COUNTY OF CRAIG, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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COUNTY OF CRAIG, VIRGINIA

BOARD OF SUPERVISORS

Jesse Spence, Chair

Carl Bailey, Vice Chair
Casey McKenzie
Kathi Toelke
Rusty Zimmerman

COUNTY SCHOOL BOARD

Pat Myers, Chair

Susan Crenshaw, Vice Chair
Gina Smith
George Foster
Aaron Calfee

Sonja Switzer, Clerk

COUNTY WELFARE BOARD

Malisa Stephens, Chair

George Foster, Vice Chair
Barbara Charlton
Susie Dillon
Barbara Davis

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 .... Trevor Craddock
Superintendent of Schools .... Jeanette D. Warwick
Director of Social Services .... James T. Weber
County Administrator .... R.R. Dan Collins
County Attorney .... Mike Bedsaul

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of County of Craig, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise County of Craig, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Craig, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 19 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017.* Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 19 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules related to pension and OPEB funding on pages 89-90 and 91-102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Craig, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2018, on our consideration of County of Craig, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of County of Craig, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering County of Craig, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2018

Basic Financial Statements

Exhibit 1

County of Craig, Virginia
Statement of Net Position
June 30, 2018

		Primary Government Governmental Activities		Component Unit School Board		Component Unit IDA
ASSETS						
Cash and cash equivalents	$	3,096,290	$	338,283	$	70,217
Investments		274,814		-		-
Receivables (net of allowance for uncollectibles):						
Taxes receivable		1,668,438		-		-
Accounts receivable		82,058		-		466
Notes receivable		-		-		14,225
Due from component unit		192,310		-		-
Due from other governments		403,580		184,369		-
Prepaid items		-		16,251		-
Capital assets not being depreciated:						
Land		256,435		79,830		362,094
Construction in progress		35,600		-		-
Capital assets, net of accumulated depreciation:						
Buildings and improvements		5,827,120		1,353,498		970,625
Machinery, equipment, and vehicles		509,679		312,559		-
Total assets	$	12,346,324	$	2,284,790	$	1,417,627
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	$	171,545	$	674,584	$	-
OPEB related items		16,530		62,612		-
Total deferred outflows of resources	$	188,075	$	737,196	$	-
LIABILITIES						
Accounts payable	$	87,689	$	30,679	$	47
Accrued payroll liabilities		-		313,064		-
Accrued interest payable		36,212		-		-
Due to primary government		-		192,310		-
Unearned revenues		-		-		1,774
Noncurrent liabilities:						
Due within one year		532,571		52,136		-
Due in more than one year		1,966,410		6,283,586		-
Total liabilities	$	2,622,882	$	6,871,775	$	1,821
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	$	1,489,601	$	-	$	-
Pension related items		199,758		1,279,881		-
OPEB related items		14,000		72,000		-
Total deferred inflows of resources	$	1,703,359	$	1,351,881	$	-
NET POSITION						
Net investment in capital assets	$	4,648,536	$	1,745,887	$	1,332,719
Restricted:						
Asset forfeiture		10,779		-		-
Unrestricted		3,548,843		(6,947,557)		83,087
Total net position	$	8,208,158	$	(5,201,670)	$	1,415,806

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

Exhibit 2

County of Craig, Virginia
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Operating	Capital	Primary Government	Component Units	
Functions/Programs	**Expenses**	**Charges for Services**	**Grants and Contributions**	**Grants and Contributions**	**Total**	**School Board**	**IDA**
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	$ 605,223	$ 1,863	$ 180,861	$ -	$ (422,499)		
Judicial administration	301,263	903	240,495	-	(59,865)		
Public safety	1,741,399	186,732	726,991	-	(827,676)		
Public works	577,668	7,904	7,077	-	(562,687)		
Health and welfare	1,250,607	-	897,533	-	(353,074)		
Education	2,192,694	-	-	-	(2,192,694)		
Parks, recreation, and cultural	42,753	-	6,758	-	(35,995)		
Community development	149,288	680	-	28,233	(120,375)		
Interest on long-term debt	102,784	-	-	-	(102,784)		
Total primary government	$ 6,963,679	$ 198,082	$ 2,059,715	$ 28,233	$ (4,677,649)		
COMPONENT UNITS:							
School Board	$ 6,730,362	$ 136,127	$ 5,024,366	$ 89,345		$ (1,480,524)	$ -
IDA	50,357	-	-	-		-	(50,357)
Total component units	$ 6,780,719	$ 136,127	$ 5,024,366	$ 89,345		$ (1,480,524)	$ (50,357)
General revenues:							
General property taxes					$ 4,060,334	$ -	$ -
Other local taxes:							
Local sales and use taxes					167,838	-	-
Consumers' utility taxes					117,595	-	-
Consumption taxes					13,023	-	-
Franchise license taxes					4,622	-	-
Motor vehicle licenses					3,677	-	-
Recordation tax					29,322	-	-
Hotel and motel room taxes					18,936	-	-
Restaurant food taxes					87,673	-	-
Unrestricted revenues from use of money and property					115,422	37	15,734
Miscellaneous					73,886	250,012	2,625
Contributions from County of Craig					-	1,852,921	-
Grants and contributions not restricted to specific programs					791,477	-	-
Total general revenues					$ 5,483,805	$ 2,102,970	$ 18,359
Change in net position					$ 806,156	$ 622,446	$ (31,998)
Net position - beginning, as restated					7,402,002	(5,824,116)	1,447,804
Net position - ending					$ 8,208,158	$ (5,201,670)	$ 1,415,806

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

Exhibit 3

County of Craig, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	General	Asset Forfeiture	Capital Improvement	Total
ASSETS				
Cash and cash equivalents	$ 2,878,857	$ 10,779	$ 206,654	$ 3,096,290
Investments	274,814	-	-	274,814
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,668,438	-	-	1,668,438
Accounts receivable	82,058	-	-	82,058
Due from component unit	192,310	-	-	192,310
Due from other governments	403,580	-	-	403,580
Total assets	$ 5,500,057	$ 10,779	$ 206,654	$ 5,717,490
LIABILITIES				
Accounts payable	$ 87,689	$ -	$ -	$ 87,689
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - rescue revenue	$ 10,523	$ -	$ -	$ 10,523
Unavailable revenue - property taxes	1,688,553	-	-	1,688,553
Total deferred inflows of resources	$ 1,699,076	$ -	$ -	$ 1,699,076
FUND BALANCE				
Restricted:				
Asset Forfeiture	$ -	$ 10,779	$ -	$ 10,779
Committed:				
Law library	10,995	-	-	10,995
Courthouse maintenance	6,180	-	-	6,180
School capital projects	-	-	206,654	206,654
Assigned:				
Commons	156,746	-	-	156,746
Memorial	2,595	-	-	2,595
School carryover	37,827	-	-	37,827
Ambulance purchase	170,620	-	-	170,620
Unassigned	3,328,329	-	-	3,328,329
Total fund balance	$ 3,713,292	$ 10,779	$ 206,654	$ 3,930,725
Total liabilities, deferred inflows of resources, and fund balances	$ 5,500,057	$ 10,779	$ 206,654	$ 5,717,490

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

Exhibit 4

County of Craig, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:		
Fund balance per Exhibit 3 - Balance Sheet - Governmental Funds		$ 3,930,725
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 256,435	
Buildings and improvements	5,827,120	
Machinery, equipment, and vehicles	509,679	
Construction in progress	35,600	6,628,834
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Unavailable revenue - rescue revenue	$ 10,523	
Unavailable revenue - property taxes	198,952	209,475
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 171,545	
OPEB related items	16,530	188,075
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	$ (1,846,327)	
Capital lease	(133,971)	
Compensated absences	(180,448)	
Accrued interest payable	(36,212)	
Transfer station closure	(15,341)	
Net OPEB liability	(125,000)	
Net pension liability	(197,894)	(2,535,193)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (199,758)	
OPEB related items	(14,000)	(213,758)
Net position of governmental activities		$ 8,208,158

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

Exhibit 5

County of Craig, Virginia
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Asset Forfeiture	Capital Improvement	Total
REVENUES				
General property taxes	$ 4,014,581	$ -	$ -	$ 4,014,581
Other local taxes	442,686	-	-	442,686
Permits, privilege fees, and regulatory licenses	24,386	-	-	24,386
Fines and forfeitures	4,406	-	-	4,406
Revenue from the use of money and property	115,390	32	-	115,422
Charges for services	159,797	-	-	159,797
Miscellaneous	73,886	-	-	73,886
Recovered costs	205,243	-	-	205,243
Intergovernmental:				
Commonwealth	2,127,894	223	-	2,128,117
Federal	751,308	-	-	751,308
Total revenues	$ 7,919,577	$ 255	$ -	$ 7,919,832
EXPENDITURES				
Current:				
General government administration	$ 789,421	$ -	$ -	$ 789,421
Judicial administration	321,181	-	-	321,181
Public safety	1,702,451	9,600	-	1,712,051
Public works	484,629	-	-	484,629
Health and welfare	1,264,965	-	-	1,264,965
Education	1,726,399	-	-	1,726,399
Parks, recreation, and cultural	37,856	-	-	37,856
Community development	308,033	-	-	308,033
Nondepartmental	56,336	-	-	56,336
Capital projects	4,947	-	351,073	356,020
Debt service:				
Principal retirement	387,225	-	-	387,225
Interest and other fiscal charges	110,015	-	-	110,015
Total expenditures	$ 7,193,458	$ 9,600	$ 351,073	$ 7,554,131
Excess (deficiency) of revenues over (under) expenditures	$ 726,119	$ (9,345)	$ (351,073)	$ 365,701
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ 314,297	$ 314,297
Transfers out	(314,297)	-	-	(314,297)
Insurance recovery	209,052	-	-	209,052
Total other financing sources (uses)	$ (105,245)	$ -	$ 314,297	$ 209,052
Net change in fund balance	$ 620,874	$ (9,345)	$ (36,776)	$ 574,753
Fund balance - beginning	3,092,418	20,124	243,430	3,355,972
Fund balance - ending	$ 3,713,292	$ 10,779	$ 206,654	$ 3,930,725

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

County of Craig, Virginia
Reconciliation of Statement of the Revenues,
Expenditures, and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - governmental funds		$ 574,753
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital asset additions in the current period.		
Capital asset additions	$ 217,131	
Depreciation expense	(338,114)	(120,983)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(161,799)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase (decrease) in unavailable revenue - property taxes	$ 45,753	
Increase (decrease) in unavailable revenue - rescue revenue	9,493	55,246
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.		
Principal payments:		
General obligation bonds	$ 362,216	
Capital leases	25,009	387,225
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.		
Change in compensated absences	$ (112,378)	
Pension expense	172,530	
OPEB expense	4,536	
Change in accrued interest payable	7,231	
Change in transfer station closure liability	(205)	71,714
Change in net position of governmental activities		$ 806,156

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

Exhibit 7

County of Craig, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

		Agency Funds
ASSETS		
Cash and cash equivalents	$	505,714
LIABILITIES		
Amounts held for child care	$	465,073
Amounts held for social services clients		40,641
Total liabilities	$	505,714

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

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

The County has no blended component units to be included for the fiscal year ended June 30, 2018.

Discretely Presented Component Units

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

Craig County Industrial Development Authority - 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 County of Craig, Virginia.

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations – The County, the County of Botetourt, and the City of Roanoke participate in supporting the Blue Ridge Community Services Board. For the year ended June 30, 2018, the County contributed $6,000 to the Community Services Board.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The remainder of this page is left blank intentionally.

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The *Asset Forfeiture Fund* accounts for and reports financial resources that are restricted to expenditure for the County's seized assets. This fund is considered a major special revenue fund.

The *Capital Improvement Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays. This fund is considered a major capital projects fund.

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

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

Additionally, the government reports the following fund types:

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

The Component Unit School Board reports the following major governmental funds:

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

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to May 1st, the County Administrator submits to the County Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1st. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, School Operating Fund, and the School Cafeteria Fund.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30th, the budget is legally enacted through passage of an Appropriations Resolution.

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

D. Budgets and Budgetary Accounting (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the department level for the General Fund and all other funds at the functional 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 and School Cafeteria Funds are 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^{th} 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^{th}.

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

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2018, there were not any funds/departments that over expended appropriations.

Deficit fund equity

At June 30, 2018, the School Cafeteria fund was the only fund with deficit fund equity.

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

1. Cash and Cash Equivalents/Investments

   The County'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.

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

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

1. Cash and Cash Equivalents/Investments (Continued)

   Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

2. Receivables and Payables

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

3. Property Taxes

   Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. 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 $67,194 at June 30, 2018 and is comprised of property taxes in the amount of $30,678 and EMS billings in the amount of $36,516.

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.

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

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

6. Prepaid Items

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

7. Capital Assets

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

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

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

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

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

8. Compensated Absences

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

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

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

9. Long-Term Obligations

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

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

10. Fund Equity

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

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

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

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

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

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

10. Fund Equity (Continued)

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

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

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

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

12. Net Position

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

The County's net position is classified as follows:

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

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

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

13. Net Position Flow Assumption

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

14. Pensions

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

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

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

15. Other Post Employment Benefit (OPEB) Programs

Group Life Insurance
The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program
The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2—Deposits and Investments:

Deposits:

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

Note 2—Deposits and Investments: (Continued)

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 and School's rated debt investments as of June 30, 2018 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

Rated Debt Investments	Fair Quality Ratings	
	AAAm	
Local Government Investment Pool (LGIP)	$	274,814

Concentration of Credit Risk:

At June 30, 2018, 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:

Investment type	Value	Less than 1yr
Local Government Investment Pool (LGIP)	$ 274,814	$ 274,814

External Investment Pool:

The 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 pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 3—Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	$ 27,719	$ -
State sales tax	-	97,552
Noncategorical aid	23,338	-
Categorical aid-Shared expenses	71,508	-
Categorical aid-Welfare payments	18,366	-
Categorical aid-CSA	51,163	-
Categorical aid-Other	176,592	-
Federal Government:		
Categorical aid-Welfare payments	27,592	-
Categorical aid-Education	-	86,817
Categorical aid-Public safety	7,302	-
Totals	$ 403,580	$ 184,369

Note 4—Interfund Transfers:

Interfund transfers for the fiscal year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ -	$ 314,297
Capital Improvement Fund	314,297	-
Total	$ 314,297	$ 314,297

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 5—Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2018:

	As Restated, Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	$ 2,208,543	$ -	$ (362,216)	$ 1,846,327
Capital lease	158,980	-	(25,009)	133,971
Compensated absences	68,070	163,430	(51,052)	180,448
Transfer station closure liability	15,136	205	-	15,341
Net pension liability	609,639	714,135	(1,125,880)	197,894
Net OPEB liability	135,000	11,000	(21,000)	125,000
Total	$ 3,195,368	$ 888,770	$ (1,585,157)	$ 2,498,981

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

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$ 372,226	$ 86,336
2020	382,499	66,719
2021	392,311	47,283
2022	402,000	27,687
2023	297,291	7,210
Totals	$ 1,846,327	$ 235,235

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Note 5—Long-Term Obligations: (Continued)

Primary Government - Governmental Activities 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
General Obligation Bonds:						
General obligation bond	4.25-5.625%	05/01/01	05/01/22	$ 1,400,000	$ 410,000	$ 95,000
VPSA general obligation bond	2.35-5.84%	02/02/03	07/15/22	5,210,980	1,436,327	277,226
Total General Obligation Bonds					$ 1,846,327	$ 372,226
Other Long-Term Obligations:						
Capital lease (Note 6)					$ 133,971	$ 25,009
Compensated absences					180,448	135,336
Transfer station closure liability					15,341	-
Net pension liability					197,894	-
Net OPEB liability					125,000	-
Total Other Long-Term Obligations					$ 652,654	$ 160,345
Total Long-Term Obligations					$ 2,498,981	$ 532,571

Long-Term Obligations-Component Unit School Board:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2018:

	As Restated, Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Compensated absences	$ 72,338	$ 51,429	$ (54,253)	$ 69,514
Net pension liability	6,655,363	1,122,746	(2,382,901)	5,395,208
Net OPEB liabilities	958,000	44,000	(131,000)	871,000
Total	$ 7,685,701	$ 1,218,175	$ (2,568,154)	$ 6,335,722

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Other Obligations:		
Compensated absences	$ 69,514	$ 52,136
Net pension liability	5,395,208	-
Net OPEB liabilities	871,000	-
Total Long-Term Obligations	$ 6,335,722	$ 52,136

Note 6—Capital Lease:

Primary Government

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

The asset acquired through capital lease are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$ 652,934
Less: Accumulated Depreciation	(32,333)
Total	$ 620,601

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30,	Transfer Station Equipment
2019	$ 28,514
2020	28,514
2021	28,514
2022	28,514
2023	28,514
Subtotal	$ 142,570
Less: amount representing interest	(8,599)
Present Value of Lease Agreement	$ 133,971

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Note 7—Pension Plan:

Plan Description

All full-time, salaried permanent employees of County of Craig, Virginia and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)

• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• School division employees
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</td></tr>
</table>

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.) Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Benefit Component: (Cont.)** Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contribution Component: (Cont.)** • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>Service Retirement Multiplier
VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

Normal Retirement Age
VRS: Age 65.

Political subdivisions hazardous duty employees: Age 60.</td>
<td>Service Retirement Multiplier
VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents:
Same as Plan 1.

Political subdivision hazardous duty employees:
Same as Plan 1.

Normal Retirement Age
VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees: Same as Plan 1.</td>
<td>Service Retirement Multiplier
<u>Defined Benefit Component:</u>
VRS: The retirement multiplier for the defined benefit component is 1.00%.

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component:
Not applicable.

Normal Retirement Age
<u>Defined Benefit Component:</u>
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees: Not applicable.</td>
</tr>
</table>

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>Cost-of-Living Adjustment (COLA) in Retirement
The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</td>
<td>Cost-of-Living Adjustment (COLA) in Retirement
The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

<u>Eligibility:</u>
Same as Plan 1.</td>
<td>Cost-of-Living Adjustment (COLA) in Retirement
<u>Defined Benefit Component:</u>
Same as Plan 2.

<u>Defined Contribution Component:</u>
Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

<u>Eligibility:</u>
Same as Plan 1.</td>
</tr>
</table>

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Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. **Exceptions to COLA Effective Dates:** • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Note 7—Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	32	7
Inactive members:		
Vested inactive members	17	1
Non-vested inactive members	8	3
Inactive members active elsewhere in VRS	15	5
Total inactive members	40	9
Active members	35	18
Total covered employees	107	34

Contributions

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

Note 7—Pension Plan: (Continued)

Contributions (Continued)

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 10.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $167,163 and $157,299 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 9.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $29,539 and $30,793 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

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

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

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

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates: (Continued)

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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Note 7—Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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Note 7—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 7,222,976	$ 6,613,337	$ 609,639
Changes for the year:			
Service cost	$ 210,744	$ -	$ 210,744
Interest	490,171	-	490,171
Changes of assumptions	7,806	-	7,806
Differences between expected and actual experience	(97,720)	-	(97,720)
Contributions - employer	-	157,265	(157,265)
Contributions - employee	-	75,211	(75,211)
Net investment income	-	795,684	(795,684)
Benefit payments, including refunds of employee contributions	(441,058)	(441,058)	-
Administrative expenses	-	(4,711)	4,711
Other changes	-	(703)	703
Net changes	$ 169,943	$ 581,688	$ (411,745)
Balances at June 30, 2017	$ 7,392,919	$ 7,195,025	$ 197,894

Note 7—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional) Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 1,816,449	$ 1,618,086	$ 198,363
Changes for the year:			
Service cost	$ 44,753	$ -	$ 44,753
Interest	123,679	-	123,679
Changes of assumptions	(40,139)	-	(40,139)
Differences between expected and actual experience	(81,547)	-	(81,547)
Contributions - employer	-	30,714	(30,714)
Contributions - employee	-	16,075	(16,075)
Net investment income	-	193,426	(193,426)
Benefit payments, including refunds of employee contributions	(99,209)	(99,209)	-
Administrative expenses	-	(1,142)	1,142
Other changes	-	(172)	172
Net changes	$ (52,463)	$ 139,692	$ (192,155)
Balances at June 30, 2017	$ 1,763,986	$ 1,757,778	$ 6,208

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Note 7—Pension Plan: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	$ 1,056,687	$ 197,894	$ (523,674)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	$ 218,382	$ 6,208	$ (172,925)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of $(5,401) and $(45,455), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 100,811	$ 1,499	$ 96,503
Change in assumptions	4,382	-	-	25,162
Net difference between projected and actual earnings on pension plan investments	-	98,947	-	24,216
Employer contributions subsequent to the measurement date	167,163	-	29,539	-
Total	$ 171,545	$ 199,758	$ 31,038	$ 145,881

Note 7—Pension Plan: (Continued)

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

$167,163 and $29,539 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year endeing June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	$ (152,666)	$ (92,241)
2020	22,682	(35,856)
2021	2,656	124
2022	(68,048)	(16,409)
2023	-	-
Total	$ (195,376)	$ (144,382)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Contributions (Continued)

Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $553,546 and $503,157 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of $5,389,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.04382% as compared to 0.04607% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of $248,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 381,000
Change in assumptions	79,000	-
Net difference between projected and actual earnings on pension plan investments	-	196,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,000	557,000
Employer contributions subsequent to the measurement date	553,546	-
Total	$ 643,546	$ 1,134,000

$553,546 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	$ (361,000)
2020	(168,000)
2021	(203,000)
2022	(262,000)
2023	(50,000)
Total	$ (1,044,000)

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	$ 12,297,975
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability (Continued)

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

		Rate	
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 8,048,000	$ 5,389,000	$ 3,190,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8—Capital Assets:

Primary Government

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 256,435	$ -	$ -	$ 256,435
Construction in progress	-	35,600	-	35,600
Total capital assets not being depreciated	$ 256,435	$ 35,600	$ -	$ 292,035
Capital assets, being depreciated:				
Buildings and improvements	$ 9,929,214	$ -	$ -	$ 9,929,214
Machinery and equipment	1,783,459	181,531	(217,921)	1,747,069
Total capital assets being depreciated	$ 11,712,673	$ 181,531	$ (217,921)	$ 11,676,283
Accumulated depreciation:				
Buildings and improvements	$ (3,845,773)	$ (256,321)	$ -	$ (4,102,094)
Machinery and equipment	(1,211,719)	(81,793)	56,122	(1,237,390)
Total accumulated depreciation	$ (5,057,492)	$ (338,114)	$ 56,122	$ (5,339,484)
Total capital assets being depreciated, net	$ 6,655,181	$ (156,583)	$ (161,799)	$ 6,336,799
Governmental activities capital assets, net	$ 6,911,616	$ (120,983)	$ (161,799)	$ 6,628,834

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

Governmental activities:	
General government administration	$ 41,557
Public safety	43,950
Public works	71,349
Health and welfare	18,414
Education	150,822
Parks, recreation, and culture	4,897
Community development	7,125
Total depreciation expense-governmental activities	$ 338,114

Note 8—Capital Assets: (Continued)

Discretely Presented Component Unit – School Board

Capital asset activity for the School Board for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 79,830	$ -	$ -	$ 79,830
Capital assets, being depreciated:				
Buildings and improvements	$ 3,691,014	$ 289,473	$ -	$ 3,980,487
Machinery and equipment	1,026,541	102,543	-	1,129,084
Total capital assets being depreciated	$ 4,717,555	$ 392,016	$ -	$ 5,109,571
Accumulated depreciation:				
Buildings and improvements	$ (2,533,339)	$ (93,650)	$ -	$ (2,626,989)
Machinery and equipment	(746,708)	(69,817)	-	(816,525)
Total accumulated depreciation	$ (3,280,047)	$ (163,467)	$ -	$ (3,443,514)
Total capital assets being depreciated, net	$ 1,437,508	$ 228,549	$ -	$ 1,666,057
School Board capital assets, net	$ 1,517,338	$ 228,549	$ -	$ 1,745,887

Note 9—Risk Management:

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

Note 10—Contingent Liabilities:

Federal programs in which the County participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 11—Surety Bonds:

Primary Government:

Fidelity and 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
Trevor Craddock, Sheriff		30,000
The above constitutional officers' employees-blanket bond		50,000
Board of Supervisors		1,000
USF&G Insurance Company-Surety:		
Alvie Lilley, Animal Warden	$	1,000
R.R. Dan Collins, County Administrator		2,000
Department of Social Services-blanket bond		30,000
Western Surety Company:		
Department of Social Services-blanket bond	$	30,000

Note 12—Deferred/Unavailable Revenue:

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

		Government-Wide Statements		Balance Sheet
Primary Government:		**Governmental Activities**		**Governmental Funds**
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	$	-	$	198,952
2nd half tax assessments due in December 2018		1,417,338		1,417,338
Prepaid property taxes due in December 2018, but paid in advance by taxpayers		72,263		72,263
Total deferred/unavailable revenue	$	1,489,601	$	1,688,553

Note 13—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the County were $8,530 and $7,994 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were $1,652 and $1,705 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were $18,114 and $18,166 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the County reported a liability of $125,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (non-professional) reported a liability of $26,000 for its proportionate share of the Net GLI OPEB Liability.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of $285,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2017, the County's proportion was 0.00833% as compared to 0.00773% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (non-professional) proportion was 0.00178% as compared to 0.00181% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional) proportion was 0.01894% as compared to 0.01955% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of $3,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit School Board (non-professional) recognized GLI OPEB expense of $(1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit School Board (professional) recognized GLI OPEB expense of $1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component-Unit School Board (Non-professional)		Component-Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,000	$ -	$ 1,000	$ -	$ 6,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,000	-	1,000	-	11,000
Change in assumptions	-	6,000	-	1,000	-	15,000
Changes in proportion	8,000	-	-	-	-	9,000
Employer contributions subsequent to the measurement date	8,530	-	1,652	-	18,114	-
Total	$ 16,530	$ 14,000	$ 1,652	$ 3,000	$ 18,114	$ 41,000

$8,530, $1,652, and $18,114 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component-Unit School Board (Non-professional), and Component-Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit-School Board (Non-professional)	Component Unit-School Board (Professional)
2019	$ (1,000)	$ (1,000)	$ (9,000)
2020	(1,000)	(1,000)	(9,000)
2021	(1,000)	(1,000)	(9,000)
2022	(1,000)	-	(9,000)
2023	(2,000)	-	(5,000)
Thereafter	-	-	-

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 162,000	$ 125,000	$ 95,000
Component Unit-School Board (Non-professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	34,000	26,000	20,000
Component Unit-School Board (Non-professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	369,000	285,000	218,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
  - $4.00 per month, multiplied by twice the amount of service credit, or
  - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were $42,846 and $38,658 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of $560,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.04413% as compared to 0.04606% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $43,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	6,000
Changes in proportionate share	-	21,000
Employer contributions subsequent to the measurement date	42,846	-
Total	$ 42,846	$ 28,000

$42,846 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (4,000)
2020	(4,000)
2021	(4,000)
2022	(4,000)
2023	(4,000)
Thereafter	(8,000)

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	$	1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 625,000	$ 560,000	$ 505,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15—Commitments and Contingencies:

At June 30, 2018, the County had the following outstanding commitments:

	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
Courthouse/DSS Building Selective Renovations	$ 129,800	$ 129,800	$ -	$ -
2018 Medix Ford Ambulance	170,620	170,620	-	-
Total	$ 300,420	$ 300,420	$ -	$ -

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

Note 16—Litigation:

As of June 30, 2018, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

Note 17—Transfer Station:

The County maintains and operates a transfer station and reports a liability in accordance with State and Federal laws for closure of the transfer station. The County reports an estimated liability of $15,341 as of June 30, 2018. Closure care requirements are mandated under the United States Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria", and are subject to revisions by the EPA. Federal and state regulations require owners of municipal landfills and transfer stations to demonstrate financial responsibility for closure care, postclosure care, and corrective costs arising from operations of such facilities. The County has demonstrated financial assurance requirements for closure and postclosure care through submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 18—Subsequent Events:

On July 20, 2018, the County issued a lease purchase agreement in the amount of $458,250 with an interest rate of 3.12% and a 5 year term. The lease will be used to purchase various equipment.

On July 20, 2018, the County issued a lease purchase agreement in the amount of $568,750 with an interest rate of 3.98% and a 15 year term. The lease will be used to renovate the County courthouse.

In October 2018, the County sold the Commons building for $310,000 and the Childcare building for $50,000.

Note 19—Adoption of Accounting Principles:

The County and Component Unit-School Board implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County and Component Unit-School Board implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Component Unit-School Board
Net Position, July 1, 2017, as previously stated	$ 7,529,008	$ (4,924,645)
GASB 75 Implementation	(127,006)	(899,471)
Net Position, July 1, 2017, as restated	$ 7,402,002	$ (5,824,116)

Note 20—Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Note 20—Upcoming Pronouncements: (Continued)

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Note 20—Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

Exhibit 8

County of Craig, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
General property taxes	$ 3,827,396	$ 3,827,396	$ 4,014,581	$ 187,185
Other local taxes	441,188	441,188	442,686	1,498
Permits, privilege fees, and regulatory licenses	28,100	28,146	24,386	(3,760)
Fines and forfeitures	3,300	3,300	4,406	1,106
Revenue from the use of money and property	101,000	101,000	115,390	14,390
Charges for services	196,610	196,610	159,797	(36,813)
Miscellaneous	18,000	43,385	73,886	30,501
Recovered costs	196,893	217,580	205,243	(12,337)
Intergovernmental:				
Commonwealth	2,410,934	2,774,368	2,127,894	(646,474)
Federal	232,100	262,100	751,308	489,208
Total revenues	$ 7,455,521	$ 7,895,073	$ 7,919,577	$ 24,504
EXPENDITURES				
Current:				
General government administration	$ 836,034	$ 855,135	$ 789,421	$ 65,714
Judicial administration	294,934	325,935	321,181	4,754
Public safety	1,530,851	2,098,862	1,702,451	396,411
Public works	550,895	520,272	484,629	35,643
Health and welfare	1,472,038	1,555,999	1,264,965	291,034
Education	1,837,000	1,699,000	1,726,399	(27,399)
Parks, recreation, and cultural	34,505	38,649	37,856	793
Community development	307,917	332,606	308,033	24,573
Nondepartmental	94,107	64,244	56,336	7,908
Capital projects	-	53,136	4,947	48,189
Debt service:				
Principal retirement	387,225	387,225	387,225	-
Interest and other fiscal charges	110,015	110,015	110,015	-
Total expenditures	$ 7,455,521	$ 8,041,078	$ 7,193,458	$ 847,620
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (146,005)	$ 726,119	$ 872,124
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ (313,746)	$ (314,297)	$ (551)
Insurance recovery	-	209,052	209,052	-
Total other financing sources (uses)	$ -	$ (104,694)	$ (105,245)	$ (551)
Net change in fund balance	$ -	$ (250,699)	$ 620,874	$ 871,573
Fund balances - beginning	-	250,699	3,092,418	2,841,719
Fund balances - ending	$ -	$ -	$ 3,713,292	$ 3,713,292

Exhibit 9

County of Craig, Virginia
Asset Forfeiture Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 32	$ 32
Intergovernmental:				
Commonwealth	-	224	223	(1)
Total revenues	$ -	$ 224	$ 255	$ 31
EXPENDITURES				
Current:				
Public safety	$ -	$ 20,284	$ 9,600	$ 10,684
Total expenditures	$ -	$ 20,284	$ 9,600	$ 10,684
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (20,060)	$ (9,345)	$ 10,715
Net change in fund balance	$ -	$ (20,060)	$ (9,345)	$ 10,715
Fund balances - beginning	-	20,060	20,124	64
Fund balances - ending	$ -	$ -	$ 10,779	$ 10,779

Exhibit 10

County of Craig, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.00833%	$ 125,000	$ 1,534,935	8.14%	48.86%
Component Unit-School Board (Non-Professional)					
2017	0.00178%	$ 26,000	$ 327,803	7.93%	48.86%
Component Unit-School Board (Professional)					
2017	0.01894%	$ 285,000	$ 3,493,365	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available.

County of Craig, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 8,530	$ 8,530	$ -	$ 1,640,317	0.52%
2017	7,994	7,994	-	1,534,935	0.52%
2016	6,667	6,667	-	1,383,512	0.48%
2015	6,840	6,840	-	1,424,898	0.48%
2014	6,899	6,899	-	1,437,339	0.48%
2013	6,927	6,927	-	1,443,020	0.48%
2012	4,460	4,460	-	1,592,757	0.28%
2011	4,523	4,523	-	1,614,868	0.28%
2010	3,358	3,358	-	1,243,795	0.27%
2009	4,475	4,475	-	1,657,441	0.27%
Component Unit-School Board (Non-Professional)					
2018	$ 1,652	$ 1,652	$ -	$ 317,794	0.52%
2017	1,705	1,705	-	327,803	0.52%
2016	1,559	1,559	-	324,831	0.48%
2015	2,000	2,000	-	416,726	0.48%
2014	1,961	1,961	-	408,442	0.48%
2013	1,918	1,918	-	399,498	0.48%
2012	1,125	1,125	-	401,641	0.28%
2011	1,132	1,132	-	404,336	0.28%
2010	812	812	-	407,731	0.20%
2009	1,120	1,120	-	414,829	0.27%
Component Unit-School Board (Professional)					
2018	$ 18,114	$ 18,114	$ -	$ 3,483,372	0.52%
2017	18,166	18,166	-	3,493,365	0.52%
2016	16,860	16,860	-	3,512,489	0.48%
2015	17,260	17,260	-	3,595,880	0.48%
2014	17,626	17,626	-	3,672,064	0.48%
2013	17,308	17,308	-	3,605,864	0.48%
2012	10,205	10,205	-	3,644,192	0.28%
2011	10,090	10,090	-	3,603,712	0.28%
2010	6,979	6,979	-	3,644,503	0.19%
2009	9,459	9,459	-	3,503,156	0.27%

County of Craig, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

County of Craig, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Exhibit 13

County of Craig, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.0441%	$ 560,000	$ 3,493,365	16.03%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available.

Exhibit 14

County of Craig, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit-School Board (Professional)					
2018	$ 42,846	$ 42,846	$ -	$ 3,483,372	1.23%
2017	38,658	38,658	-	3,493,365	1.11%
2016	37,232	37,232	-	3,512,489	1.06%
2015	38,116	38,116	-	3,595,880	1.06%
2014	40,668	40,668	-	3,672,064	1.11%
2013	39,563	39,563	-	3,564,244	1.11%
2012	21,988	21,988	-	3,644,192	0.60%
2011	21,479	21,479	-	3,603,712	0.60%
2010	26,883	26,883	-	3,644,503	0.74%
2009	38,744	38,744	-	3,503,156	1.11%

County of Craig, Virginia
Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Component Unit-School Board (Professional):

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Exhibit 16

County of Craig, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 210,744	$ 203,107	$ 204,611	$ 204,353
Interest	490,171	490,983	464,354	442,058
Changes of benefit terms	-	-	-	-
Changes in assumptions	7,806	-	-	-
Differences between expected and actual experience	(97,720)	(245,735)	116,725	-
Benefit payments, including refunds of employee contributions	(441,058)	(478,837)	(331,733)	(324,060)
Net change in total pension liability	$ 169,943	$ (30,482)	$ 453,957	$ 322,351
Total pension liability - beginning	7,222,976	7,253,458	6,799,501	6,477,150
Total pension liability - ending (a)	$ 7,392,919	$ 7,222,976	$ 7,253,458	$ 6,799,501
Plan fiduciary net position				
Contributions - employer	$ 157,265	$ 160,131	$ 165,490	$ 126,032
Contributions - employee	75,211	68,608	70,729	71,845
Net investment income	795,684	110,571	300,147	905,225
Benefit payments, including refunds of employee contributions	(441,058)	(478,837)	(331,733)	(324,060)
Administrative expense	(4,711)	(4,299)	(4,142)	(4,941)
Other	(703)	(48)	(61)	47
Net change in plan fiduciary net position	$ 581,688	$ (143,874)	$ 200,430	$ 774,148
Plan fiduciary net position - beginning	6,613,337	6,757,211	6,556,781	5,782,633
Plan fiduciary net position - ending (b)	$ 7,195,025	$ 6,613,337	$ 6,757,211	$ 6,556,781
County's net pension liability - ending (a) - (b)	$ 197,894	$ 609,639	$ 496,247	$ 242,720
Plan fiduciary net position as a percentage of the total pension liability	97.32%	91.56%	93.16%	96.43%
Covered payroll	$ 1,534,935	$ 1,383,512	$ 1,424,898	$ 1,437,339
County's net pension liability as a percentage of covered payroll	12.89%	44.06%	34.83%	16.89%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Craig, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (Nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

		2017		2016		2015		2014
Total pension liability								
Service cost	$	44,753	$	55,326	$	54,544	$	56,017
Interest		123,679		124,157		114,416		106,519
Changes of benefit terms		-		-		-		-
Changes in assumptions		(40,139)		-		-		-
Differences between expected and actual experience		(81,547)		(111,640)		19,496		-
Benefit payments, including refunds of employee contributions		(99,209)		(50,123)		(48,491)		(50,930)
Net change in total pension liability	$	(52,463)	$	17,720	$	139,965	$	111,606
Total pension liability - beginning		1,816,449		1,798,729		1,658,764		1,547,158
Total pension liability - ending (a)	$	1,763,986	$	1,816,449	$	1,798,729	$	1,658,764
Plan fiduciary net position								
Contributions - employer	$	30,714	$	42,876	$	55,133	$	45,582
Contributions - employee		16,075		16,146		20,837		20,422
Net investment income		193,426		28,337		69,197		201,832
Benefit payments, including refunds of employee contributions		(99,209)		(50,123)		(48,491)		(50,930)
Administrative expense		(1,142)		(967)		(904)		(1,065)
Other		(172)		(12)		(16)		10
Net change in plan fiduciary net position	$	139,692	$	36,257	$	95,756	$	215,851
Plan fiduciary net position - beginning		1,618,086		1,581,829		1,486,073		1,270,222
Plan fiduciary net position - ending (b)	$	1,757,778	$	1,618,086	$	1,581,829	$	1,486,073
School Division's net pension liability - ending (a) - (b)	$	6,208	$	198,363	$	216,900	$	172,691
Plan fiduciary net position as a percentage of the total pension liability		99.65%		89.08%		87.94%		89.59%
Covered payroll	$	327,803	$	324,831	$	416,726	$	408,442
School Division's net pension liability as a percentage of covered payroll		1.89%		61.07%		52.05%		42.28%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 18

County of Craig, Virginia
Schedule of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.0438%	0.0461%	0.0484%	0.0501%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 5,389,000	$ 6,457,000	$ 6,087,000	$ 6,054,000
Employer's Covered Payroll	$ 3,493,365	$ 3,512,489	$ 3,595,880	$ 3,672,064
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	154.26%	183.83%	169.28%	164.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 19

County of Craig, Virginia
Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 167,163	$ 167,163	$ -	$ 1,640,317	10.19%
2017	157,299	157,299	-	1,534,935	10.25%
2016	160,130	160,130	-	1,383,512	11.57%
2015	165,490	165,490	-	1,424,898	11.61%
2014	178,374	126,055	52,319	1,437,339	8.77%
2013	179,079	126,553	52,526	1,443,020	8.77%
2012	139,685	139,685	-	1,592,757	8.77%
2011	141,624	141,624	-	1,614,868	8.77%
2010	124,845	124,845	-	1,644,855	7.59%
2009	125,800	125,800	-	1,657,441	7.59%
Component Unit School Board (nonprofessional)					
2018	$ 29,539	$ 29,539	$ -	$ 317,794	9.30%
2017	30,793	30,793	-	327,803	9.39%
2016	42,879	42,879	-	324,831	13.20%
2015	55,133	55,133	-	416,726	13.23%
2014	52,771	45,582	7,189	408,442	11.16%
2013	51,615	44,574	7,041	399,498	11.16%
2012	44,823	44,823	-	401,641	11.16%
2011	45,124	45,124	-	404,336	11.16%
2010	27,481	27,481	-	407,731	6.74%
2009	27,959	27,959	-	414,829	6.74%
Component Unit School Board (professional)					
2018	$ 553,546	$ 553,546	$ -	$ 3,483,372	15.89%
2017	503,157	503,157	-	3,493,365	14.40%
2016	489,140	489,140	-	3,512,489	13.93%
2015	518,231	518,231	-	3,595,880	14.41%
2014	428,365	428,365	-	3,672,064	11.67%
2013	544,812	544,812	-	3,605,864	15.11%
2012	231,969	231,969	-	3,644,192	6.37%
2011	140,519	140,519	-	3,603,712	3.90%
2010	227,734	227,734	-	3,644,503	6.25%
2009	316,050	316,050	-	3,503,156	9.02%

*The difference relates to the County and School Board using an agreed upon reduced rate from VRS. These amounts impacted the calculation of the net pension liability in subsequent years.

County of Craig, Virginia
Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Other Supplementary Information

County of Craig, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Current Assets				
Cash and cash equivalents				
Child Care Fund	$ 323,071	$ 611,951	$ (469,949)	$ 465,073
Special Welfare Fund	40,958	46,382	(46,699)	40,641
Total Assets	$ 364,029	$ 658,333	$ (516,648)	$ 505,714
Liabilities				
Amounts held for child care	$ 323,071	$ 611,951	$ (469,949)	$ 465,073
Amounts held for social services clients	40,958	46,382	(46,699)	40,641
Total Liabilities	$ 364,029	$ 658,333	$ (516,648)	$ 505,714

Exhibit 22

County of Craig, Virginia
Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts							Variance with Final Budget - Positive (Negative)
		Original		Final		Actual Amounts		
REVENUES								
Total revenues	$	-	$	-	$	-	$	-
EXPENDITURES								
Capital projects	$	-	$	619,516	$	351,073	$	268,443
Total expenditures	$	-	$	619,516	$	351,073	$	268,443
Excess (deficiency) of revenues over (under) expenditures	$	-	$	(619,516)	$	(351,073)	$	268,443
OTHER FINANCING SOURCES (USES)								
Transfers in	$	-	$	313,746	$	314,297	$	551
Net change in fund balances	$	-	$	(305,770)	$	(36,776)	$	268,994
Fund balances - beginning		-		305,770		243,430		(62,340)
Fund balances - ending	$	-	$	-	$	206,654	$	206,654

County of Craig, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total
ASSETS			
Cash and cash equivalents	$ 300,843	$ 37,440	$ 338,283
Due from other funds	39,981	-	39,981
Due from other governmental units	183,008	1,361	184,369
Total assets	$ 523,832	$ 38,801	$ 562,633
LIABILITIES			
Accounts payable	$ 30,679	$ -	$ 30,679
Accrued payroll liabilities	300,843	12,221	313,064
Due to other funds	-	39,981	39,981
Due to primary government	192,310	-	192,310
Total liabilities	$ 523,832	$ 52,202	$ 576,034
FUND BALANCE			
Unassigned:	$ -	$ (13,401)	$ (13,401)
Total fund balance	$ -	$ (13,401)	$ (13,401)
Total liabilities and fund balance	$ 523,832	$ 38,801	$ 562,633

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Fund balance per above		$ (13,401)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 79,830	
Buildings and improvements	1,353,498	
Machinery and equipment	312,559	1,745,887
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 674,584	
OPEB related items	62,612	737,196
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (69,514)	
Net pension liability	(5,395,208)	
Net OPEB liabilities	(871,000)	(6,335,722)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.		
Prepaid items		16,251
Deferred inflows of resources are not due and payable for current period and, therefore, are not reported in the funds.		
Pension related items	$ (1,279,881)	
OPEB related items	(72,000)	(1,351,881)
Net position of component unit school board		$ (5,201,670)

Exhibit 24

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, 2018

	School Operating Fund	School Cafeteria Fund	Total
REVENUES			
Charges for services	$ -	$ 136,127	$ 136,127
Revenue from the use of money and property	-	37	37
Miscellaneous	250,012	-	250,012
Intergovernmental:			
Local government	1,702,099	-	1,702,099
Commonwealth	4,324,996	9,278	4,334,274
Federal	557,334	222,103	779,437
Total revenues	$ 6,834,441	$ 367,545	$ 7,201,986
EXPENDITURES			
Current:			
Education	$ 6,834,441	$ 375,987	$ 7,210,428
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (8,442)	$ (8,442)
Net change in fund balance	$ -	$ (8,442)	$ (8,442)
Fund balance - beginning	-	(4,959)	(4,959)
Fund balance - ending	$ -	$ (13,401)	$ (13,401)

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balance - governmental fund - per above		$ (8,442)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 392,016	
Depreciation expense	(163,467)	228,549
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.		
Change in compensated absences	$ 2,824	
OPEB expense	19,083	
Pension expense	377,304	399,211
Certain items reported as expenditures in the fund statements are deferred		
Increase (decrease) in prepaid items		3,128
Change in net position of component unit school board		$ 622,446

Exhibit 25

County of Craig, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Charges for services	$ -	$ -	$ -	$ -	$ 157,761	$ 157,761	$ 136,127	$ (21,634)
Revenue from the use of money and property	-	-	-	-	50	50	37	(13)
Miscellaneous	292,200	292,200	250,012	(42,188)	-	-	-	-
Intergovernmental:								
Local government	1,820,000	1,682,000	1,702,099	20,099	-	-	-	-
Commonwealth	4,404,066	4,404,066	4,324,996	(79,070)	5,100	5,100	9,278	4,178
Federal	409,140	547,140	557,334	10,194	207,000	207,000	222,103	15,103
Total revenues	$ 6,925,406	$ 6,925,406	$ 6,834,441	$ (90,965)	$ 369,911	$ 369,911	$ 367,545	$ (2,366)
EXPENDITURES								
Current:								
Education	$ 6,925,406	$ 6,925,406	$ 6,834,441	$ 90,965	$ 369,911	$ 369,911	$ 375,987	$ (6,076)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ (8,442)	$ (8,442)
Net change in fund balance	$ -	$ -	$ -	$ -	$ -	$ -	$ (8,442)	$ (8,442)
Fund balance - beginning	-	-	-	-	-	-	(4,959)	(4,959)
Fund balance - ending	$ -	$ -	$ -	$ -	$ -	$ -	$ (13,401)	$ (13,401)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 2,849,035	$ 2,849,035	$ 2,944,500	$ 95,465
Real and personal public service corporation taxes	103,500	103,500	96,178	(7,322)
Personal property taxes	769,161	769,161	843,633	74,472
Mobile home taxes	18,500	18,500	19,288	788
Machinery and tools taxes	33,200	33,200	51,094	17,894
Merchant's capital	10,000	10,000	13,564	3,564
Penalties	27,000	27,000	31,269	4,269
Interest	17,000	17,000	15,055	(1,945)
Total general property taxes	$ 3,827,396	$ 3,827,396	$ 4,014,581	$ 187,185
Other local taxes:				
Local sales and use taxes	$ 173,688	$ 173,688	$ 167,838	$ (5,850)
Consumers' utility taxes	116,000	116,000	117,595	1,595
Consumption taxes	12,000	12,000	13,023	1,023
Franchise license taxes	5,000	5,000	4,622	(378)
Motor vehicle licenses	-	-	3,677	3,677
Recordation tax	26,000	26,000	29,322	3,322
Hotel and motel room taxes	18,500	18,500	18,936	436
Restaurant food taxes	90,000	90,000	87,673	(2,327)
Total other local taxes	$ 441,188	$ 441,188	$ 442,686	$ 1,498
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 9,000	$ 9,046	$ 10,401	$ 1,355
Transfer fees	200	200	240	40
Zoning, subdivision permits, and erosion and sediment control	800	800	680	(120)
Building permits	18,100	18,100	13,065	(5,035)
Total permits, privilege fees, and regulatory licenses	$ 28,100	$ 28,146	$ 24,386	$ (3,760)
Fines and forfeitures:				
Court fines and forfeitures	$ 3,000	$ 3,000	$ 3,656	$ 656
Interest on fines	200	200	110	(90)
Law library costs	100	100	640	540
Total fines and forfeitures	$ 3,300	$ 3,300	$ 4,406	$ 1,106
Revenue from use of money and property:				
Revenue from use of money	$ 5,000	$ 5,000	$ 8,263	$ 3,263
Revenue from use of property	96,000	96,000	107,127	11,127
Total revenue from use of money and property	$ 101,000	$ 101,000	$ 115,390	$ 14,390
Charges for services:				
Charges for courthouse maintenance	$ 2,500	$ 2,500	$ 1,390	$ (1,110)
Charges for courthouse security	5,000	5,000	5,668	668
Document production costs	1,700	1,700	1,623	(77)
Charges for Commonwealth's Attorney	300	300	263	(37)
Charges for sanitation and waste removal	12,000	12,000	6,514	(5,486)
Charges for emergency medical services	174,410	174,410	143,961	(30,449)
Jail admission fees	700	700	378	(322)
Total charges for services	$ 196,610	$ 196,610	$ 159,797	$ (36,813)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	$ 18,000	$ 43,385	$ 73,886	$ 30,501
Recovered costs:				
Mt Castle salary reimbursement	$ 166,923	$ 166,923	$ 152,701	$ (14,222)
LOA - special welfare	21,616	21,616	21,707	91
Other recovered costs	8,354	29,041	30,835	1,794
Total recovered costs	$ 196,893	$ 217,580	$ 205,243	$ (12,337)
Total revenue from local sources	$ 4,812,487	$ 4,858,605	$ 5,040,375	$ 181,770
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	$ 300	$ 300	$ 209	$ (91)
Mobile home titling tax	5,000	5,000	9,224	4,224
Grantor's tax	8,000	8,000	7,891	(109)
State recordation tax	9,000	9,000	9,922	922
Communication tax	115,000	115,000	105,538	(9,462)
Personal property tax relief funds	341,055	341,055	341,055	-
Total noncategorical aid	$ 478,355	$ 478,355	$ 473,839	$ (4,516)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 72,190	$ 72,190	$ 71,492	$ (698)
Sheriff	471,146	475,391	456,744	(18,647)
Commissioner of revenue	71,089	71,089	70,855	(234)
Treasurer	75,518	75,518	75,177	(341)
Registrar/electoral board	33,914	33,914	34,829	915
Clerk of the Circuit Court	133,864	158,620	162,418	3,798
Total shared expenses	$ 857,721	$ 886,722	$ 871,515	$ (15,207)
Other categorical aid:				
Welfare payments	$ 575,110	$ 659,071	$ 225,269	$ (433,802)
CSA payments	417,067	417,067	303,443	(113,624)
Litter control grant	-	7,077	7,077	-
Four-for-life	5,738	24,113	-	(24,113)
Fire program	21,600	21,600	20,000	(1,600)
Library grant	6,755	6,755	6,758	3
State E-911 program	42,000	192,000	195,160	3,160
VJCCA grant	6,588	6,588	6,585	(3)
Emergency preparedness grant	-	75,020	18,248	(56,772)
Total other categorical aid	$ 1,074,858	$ 1,409,291	$ 782,540	$ (626,751)
Total categorical aid	$ 1,932,579	$ 2,296,013	$ 1,654,055	$ (641,958)
Total revenue from the Commonwealth	$ 2,410,934	$ 2,774,368	$ 2,127,894	$ (646,474)

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	$ 188,000	$ 188,000	$ 317,638	$ 129,638
Categorical aid:				
Welfare payments	$ -	$ -	$ 368,821	$ 368,821
Community development block grant	-	30,000	28,233	$ (1,767)
DMV grants	10,000	10,000	2,499	(7,501)
Forest reserve	20,000	20,000	20,783	783
Emergency services grants	7,500	7,500	12,074	4,574
Forest service grant	6,600	6,600	1,260	(5,340)
Total categorical aid	$ 44,100	$ 74,100	$ 433,670	$ 359,570
Total revenue from the federal government	$ 232,100	$ 262,100	$ 751,308	$ 489,208
Total General Fund	$ 7,455,521	$ 7,895,073	$ 7,919,577	$ 24,504
Special Revenue Fund:				
Asset Forfeiture Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 32	$ 32
Total revenue from local sources	$ -	$ -	$ 32	$ 32
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	$ -	$ 224	$ 223	$ (1)
Total revenue from the Commonwealth	$ -	$ 224	$ 223	$ (1)
Total Asset Forfeiture Fund	$ -	$ 224	$ 255	$ 31
Total Primary Government	$ 7,455,521	$ 7,895,297	$ 7,919,832	$ 24,535
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	$ 292,200	$ 292,200	$ 250,012	$ (42,188)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Craig, Virginia	$ 1,820,000	$ 1,682,000	$ 1,702,099	$ 20,099
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 783,102	$ 783,102	$ 743,257	$ (39,845)
Basic school aid	2,022,551	2,022,551	1,985,447	(37,104)
Foster care	-	-	17,259	17,259
Gifted and talented	19,683	19,683	19,422	(261)
Special education	330,517	330,517	462,785	132,268
Special education regional payments	200,068	200,068	55,154	(144,914)
Textbook payment	45,018	45,018	44,420	(598)
Jobs for Virginia graduates	25,000	25,000	25,000	-
Early intervention	11,386	11,386	18,217	6,831
Vocational standards of quality payments	61,921	61,921	61,098	(823)
Fringe benefits	435,495	435,495	429,711	(5,784)
Occupational prep	-	-	1,168	1,168

County of Craig, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Homebound education	$ -	$ -	$ 3,874	$ 3,874
Vocational education - equipment	3,135	3,135	5,218	2,083
At-risk payments	69,151	69,151	70,317	1,166
Remedial assistance	72,903	72,903	75,498	2,595
Primary class size	67,309	67,309	63,766	(3,543)
VPSA grants	102,000	102,000	89,345	(12,655)
Standards of Learning algebra readiness	9,068	9,068	9,212	144
Lottery proceeds	-	-	111,017	111,017
ISAEP	7,859	7,859	8,294	435
Compensation supplement	76,101	76,101	-	(76,101)
Other state funds	61,799	61,799	25,517	(36,282)
Total categorical aid	$ 4,404,066	$ 4,404,066	$ 4,324,996	$ (79,070)
Total revenue from the Commonwealth	$ 4,404,066	$ 4,404,066	$ 4,324,996	$ (79,070)
Revenue from the federal government:				
Categorical aid:				
Title I	$ 161,896	$ 161,896	$ 175,372	$ 13,476
Forest reserve fund	-	138,000	117,768	(20,232)
Title VI-B, special education flow-through	160,504	160,504	161,912	1,408
Vocational education	11,796	11,796	12,610	814
Title VI-B, special education pre-school	6,589	6,589	6,796	207
Title III, Impact aid	45,700	45,700	49,184	3,484
Title II, Part A	22,655	22,655	26,030	3,375
Other federal funds		-	7,662	7,662
Total revenue from the federal government	$ 409,140	$ 547,140	$ 557,334	$ 10,194
Total School Operating Fund	$ 6,925,406	$ 6,925,406	$ 6,834,441	$ (90,965)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 50	$ 50	$ 37	$ (13)
Charges for services:				
Cafeteria sales	$ 157,761	$ 157,761	$ 136,127	$ (21,634)
Total revenue from local sources	$ 157,811	$ 157,811	$ 136,164	$ (21,647)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 5,100	$ 5,100	$ 9,278	$ 4,178
Total revenue from the Commonwealth	$ 5,100	$ 5,100	$ 9,278	$ 4,178
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 207,000	$ 207,000	$ 222,103	$ 15,103
Total revenue from the federal government	$ 207,000	$ 207,000	$ 222,103	$ 15,103
Total School Cafeteria Fund	$ 369,911	$ 369,911	$ 367,545	$ (2,366)
Total Discretely Presented Component Unit - School Board	$ 7,295,317	$ 7,295,317	$ 7,201,986	$ (93,331)

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 30,310	$ 37,810	$ 36,472	$ 1,338
General and financial administration:				
County administrator	$ 106,857	$ 123,257	$ 118,872	$ 4,385
Commissioner of revenue	159,540	159,540	157,978	1,562
Reassessment	50,100	40,754	9,152	31,602
Audit	59,350	59,350	55,233	4,117
Treasurer	207,211	211,758	210,174	1,584
Accounting/purchasing	52,735	52,735	52,614	121
Technology/data processing	63,717	63,717	56,133	7,584
Total general and financial administration	$ 699,510	$ 711,111	$ 660,156	$ 50,955
Board of elections:				
Electoral board and officials	$ 35,624	$ 35,624	$ 22,699	$ 12,925
Registrar	70,590	70,590	70,094	496
Total board of elections	$ 106,214	$ 106,214	$ 92,793	$ 13,421
Total general government administration	$ 836,034	$ 855,135	$ 789,421	$ 65,714
Judicial administration:				
Courts:				
Circuit court	$ 6,400	$ 6,400	$ 5,482	$ 918
General district court	2,757	2,757	1,153	1,604
Clerk of the circuit court	187,461	218,462	217,269	1,193
Total courts	$ 196,618	$ 227,619	$ 223,904	$ 3,715
Commonwealth's attorney:				
Commonwealth's attorney	$ 98,316	$ 98,316	$ 97,277	$ 1,039
Total judicial administration	$ 294,934	$ 325,935	$ 321,181	$ 4,754
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 818,733	$ 849,030	$ 803,521	$ 45,509
Fire and rescue services:				
Public safety	$ 110,287	$ 121,362	$ 96,587	$ 24,775
Emergency medical services	323,664	466,917	389,386	77,531
E-911	49,300	416,240	174,578	241,662
Total fire and rescue services	$ 483,251	$ 1,004,519	$ 660,551	$ 343,968
Correction and detention:				
Care of prisoners	$ 15,000	$ 31,400	$ 29,889	$ 1,511
Contribution to Regional Jail	104,416	104,416	104,416	-
Total correction and detention	$ 119,416	$ 135,816	$ 134,305	$ 1,511
Inspections:				
Building	$ 66,080	$ 66,080	$ 63,309	$ 2,771

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	$ 39,815	$ 39,861	$ 37,825	$ 2,036
Medical examiner	350	350	20	330
Forest service	3,206	3,206	2,920	286
Total other protection	$ 43,371	$ 43,417	$ 40,765	$ 2,652
Total public safety	$ 1,530,851	$ 2,098,862	$ 1,702,451	$ 396,411
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	$ 367,023	$ 366,895	$ 341,415	$ 25,480
Litter control grant	-	7,205	7,205	-
Total sanitation and waste removal	$ 367,023	$ 374,100	$ 348,620	$ 25,480
Maintenance of general buildings and grounds:				
Maintenance of properties	$ 183,872	$ 146,172	$ 136,009	$ 10,163
Total public works	$ 550,895	$ 520,272	$ 484,629	$ 35,643
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	$ 6,000	$ 6,000	$ 6,000	$ -
Welfare:				
Welfare administration	$ 785,538	$ 825,441	$ 711,119	$ 114,322
Children's Services Act (CSA)	587,500	631,558	451,351	180,207
Tax relief for the elderly/veterans	35,000	35,000	38,495	(3,495)
Total welfare	$ 1,408,038	$ 1,491,999	$ 1,200,965	$ 291,034
Total health and welfare	$ 1,472,038	$ 1,555,999	$ 1,264,965	$ 291,034
Education:				
Other instructional costs:				
Contribution to Community College	$ 17,000	$ 17,000	$ 24,300	$ (7,300)
Contribution to County School Board	1,820,000	1,682,000	1,702,099	(20,099)
Total education	$ 1,837,000	$ 1,699,000	$ 1,726,399	$ (27,399)
Parks, recreation, and cultural:				
Cultural enrichment:				
League of older Americans	$ 1,200	$ 1,200	$ 1,200	$ -
Library:				
Regional library	$ 33,305	$ 37,449	$ 36,656	$ 793
Total parks, recreation, and cultural	$ 34,505	$ 38,649	$ 37,856	$ 793

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community development	$ 365	$ 31,054	$ 28,464	$ 2,590
Zoning board	1,000	1,000	440	560
Planning	2,903	2,903	2,100	803
Tourism	11,100	11,100	8,698	2,402
Contribution to Virginia's First Regional IFA	10,844	10,844	21,688	(10,844)
New Castle commons	65,000	65,000	50,428	14,572
Fifth planning district	4,932	4,932	4,932	-
Total planning and community development	$ 96,144	$ 126,833	$ 116,750	$ 10,083
Environmental management:				
Mountain Castle - soil conservation	$ 169,923	$ 169,923	$ 169,573	$ 350
Erosion and sediment control	2,500	2,500	428	2,072
Total environmental management	$ 172,423	$ 172,423	$ 170,001	$ 2,422
Cooperative extension program:				
Extension office	$ 39,350	$ 33,350	$ 21,282	$ 12,068
Total community development	$ 307,917	$ 332,606	$ 308,033	$ 24,573
Nondepartmental:				
Fringe benefits	$ 35,255	$ 38,596	$ 30,688	$ 7,908
Contingencies	58,852	25,648	25,648	-
Total nondepartmental	$ 94,107	$ 64,244	$ 56,336	$ 7,908
Capital projects:				
Transfer station	$ -	$ 53,136	$ 4,947	$ 48,189
Total capital projects	$ -	$ 53,136	$ 4,947	$ 48,189
Debt service:				
Principal retirement	$ 387,225	$ 387,225	$ 387,225	$ -
Interest and other fiscal charges	110,015	110,015	110,015	-
Total debt service	$ 497,240	$ 497,240	$ 497,240	$ -
Total General Fund	$ 7,455,521	$ 8,041,078	$ 7,193,458	$ 847,620
Special Revenue Fund:				
Asset Forfeiture Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ -	$ 20,284	$ 9,600	$ 10,684
Total public safety	$ -	$ 20,284	$ 9,600	$ 10,684
Total Asset Forfeiture Fund	$ -	$ 20,284	$ 9,600	$ 10,684
Capital Projects Fund:				
Capital Improvements Fund:				
Capital projects expenditures:				
School capital projects	$ -	$ 583,916	$ 315,473	$ 268,443
Compactor	-	16,800	16,800	-
County courthouse	-	18,800	18,800	-
Total capital projects	$ -	$ 619,516	$ 351,073	$ 268,443
Total Capital Projects Fund	$ -	$ 619,516	$ 351,073	$ 268,443
Total Primary Government	$ 7,455,521	$ 8,680,878	$ 7,554,131	$ 1,126,747

County of Craig, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Executive administration services	$ 650,013	$ 661,363	$ 659,713	$ 1,650
Instruction costs:				
Instruction costs	$ 4,801,813	$ 4,790,463	$ 4,726,756	$ 63,707
Technology	319,608	319,608	312,730	6,878
Total instruction costs	$ 5,121,421	$ 5,110,071	$ 5,039,486	$ 70,585
Operating costs:				
Pupil transportation	$ 549,876	$ 549,876	$ 565,026	$ (15,150)
Operation and maintenance of school plant	584,096	584,096	570,216	13,880
Other operating costs	20,000	20,000	-	20,000
Total operating costs	$ 1,153,972	$ 1,153,972	$ 1,135,242	$ 18,730
Total education	$ 6,925,406	$ 6,925,406	$ 6,834,441	$ 90,965
Total School Operating Fund	$ 6,925,406	$ 6,925,406	$ 6,834,441	$ 90,965
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	$ 369,911	$ 369,911	$ 375,987	$ (6,076)
Total School Cafeteria Fund	$ 369,911	$ 369,911	$ 375,987	$ (6,076)
Total Discretely Presented Component Unit - School Board	$ 7,295,317	$ 7,295,317	$ 7,210,428	$ 84,889

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2017-18	$ 605,223	$ 301,263	$ 1,741,399	$ 577,668	$ 1,250,607	$ 2,192,694	$ 42,753	$ 149,288	$ 102,784	$ 6,963,679
2016-17	821,376	326,560	1,625,010	571,442	1,234,904	1,843,293	38,779	140,256	122,050	6,723,670
2015-16	739,661	304,096	1,467,324	579,770	1,222,920	1,843,269	37,456	142,775	140,070	6,477,341
2014-15	687,049	282,082	1,488,590	460,013	1,222,584	2,524,567	35,161	157,523	159,707	7,017,276
2013-14	791,988	323,664	1,324,152	609,729	1,043,298	2,119,299	34,833	139,465	177,884	6,564,312
2012-13	755,333	296,577	1,329,756	524,687	1,010,860	2,732,769	30,047	103,568	191,361	6,974,958
2011-12	771,452	275,294	1,264,434	492,085	1,641,432	1,961,795	36,364	188,737	204,612	6,836,205
2010-11	687,867	282,026	1,326,612	523,087	1,907,221	1,804,288	18,353	279,026	220,027	7,048,507
2009-10	742,649	285,286	1,377,673	468,835	2,026,183	1,792,748	11,933	125,532	236,686	7,067,525
2008-09	668,939	285,311	1,289,370	542,706	2,301,150	1,175,969	13,133	807,328	255,051	7,338,957

Table 2

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

	PROGRAM REVENUES			GENERAL REVENUES					
Fiscal Year	Charges for Services (1)	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2017-18	$ 198,082	$ 2,059,715	$ 28,233	$ 4,060,334	$ 442,686	$ 115,422	$ 73,886	$ 791,477	$ 7,769,835
2016-17	225,644	1,929,108	-	3,735,991	531,210	96,023	93,989	657,441	7,269,406
2015-16	147,572	2,115,406	-	3,502,061	535,567	80,207	68,671	665,593	7,115,077
2014-15	130,563	1,920,486	-	3,528,790	536,953	75,408	50,351	630,602	6,873,153
2013-14	98,996	1,731,459	313,600	3,394,671	499,033	84,783	72,073	635,965	6,830,580
2012-13	68,084	1,701,928	-	3,395,934	505,675	81,702	97,377	622,697	6,473,397
2011-12	279,913	1,990,992	89,659	3,305,224	509,246	81,751	88,147	584,807	6,929,739
2010-11	377,464	2,127,684	11,242	3,102,510	487,924	103,846	116,562	575,104	6,902,336
2009-10	329,016	2,930,512	33,993	3,074,902	498,912	102,732	144,796	544,257	7,659,120
2008-09	326,661	2,657,509	575,252	2,980,979	618,041	136,771	92,443	655,300	8,042,956

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

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2017-18	$ 789,421	$ 321,181	$ 1,712,051	$ 484,629	$ 1,264,965	$ 7,234,728	$ 37,856	$ 308,033	$ 356,020	$ 56,336	$ 497,240	$ 13,062,460
2016-17	812,332	331,884	1,577,157	507,774	1,220,066	7,280,787	33,909	295,405	99,678	23,980	506,021	12,688,993
2015-16	807,913	308,648	1,715,254	524,366	1,232,970	7,234,274	32,586	307,491	255,149	29,267	514,620	12,962,538
2014-15	683,263	291,281	1,319,777	530,378	1,241,655	7,908,590	30,291	289,719	360,736	29,242	522,932	13,207,864
2013-14	698,893	315,527	1,233,002	732,380	1,066,647	7,592,779	31,137	250,823	-	33,105	530,908	12,485,201
2012-13	686,849	288,615	1,231,648	480,036	995,082	7,243,484	30,047	241,045	-	69,512	513,581	11,779,899
2011-12	756,836	273,610	1,247,722	482,996	1,676,392	7,064,450	25,121	321,900	-	56,358	555,794	12,461,179
2010-11	673,402	289,089	1,395,669	475,083	1,997,644	7,143,778	29,595	457,847	305,814	65,290	579,303	13,412,514
2009-10	656,568	284,860	1,361,176	463,398	2,113,590	7,537,265	11,933	260,609	34,233	58,924	694,303	13,476,859
2008-09	639,441	283,640	1,214,742	491,744	2,397,067	6,945,831	13,133	815,055	39,800	42,662	703,859	13,586,974

(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 - School Board.

Table 4

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
2017-18	$ 4,014,581	$ 442,686	$ 24,386	$ 4,406	$ 115,422	$ 159,797	$ 323,898	$ 205,243	$ 8,129,300	$ 13,419,719
2016-17	3,780,172	531,210	29,472	5,986	96,023	194,461	438,522	196,331	7,910,595	13,182,772
2015-16	3,491,806	535,567	25,773	4,275	80,207	117,524	413,557	172,230	7,963,316	12,804,255
2014-15	3,495,927	536,953	33,583	3,535	75,408	93,445	372,363	161,472	7,734,458	12,507,144
2013-14	3,405,962	499,033	28,680	5,007	84,986	219,868	386,507	147,064	7,510,744	12,287,851
2012-13	3,410,578	505,675	25,889	4,661	81,826	186,109	237,905	178,341	7,327,897	11,958,881
2011-12	3,257,197	509,246	23,335	5,801	81,886	414,432	299,252	202,123	7,668,001	12,461,273
2010-11	3,116,109	487,924	36,430	1,516	103,846	501,101	274,505	226,339	7,951,849	12,699,619
2009-10	2,994,988	498,912	25,641	1,759	102,732	460,194	362,333	283,696	9,095,019	13,825,274
2008-09	2,997,396	618,041	38,099	3,952	136,771	521,462	200,632	280,575	9,530,737	14,327,665

(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 - School Board.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2017-18	$ 4,324,605	$ 4,241,937	98.09%	$ 67,375	$ 4,309,312	99.65%	$ 281,778	6.52%
2016-17	3,979,080	3,908,195	98.22%	149,256	4,057,451	101.97%	224,479	5.64%
2015-16	3,818,731	3,684,660	96.49%	106,352	3,791,012	99.27%	266,353	6.97%
2014-15	3,855,268	3,632,756	94.23%	155,833	3,788,589	98.27%	252,169	6.54%
2013-14	3,736,546	3,543,990	94.85%	156,332	3,700,322	99.03%	234,129	6.27%
2012-13	3,680,533	3,478,001	94.50%	218,368	3,696,369	100.43%	233,864	6.35%
2011-12	3,580,886	3,292,776	91.95%	256,343	3,549,119	99.11%	265,974	7.43%
2010-11	3,408,715	3,239,539	95.04%	166,571	3,406,110	99.92%	268,519	7.88%
2009-10	3,326,076	3,063,417	92.10%	230,319	3,293,736	99.03%	250,667	7.54%
2008-09	3,319,375	3,063,881	92.30%	243,260	3,307,141	99.63%	233,892	7.05%
2007-08	3,179,745	3,038,611	95.56%	113,253	3,151,864	99.12%	248,628	7.82%

(1) Exclusive of penalties and interest.
(2) Delinquent tax collections are exclusive of land redemptions.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (3)	Machinery and Tools	Merchant's Capital	Public Utilities (1)(2)	Total
2017-18	$ 502,657,721	$ 38,738,626	$ 2,331,275	$ 273,765	$ 17,030,937	$ 561,032,324
2016-17	493,739,433	37,504,338	1,951,604	410,566	18,319,870	551,925,811
2015-16	490,384,380	35,729,749	1,463,786	316,819	16,609,743	544,504,477
2014-15	487,617,041	36,560,925	1,735,986	303,551	14,601,241	540,818,744
2013-14	485,172,230	34,622,620	2,040,191	285,556	14,212,421	536,333,018
2012-13	483,945,781	34,330,943	2,309,708	289,470	14,034,655	534,910,557
2011-12	456,489,768	33,674,308	2,528,832	282,742	12,698,689	505,674,339
2010-11	430,698,238	31,269,216	2,851,070	303,873	12,791,177	477,913,574
2009-10	425,617,100	30,353,841	3,364,084	337,655	12,131,935	471,804,615
2008-09	420,709,126	33,348,621	2,373,758	307,033	11,474,204	468,212,742

(1) Real estate is assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.
(3) Personal property is assessed at 100% of fair market value.

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
2017-18	$ 0.59	$ 3.50	$ 2.20	$ 3.50
2016-17	0.59	3.00	2.20	3.50
2015-16	0.56	3.00	2.20	3.50
2014-15	0.56	3.00	2.20	3.50
2013-14	0.54/0.56	3.00	2.20	3.50
2012-13	0.54	3.00	2.20	3.50
2011-12	0.56/0.54	3.00	2.20	3.50
2010-11	0.56	3.00	2.20	3.50
2009-10	0.54/0.56	3.00	2.20	3.50
2008-09	0.54	3.00	2.20	3.50

(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
2017-18	5,190	$ 561,032	$ 1,846,327	0.33%	$ 356
2016-17	5,190	551,926	2,208,543	0.40%	426
2015-16	5,190	544,504	2,560,997	0.47%	493
2014-15	5,190	540,819	2,903,926	0.54%	560
2013-14	5,190	536,333	3,237,055	0.60%	624
2012-13	5,190	534,911	3,561,599	0.67%	686
2011-12	5,190	505,674	3,878,180	0.77%	747
2010-11	5,190	477,914	4,223,935	0.88%	814
2009-10	5,091	471,805	4,577,544	0.97%	899
2008-09	5,091	468,213	5,027,068	1.07%	987

(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 pension and OPEB liabilities, capital leases, and compensated absences.

Table 9

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

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2017-18	$ 387,225	$ 110,015	$ 497,240	$ 13,062,460	3.81%
2016-17	376,899	129,122	506,021	12,688,993	3.99%
2015-16	366,823	147,797	514,620	12,962,538	3.97%
2014-15	356,483	166,449	522,932	13,207,864	3.96%
2013-14	347,371	183,537	530,908	12,485,201	4.25%
2012-13	316,581	197,000	513,581	11,779,899	4.36%
2011-12	345,755	210,039	555,794	12,461,179	4.46%
2010-11	353,609	225,694	579,303	13,412,514	4.32%
2009-10	449,524	244,779	694,303	13,476,859	5.15%
2008-09	440,791	263,068	703,859	13,586,974	5.18%
2007-08	452,622	281,174	733,796	12,320,979	5.96%

(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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Craig, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise County of Craig, Virginia's basic financial statements and have issued our report thereon November 26, 2018.

Internal Control over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses (2018-001 and 2018-002).

Compliance and Other Matters

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

County of Craig, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2018

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited County of Craig, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Craig, Virginia's major federal programs for the year ended June 30, 2018. County of Craig, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Craig, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Craig, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Craig, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of County of Craig, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Craig, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Craig, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2018

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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 from:					
Department of Social Services:					
Promoting Safe and Stable Families	93.556	0950116, 0950117			$ 8,995
Temporary Assistance for Needy Families	93.558	0400117, 0400118			47,467
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117, 0500118			76
Low-Income Home Energy Assistance	93.568	0600417, 0600418			6,646
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117, 0760118			8,082
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117, 0900118			157
Foster Care - Title IV-E	93.658	1100117, 1100118			59,299
Adoption Assistance	93.659	1120117, 1120118			67,564
Social Services Block Grant	93.667	1000117, 1000118			30,743
Chafee Foster Care Independence Program	93.674	9150117, 9150118			203
Children's Health Insurance Program	93.767	0540117, 0540118			2,608
Medical Assistance Program	93.778	1200117, 1200118			69,264
Total Department of Health and Human Services					$ 301,104
DEPARTMENT OF AGRICULTURE:					
Pass-through payments from:					
Department of Social Services:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117, 0010118 0040117, 0040118			$ 67,717
State Department of Agriculture:					
Cooperative Forestry Assistance	10.664	16-LE11080818-005			1,260
Child Nutrition Cluster:					
National School Lunch Program (Note 3)	10.555	Not available	$ 25,831		
Department of Education:					
National School Lunch Program	10.555	APE40254	150,319	$ 176,150	
School Breakfast Program	10.553	APE40253		45,953	
Total Child Nutrition Cluster					222,103
Schools and Roads - Grants to States	10.665	APE43841			138,551
Total Department of Agriculture					$ 429,631
DEPARTMENT OF TRANSPORTATION:					
Pass-through payments from:					
Department of Motor Vehicles:					
Highway Safety Cluster:					
National Priority Safety Programs	20.616	M6OT-2017-57114-6763		$ 1,287	
State and Community Highway Safety	20.600	FSC-2018-58127-8127		1,212	
Total Department of Transportation					$ 2,499
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
Pass-through payments from:					
Department of Housing and Community Development:					
Community Development Block Grants	14.228	HCD50790			$ 28,233
DEPARTMENT OF HOMELAND SECURITY:					
Pass-through payments from:					
Department of Emergency Management:					
Emergency Management Performance Grants	97.042	EMP-2017-EP-00006			$ 7,500
Homeland Security Grant Program	97.067	EMW-2016-SS-00083			2,922
Hazard Mitigation Grant	97.039	Not available			1,652
Total Department of Homeland Security					$ 12,074
DEPARTMENT OF EDUCATION:					
Direct Payments:					
Impact Aid	84.041	Not applicable			$ 49,184
Pass-through payments from:					
Department of Education:					
Title I: Grants to Local Educational Agencies	84.010	APE42901			175,372
Special Education Cluster (IDEA)					
Special Education - Grants to States	84.027	APE43071		$ 161,912	
Special Education - Preschool Grants	84.173	APE62521		6,796	
Total Special Education Cluster (IDEA)					168,708
Career and Technical Education: Basic Grants to States	84.048	APE61095			12,610
Student Support and Academic Enrichment Program	84.424	APE60019			7,662
Supporting Effective Instruction State Grant	84.367	APE61480			26,030
Total Department of Education					$ 439,566
Total Expenditures of Federal Awards					$ 1,213,107

County of Craig, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of County of Craig, Virginia and its discretely presented component units under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
(2) Pass-through entity identifying numbers are presented where available.
(3) The County did not elect the 10% de minims indirect cost rate because they only request direct costs for reimbursement.

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, 2018, Craig County, Virginia did not report any commodity inventory, as it was immaterial to the financials.

Note 4 -- Subrecipients
No awards were passed through to subrecipients.

Note 5 -- 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	$	751,308
Less: Payment in lieu of taxes		(317,638)
Total Primary Government	$	433,670
Component Unit School Board:		
School Operating Fund	$	557,334
School Cafeteria Fund		222,103
Total Component Unit School Board	$	779,437
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	1,213,107

County of Craig, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
84.010	Title I: Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

County of Craig, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The County and the School Board lack proper segregation of duties over the following functions: Collections in the Treasurer's office, Accounts Payable and Payroll at the County; and Accounts Payable and Payroll at the School Board.
Cause of Condition:	The County and School Board lack the funding to fully support a completely segregated finance department.
Effect of Condition:	There is a reasonable possibility 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.

2018-002

Criteria:	Reimbursement requests should be submitted in a timely fashion in order to match revenues with the expenditures according to accounting principles.
Condition:	The School Board's reimbursement requests for funding were not made in a timely manner.
Cause of Condition:	The School Board does not have controls in place to ensure reimbursable grants are requested and received in a timely fashion after expenditures are incurred.
Effect of Condition:	Reimbursements of local funds expended for grant funded programs are not being received in a timely manner.

County of Craig, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

2018-002 (Continued)

Recommendation:	Management should establish a policy requiring reimbursement requests to be submitted at a minimum of quarterly.
Management's Response:	Management of the School Board concurs reimbursements should be submitted timely and will work to improve the reimbursement process.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Audit Findings

Findings 2017-001 and 2017-002 are repeated in current year as 2018-001 and 2018-002, respectively.