cause:	Misunderstanding of the program as well as turnover in staff.
Effect:	The County received a total of \$152,906 creating questioned costs of \$22,936 or 15 percent.
Recommendation:	We recommend that all grants received are reviewed carefully for attached requirements to ensure that the County is currently following same.
Management's Response:	The funds were mistakenly placed into the School Fund instead of the County Fund and the purpose of the funds was not communicated.

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement findings 2011-1 and 2011-4 were recurring this year. Financial Statement findings 2011-2, 2011-3, and 2011-5 were corrected during this year. Federal Finding 2011-6 was corrected during the year.