COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2018

COUNTY OF LANCASTER, VIRGINIA

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Judge of the Juvenile and Domestic Relations Court .... John E. Franklin
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Commissioner of the Revenue .... Marlon Savoy
Treasurer .... Bonnie J. Dickson
Sheriff .... Patrick McCranie
Superintendent of Schools .... Steve Parker
Director of Social Services .... Edna G. Davenport
Interim County Administrator .... Don G. Gill

COUNTY OF LANCASTER, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of Lancaster
Lancaster, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, 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 Principle

As described in Note 20 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 20 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 management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 102-103, and 104-115 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Lancaster, Virginia's basic financial statements. The introductory section, other supplementary information, and 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 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 12, 2018, on our consideration of County of Lancaster, 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 on County of Lancaster, 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 Lancaster, Virginia's internal control over financial reporting and compliance.

Richmond, Virginia
November 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Lancaster County Board of Supervisors
To the Citizens of Lancaster County
County of Lancaster, Virginia

The administrative management staff of the County of Lancaster, Virginia offers the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $5,957,079 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by $889,111 (Exhibit 5) after making contributions totaling $10,835,902 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of $4,553,334, a decrease of $889,111 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $3,273,833, or 13% of total general fund expenditures and other uses.

- The combined long-term obligations decreased $3,412,829 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,

2. Fund financial statements, and

3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Overview of the Financial Statements (Continued)

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Lancaster, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Lancaster, Virginia is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Lancaster, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The County has three major governmental funds – the General Fund, County Special Revenue Fund and the County Capital Projects Fund.

Proprietary funds – Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Sewer Fund provides a centralized source for sewer services to County residents.

Overview of the Financial Statements (Continued)

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit – School Board. The School Board does not issue separate financial statements.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5,957,079 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Lancaster, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 7,189,032	$ 7,444,887	$ 39,791	$ 34,142	$ 7,228,823	$ 7,479,029
Capital assets	9,977,023	10,221,179	1,235,391	1,288,239	11,212,414	11,509,418
Total assets	$ 17,166,055	$ 17,666,066	$ 1,275,182	$ 1,322,381	$ 18,441,237	$ 18,988,447
Deferred outflows of resources	$ 555,320	$ 1,048,626	$ -	$ -	$ 555,320	$ 1,048,626
Current liabilities	$ 1,669,857	$ 1,549,176	$ 1,890	$ 34,618	$ 1,671,747	$ 1,583,794
Long-term liabilities outstanding	9,908,119	12,875,948	170,000	170,000	10,078,119	13,045,948
Total liabilities	$ 11,577,976	$ 14,425,124	$ 171,890	$ 204,618	$ 11,749,866	$ 14,629,742
Deferred inflows of resources	$ 1,289,612	$ 318,431	$ -	$ -	$ 1,289,612	$ 318,431
Net position:						
Net investment in capital assets	$ 3,141,621	$ 2,505,456	$ 1,067,104	$ 1,118,239	$ 4,208,725	$ 3,623,695
Restricted:						
Forfeited asset	11,527	13,964	-	-	11,527	13,964
Wetlands special project	10,335	10,325	-	-	10,335	10,325
Unrestricted	1,690,304	1,441,392	36,188	(476)	1,726,492	1,440,916
Total net position	$ 4,853,787	$ 3,971,137	$ 1,103,292	$ 1,117,763	$ 5,957,079	$ 5,088,900

Because prior year information related to other postemployment benefits was not available, the 2017 number have not been restated to reflect GASB 75 calculations.

Government-wide Financial Analysis (Continued)

The County's net position increased $1,290,179 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Lancaster, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Charges for services	$ 561,380	$ 496,767	$ 57,994	$ -	$ 619,374	$ 496,767
Operating grants and contributions	3,774,048	3,318,227	-	-	3,774,048	3,318,227
Capital grants and contributions	139,212	401,601	-	511,000	139,212	912,601
General property taxes	17,228,176	15,493,614	-	-	17,228,176	15,493,614
Other local taxes	2,068,049	2,052,020	-	-	2,068,049	2,052,020
Grants and other contri-			-	-	-	-
butions not restricted	1,318,972	1,314,001	-	-	1,318,972	1,314,001
Other general revenues	164,976	150,383	31	8	165,007	150,391
Transfers	-	569,698	-	(569,698)	-	-
Total revenues	$ 25,254,813	$ 23,796,311	$ 58,025	$ (58,690)	$ 25,312,838	$ 23,737,621
General government administration	$ 1,449,191	$ 1,699,686	$ -	$ -	$ 1,449,191	$ 1,699,686
Judicial administration	821,911	838,473	-	-	821,911	838,473
Public safety	5,516,169	5,424,432	-	-	5,516,169	5,424,432
Public works	1,501,261	1,917,013	72,496	17,443	1,573,757	1,934,456
Health and welfare	2,614,466	2,647,115	-	-	2,614,466	2,647,115
Education	10,994,217	10,916,368	-	-	10,994,217	10,916,368
Parks, recreation, and cultural	204,327	210,063	-	-	204,327	210,063
Community development	659,828	456,267	-	-	659,828	456,267
Interest and other fiscal charges	188,793	274,329	-	-	188,793	274,329
Total expenses	$ 23,950,163	$ 24,383,746	$ 72,496	$ 17,443	$ 24,022,659	$ 24,401,189
Change in net position	$ 1,304,650	$ (587,435)	$ (14,471)	$ (76,133)	$ 1,290,179	$ (663,568)
Net position, beginning of year, as restated	3,549,137	4,558,572	1,117,763	1,193,896	4,666,900	5,752,468
Net position, end of year	$ 4,853,787	$ 3,971,137	$ 1,103,292	$ 1,117,763	$ 5,957,079	$ 5,088,900

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations. Therefore, beginning net position for 2018 as displayed above does not agree to ending net position for 2017.

Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of $4,553,334, a decrease of $889,111 in comparison with the prior year. Approximately 72% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion. The decrease was largely due to capital project expenditures.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was $1,255,569.

During the year, budgetary estimates were exceeded by actual revenues and other sources of the General Fund by $836,597. Budgetary estimates exceeded actual expenditures and other uses by $849,791. The combination of the two resulted in a positive variance of $1,686,388.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2017 amounts to $9,977,023 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of $7,377,829. Of this amount, $1,405,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. lease revenue bonds, revenue bonds and capital leases).

The County's total debt decreased $1,677,704 during the current fiscal year.

Additional information on the County of Lancaster, Virginia's long-term debt can be found in notes of this report.

Economic Factors and Future Years' Budgets and Rates

- Inflationary trends in the region are comparable to state and national indexes.

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

The fiscal year 2019 budget decreased by approximately 3%. All property tax rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of Lancaster, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 8311 Mary Ball Road, Lancaster, Virginia 22503.

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	$ 4,784,413	$ 36,271	$ 4,820,684	$ 314,386	$ 105,367
Receivables (net of allowance for uncollectibles):					
Taxes receivable	882,074	-	882,074	-	-
Accounts receivable	89,590	3,520	93,110	4,115	-
Due from other governmental units	931,889	-	931,889	1,401,593	-
Prepaid expenses	231	-	231	-	-
Restricted assets:					
Cash and cash equivalents- unspent bond proce	500,835	-	500,835	-	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	845,555	-	845,555	6,271	-
Buildings and improvements	6,132,667	1,235,391	7,368,058	6,459,546	-
Machinery and equipment	417,887	-	417,887	1,010,213	-
Infrastructure	2,303,148	-	2,303,148	-	-
Construction in progress	277,766	-	277,766	82,325	-
Total assets	$ 17,166,055	$ 1,275,182	$ 18,441,237	$ 9,278,449	$ 105,367
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	$ 529,813	$ -	$ 529,813	$ 1,503,213	$ -
OPEB related items	25,507	-	25,507	152,670	-
Total deferred outflows of resources	$ 555,320	$ -	$ 555,320	$ 1,655,883	$ -
Total Assets and Deferred Outflows of Resources	$ 17,721,375	$ 1,275,182	$ 18,996,557	$ 10,934,332	$ 105,367
LIABILITIES					
Accounts payable	$ 514,010	$ 1,890	$ 515,900	$ 214,800	$ -
Accrued liabilities	-	-	-	1,229,790	-
Accrued interest payable	79,079	-	79,079	-	-
Due to other governmental units	1,075,022	-	1,075,022	-	-
Unearned revenue	1,746	-	1,746	-	-
Long-term liabilities:					
Due within one year	1,497,859	1,713	1,499,572	57,143	-
Due in more than one year	8,410,260	168,287	8,578,547	14,628,251	-
Total liabilities	$ 11,577,976	$ 171,890	$ 11,749,866	$ 16,129,984	$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	$ 295,665	$ -	$ 295,665	$ -	$ -
Pension related items	947,947	-	947,947	1,704,489	-
OPEB related items	46,000	-	46,000	93,000	-
Total deferred inflows of resources	$ 1,289,612	$ -	$ 1,289,612	$ 1,797,489	$ -
NET POSITION					
Net investment in capital assets	$ 3,141,621	$ 1,067,104	$ 4,208,725	$ 7,558,355	$ -
Restricted:					
Forfeited asset	11,527	-	11,527	-	-
Wetlands special project	10,335	-	10,335	-	-
Unrestricted (deficit)	1,690,304	36,188	1,726,492	(14,551,496)	105,367
Total net position	$ 4,853,787	$ 1,103,292	$ 5,957,079	$ (6,993,141)	$ 105,367
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 17,721,375	$ 1,275,182	$ 18,996,557	$ 10,934,332	$ 105,367

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

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

			Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 1,449,191	$ -	$ 216,832	$ -
Judicial administration	821,911	17,999	545,048	-
Public safety	5,516,169	537,456	1,443,955	-
Public works	1,501,261	5,883	-	-
Health and welfare	2,614,466	-	1,568,213	-
Education	10,994,217	-	-	-
Parks, recreation, and cultural	204,327	-	-	-
Community development	659,828	42	-	139,212
Interest on long-term debt	188,793	-	-	-
Total governmental activities	$ 23,950,163	$ 561,380	$ 3,774,048	$ 139,212
Business-type activities:				
Sewer	$ 72,496	$ 57,994	$ -	$ -
Total business-type activities	$ 72,496	$ 57,994	$ -	$ -
Total primary government	$ 24,022,659	$ 619,374	$ 3,774,048	$ 139,212
COMPONENT UNITS:				
School Board	$ 16,354,680	$ 100,147	$ 5,243,881	$ -
IDA	69,400	30,308	-	-
Total component units	$ 16,424,080	$ 130,455	$ 5,243,881	$ -

General revenues:
General property taxes
Other local taxes:
Local sales and use taxes
Motor vehicle licenses
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Payments from Lancaster County
Grants and contributions not restricted to specific programs
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	IDA
$ (1,232,359)	$ -	$ (1,232,359)	$ -	$ -
(258,864)	-	(258,864)	-	-
(3,534,758)	-	(3,534,758)	-	-
(1,495,378)	-	(1,495,378)	-	-
(1,046,253)	-	(1,046,253)	-	-
(10,994,217)	-	(10,994,217)	-	-
(204,327)	-	(204,327)	-	-
(520,574)	-	(520,574)	-	-
(188,793)	-	(188,793)	-	-
$ (19,475,523)	$ -	$ (19,475,523)	$ -	$ -
$ -	$ (14,502)	$ (14,502)	$ -	$ -
$ -	$ (14,502)	$ (14,502)	$ -	$ -
$ (19,475,523)	$ (14,502)	$ (19,490,025)	$ -	$ -
$ -	$ -	$ -	$ (11,010,652)	$ -
-	-	-	-	(39,092)
$ -	$ -	$ -	$ (11,010,652)	$ (39,092)
$ 17,228,176	$ -	$ 17,228,176	$ -	$ -
1,621,919	-	1,621,919	-	-
193,894	-	193,894	-	-
252,236	-	252,236	-	-
139,847	31	139,878	3,762	63
25,129	-	25,129	90,841	-
-	-	-	10,869,416	-
1,318,972	-	1,318,972	-	-
$ 20,780,173	$ 31	$ 20,780,204	$ 10,964,019	$ 63
$ 1,304,650	$ (14,471)	$ 1,290,179	$ (46,633)	$ (39,029)
3,549,137	1,117,763	4,666,900	(6,946,508)	144,396
$ 4,853,787	$ 1,103,292	$ 5,957,079	$ (6,993,141)	$ 105,367

Exhibit 3

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

	General	County Special Revenue	County Capital Projects	Total
ASSETS				
Cash and cash equivalents	$ 4,004,232	$ 25,447	$ 754,734	$ 4,784,413
Receivables (net of allowance for uncollectibles):				
Taxes receivable	882,074	-	-	882,074
Accounts receivable	89,590	-	-	89,590
Due from other governmental units	931,889	-	-	931,889
Prepaid items	231	-	-	231
Restricted assets:				
Cash and cash equivalents	-	-	500,835	500,835
Total assets	$ 5,908,016	$ 25,447	$ 1,255,569	$ 7,189,032
LIABILITIES				
Accounts payable	$ 514,010	$ -	$ -	$ 514,010
Due to other governmental units	1,075,022	-	-	1,075,022
Unearned revenue	-	1,746	-	1,746
Total liabilities	$ 1,589,032	$ 1,746	$ -	$ 1,590,778
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	$ 1,044,920	$ -	$ -	$ 1,044,920
Total deferred inflows of resources	$ 1,044,920	$ -	$ -	$ 1,044,920
FUND BALANCES				
Nonspendable	$ 231	$ -	$ -	$ 231
Restricted	-	21,862	-	21,862
Committed	-	1,839	1,255,569	1,257,408
Unassigned	3,273,833	-	-	3,273,833
Total fund balances	$ 3,274,064	$ 23,701	$ 1,255,569	$ 4,553,334
Total liabilities, deferred inflows of resources and fund balances	$ 5,908,016	$ 25,447	$ 1,255,569	$ 7,189,032

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

Exhibit 4

County of Lancaster, 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:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 4,553,334
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Capital assets, cost	$ 18,002,324	
Accumulated depreciation	(8,025,301)	9,977,023
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes		749,255
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 529,813	
OPEB related items	25,507	555,320
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Revenue bonds	$ (5,760,000)	
General obligations bond	(1,405,000)	
Accrued interest payable	(79,079)	
Capital lease	(42,829)	
Bond premium	(128,408)	
Net pension liability	(1,968,890)	
NET OPEB liability	(379,000)	
Compensated absences	(223,992)	(9,987,198)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (947,947)	
OPEB related items	(46,000)	(993,947)
Net position of governmental activities		$ 4,853,787

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

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

	General	County Special Revenue	County Capital Projects	Total
REVENUES				
General property taxes	$ 16,986,495	$ -	$ -	$ 16,986,495
Other local taxes	2,068,049	-	-	2,068,049
Permits, privilege fees, and regulatory licenses	131,233	-	-	131,233
Fines and forfeitures	30,713	-	-	30,713
Revenue from the use of money and property	127,228	24	12,595	139,847
Charges for services	399,434	-	-	399,434
Miscellaneous	25,129	-	-	25,129
Recovered costs	52,102	-	-	52,102
Intergovernmental:				
Commonwealth	4,109,441	-	-	4,109,441
Federal	982,828	751	139,212	1,122,791
Total revenues	$ 24,912,652	$ 775	$ 151,807	$ 25,065,234
EXPENDITURES				
Current:				
General government administration	$ 1,428,951	$ -	$ -	$ 1,428,951
Judicial administration	721,735	-	-	721,735
Public safety	5,459,268	-	-	5,459,268
Public works	1,437,942	-	-	1,437,942
Health and welfare	2,649,502	-	-	2,649,502
Education	10,850,102	-	-	10,850,102
Parks, recreation, and cultural	202,898	-	-	202,898
Community development	447,070	-	-	447,070
Capital projects	752,520	-	48,611	801,131
Debt service:				
Principal retirement	1,677,704	-	-	1,677,704
Interest and other fiscal charges	278,042	-	-	278,042
Total expenditures	$ 25,905,734	$ -	$ 48,611	$ 25,954,345
Excess (deficiency) of revenues over (under) expenditures	$ (993,082)	$ 775	$ 103,196	$ (889,111)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 628,200	$ -	$ -	$ 628,200
Transfers out	-	(3,708)	(624,492)	(628,200)
Total other financing sources (uses)	$ 628,200	$ (3,708)	$ (624,492)	$ -
Net change in fund balances	$ (364,882)	$ (2,933)	$ (521,296)	$ (889,111)
Fund balances - beginning	3,638,946	26,634	1,776,865	5,442,445
Fund balances - ending	$ 3,274,064	$ 23,701	$ 1,255,569	$ 4,553,334

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

Exhibit 6

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

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds		$ (889,111)
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 and transfers exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:		
Capital asset additions	$ 370,632	
Depreciation expense	(581,274)	
Transfer of joint tenancy assets to Component Unit from Primary Government	(33,514)	(244,156)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		241,681
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. The following is a summary of items supporting this adjustment:		
Principal retirement of county lease revenue bonds	$ 1,525,000	
Principal retirement of school general obligation bond	140,000	
Principal retirement of capital lease	12,704	1,677,704
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Amortization of bond premium	$ 72,943	
Change in compensated absences	(2,099)	
Pension expense	408,875	
OPEB expense	22,507	
Change in accrued interest payable	16,306	518,532
Change in net position of governmental activities		$ 1,304,650

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

Exhibit 7

County of Lancaster, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2018

		Enterprise Fund
		Sewer
ASSETS		
Current assets:		
Cash and cash equivalents	$	36,271
Accounts receivables, net of allowance for uncollectibles		3,520
Total current assets	$	39,791
Noncurrent assets:		
Capital assets:		
Buildings and improvements	$	1,235,391
Total noncurrent assets	$	1,235,391
Total assets	$	1,275,182
LIABILITIES		
Current liabilities:		
Accounts payable	$	1,890
Bonds payable - current portion		1,713
Total current liabilities	$	3,603
Noncurrent liabilities:		
Bonds payable	$	168,287
Total noncurrent liabilities	$	168,287
Total liabilities	$	171,890
NET POSITION		
Net investment in capital assets	$	1,067,104
Unrestricted		36,188
Total net position	$	1,103,292

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

County of Lancaster, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
	Sewer
OPERATING REVENUES	
Charges for services:	
Sewer fees	$ 17,376
Other revenues	34,618
Total operating revenues	$ 51,994
OPERATING EXPENSES	
Repairs and maintenance	$ 19,648
Depreciation	52,848
Total operating expenses	$ 72,496
Operating income (loss)	$ (20,502)
NONOPERATING REVENUES (EXPENSES)	
Connection fees	$ 6,000
Interest income	31
Total nonoperating revenues (expenses)	$ 6,031
Change in net position	$ (14,471)
Total net position - beginning	1,117,763
Total net position - ending	$ 1,103,292

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

Exhibit 9

County of Lancaster, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

		Enterprise Fund
		Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	48,474
Payments for operating expenses		(52,376)
Net cash provided by (used for) operating activities	$	(3,902)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Connection fees	$	6,000
Net cash provided by (used for) capital and related financing activities	$	6,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	$	31
Net cash provided by (used for) investing activities	$	31
Net increase (decrease) in cash and cash equivalents	$	2,129
Cash and cash equivalents - beginning		34,142
Cash and cash equivalents - ending	$	36,271
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(20,502)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		52,848
(Increase) decrease in accounts receivable		(3,520)
Increase (decrease) in accounts payable		(32,728)
Total adjustments	$	16,600
Net cash provided by (used for) operating activities	$	(3,902)

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

Exhibit 10

County of Lancaster, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

		Agency Fund
ASSETS		
Cash and cash equivalents	$	15,686
Total assets	$	15,686
LIABILITIES		
Accounts payable	$	4,877
Amounts held for social services clients		10,809
Total liabilities	$	15,686

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

Note 1—Summary of Significant Accounting Policies:

The County of Lancaster, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police, refuse disposal, recreational activities, cultural events, education, and social services.

The financial statements of the County of Lancaster, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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.

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

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

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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.

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 reporting model, governments provide budgetary comparison information in their annual reports including the government's original budget and a comparison of final budget and actual results.

A. Financial Reporting Entity

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 the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Lancaster (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.

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2018.

Discretely Presented Component Units. The School Board members are elected by the citizens of Lancaster County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

The Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Industrial Development Authority does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

None

D. 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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. 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 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 statements.

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 within two months 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 cash is received by the government.

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.

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

1. Governmental Funds

   Governmental Funds are those through which most governmental functions typically are financed. The County reports the General, County Capital Projects and County Special Revenue Funds as major governmental funds.

   The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for 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 is used principally to finance the operations of the Component Unit School Board.

   Capital Projects Funds – The County Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. This is reported as a major fund.

   Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The County Special Revenue Fund reports the operations of the following activities: Forfeited Asset, Wetlands Special Project, and E-911. This is reported as a major fund.

2. Proprietary Funds

   Proprietary funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary funds consist of Enterprise Funds.

   Enterprise Funds
   Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of changes to users of such services. The only enterprise fund is the Sewer Fund.

3. Fiduciary Funds – (Trust and Agency Funds) – account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include the Special Welfare Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation, but do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements.

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

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

G. 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 portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $147,934 at June 30, 2018 is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	Real Property	Personal Property
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings	40
Building Improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10

I. 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

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

J. 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 and School Board's Retirement Plan and the additions to/deductions from the County's and School Board'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.

K. Other Postemployment Benefits (OPEB)

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 1—Summary of Significant Accounting Policies: (Continued)

L. 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.

M. 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.

N. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) 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.

O. 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 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 asset/liability(ies) and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liability measurement date. For more detailed information on these items, reference the related notes.

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

O. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has 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 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) are reported as deferred inflows of resources. For more detailed information on the pension item, reference the related notes.

P. Fund Equity

The County reports fund balances 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 prepaids) 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.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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

P. Fund Equity (Continued)

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	Major Special Revenue Fund County Special Revenue Fund	Major Capital Projects Fund County Capital Projects Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	$ 231	$ -	$ -	$ 231
Total Nonspendable	$ 231	$ -	$ -	$ 231
Restricted:				
Forfeited asset	$ -	$ 11,527	$ -	$ 11,527
Wetlands special project	-	10,335	-	10,335
Total Restricted	$ -	$ 21,862	$ -	$ 21,862
Committed:				
Sheriff's K-9 Unit	$ -	$ 1,839	$ -	$ 1,839
Capital Improvements	-	-	1,255,569	1,255,569
Total Committed	$ -	$ 1,839	$ 1,255,569	$ 1,257,408
Unassigned	$ 3,273,833	$ -	$ -	$ 3,273,833
Total	$ 3,274,064	$ 23,701	$ 1,255,569	$ 4,553,334

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

Q. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. 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 and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

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

4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments.

5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds:

Fund	Amount
County Capital Projects Fund	$ 48,611

Note 3—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.

Investments

Statutes authorize the County 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's rated debt investments as of June 30, 2018 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Rating	
	AAAm	
Local Government Investment Pool	$	6,907
Virginia Investment Pool		3,122,404
State Non-Arbitrage Pool		134,693
Total	$	3,264,004

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 3—Deposits and Investments: (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the Virginia Investment Pool investments at net asset value (NAV).

Interest Rate Risk

The County invests funds in low risk investments backed by U. S. government agencies.

	Investment Maturities (in years)	
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	$ 6,907	$ 6,907
Virginia Investment Pool	3,122,404	3,122,404
State Non-Arbitrage Pool	134,693	134,693
Total	$ 3,264,004	$ 3,264,004

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Note 4—Due to/from Other Governments:

At June 30, 2018, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	$ -	$ 1,075,022
Commonwealth of Virginia:		
Local sales tax	293,793	156,860
Welfare	34,955	-
Rolling stock tax	6	-
Local jails	8,332	-
Constitutional officer reimbursements	163,791	-
Recordation tax	14,882	-
Auto rental tax	4,175	-
Mobile home titling tax	150	-
Victim-witness grant	26,807	-
Comprehensive services act	174,537	-
E-911 wireless	7,240	-
Commmunications tax	48,632	-
VHDA fees	2,976	-
Federal Government:		
School fund grants	-	169,711
Victim-witness grant	81,048	-
Welfare	70,565	-
Total due from other governments	$ 931,889	$ 1,401,593

At June 30, 2018, amounts due to other governmental units are as follows:

Other Local Governments:		
Lancaster County School Board	$ 1,075,022	$ -

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

Primary Government:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Capital assets not subject to depreciation:				
Land and land improvements	$ 845,555	$ -	$ -	$ 845,555
Construction in progress	90,624	187,142	-	277,766
Total capital assets not subject to depreciation	$ 936,179	$ 187,142	$ -	$ 1,123,321
Capital assets subject to depreciation:				
Buildings and improvements	$ 7,284,841	$ -	$ -	$ 7,284,841
Infrastructure	2,541,478	16,650	-	2,558,128
Machinery and equipment	3,341,401	166,840	-	3,508,241
Jointly owned assets	3,611,943	-	84,150	3,527,793
Total capital assets subject to depreciation	$ 16,779,663	$ 183,490	$ 84,150	$ 16,879,003
Accumulated depreciation:				
Buildings and improvements	$ 2,374,576	$ 182,600	$ -	$ 2,557,176
Infrastructure	127,074	127,906	-	254,980
Machinery and equipment	2,926,072	164,282	-	3,090,354
Jointly owned assets	2,066,941	106,486	50,636	2,122,791
Total accumulated depreciation	$ 7,494,663	$ 581,274	$ 50,636	$ 8,025,301
Total capital assets subject to depreciation, net	$ 9,285,000	$ (397,784)	$ 33,514	$ 8,853,702
Governmental activities capital assets, net	$ 10,221,179	$ (210,642)	$ 33,514	$ 9,977,023

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Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

A summary of proprietary fund property, plant, and equipment at June 30, 2018 follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities:				
Capital assets not subject to depreciation:				
Construction in progress	$ 909,137	$ -	$ 909,137	$ -
Capital assets subject to depreciation:				
Buildings and improvements	$ 412,068	$ 909,137	$ -	$ 1,321,205
Accumulated depreciation:				
Buildings and improvements	$ 32,966	$ 52,848	$ -	$ 85,814
Total capital assets subject to depreciation, net	$ 379,102	$ 856,289	$ -	$ 1,235,391
Business-type activities capital assets, net	$ 1,288,239	$ 856,289	$ 909,137	$ 1,235,391

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Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	$ 6,271	$ -	$ -	$ 6,271
Construction in progress	-	82,325	-	82,325
Total capital assets not subject to depreciation	$ 6,271	$ 82,325	$ -	$ 88,596
Capital assets subject to depreciation:				
Buildings and improvements	$ 51,100	$ -	$ -	$ 51,100
Machinery and equipment	4,620,156	73,926	-	4,694,082
Jointly owned assets	16,070,861	-	(84,150)	16,155,011
Total capital assets subject to depreciation	$ 20,742,117	$ 73,926	$ (84,150)	$ 20,900,193
Accumulated depreciation:				
Buildings and improvements	$ 22,153	$ 3,395	$ -	$ 25,548
Machinery and equipment	3,407,291	276,578	-	3,683,869
Jointly owned assets	9,196,586	473,795	(50,636)	9,721,017
Total accumulated depreciation	$ 12,626,030	$ 753,768	$ (50,636)	$ 13,430,434
Total capital assets subject to depreciation, net	$ 8,116,087	$ (679,842)	$ (33,514)	$ 7,469,759
Component unit school board capital assets, net	$ 8,122,358	$ (597,517)	$ (33,514)	$ 7,558,355

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Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government:		
Governmental activities:		
General government administration	$	27,218
Judicial administration		138,665
Public safety		254,230
Public works		6,026
Health and welfare		30,570
Education		106,486
Parks, recreation and cultural		18,079
Total Governmental activities	$	581,274
Business-type Activities	$	52,848
Component Unit School Board	$	753,768

Note 6—Interfund Transfers:

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

Fund	Transfers In	Transfers Out
Primary Government:		
General fund	$ 628,200	$ -
County capital projects fund	-	624,492
County special revenue fund	-	3,708
Total	$ 628,200	$ 628,200

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 and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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Note 7—Long-Term Obligations:

Primary Government:

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

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	$ 221,893	$ 24,288	$ 22,189	$ 223,992	$ 22,399
Net pension liability	3,567,171	1,981,075	3,579,356	1,968,890	-
Net OPEB liability	445,000	3,000	69,000	379,000	-
Lease revenue bonds	7,285,000	-	1,525,000	5,760,000	1,312,000
Capital Lease (Note 8)	55,533	-	12,704	42,829	13,460
Total incurred by County	$ 11,574,597	$ 2,008,363	$ 5,208,249	$ 8,374,711	$ 1,347,859
Incurred by School Board:					
General obligation bond	$ 1,545,000	$ -	$ 140,000	$ 1,405,000	$ 150,000
Bond premium	201,351	-	72,943	128,408	-
Total incurred by School Board	$ 1,746,351	$ -	$ 212,943	$ 1,533,408	$ 150,000
Total Governmental Activities Obligations	$ 13,320,948	$ 2,008,363	$ 5,421,192	$ 9,908,119	$ 1,497,859
Business-type Activities Obligations:					
Revenue bond	$ 170,000	$ -	$ -	$ 170,000	$ 1,713
Total Business-type Activities Obligations	$ 170,000	$ -	$ -	$ 170,000	$ 1,713
Total Primary Government Obligations	$ 13,490,948	$ 2,008,363	$ 5,421,192	$ 10,078,119	$ 1,499,572

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Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	Governmental Activities	
	County Obligations	
	Lease Revenue Bonds	
Year Ending June 30	Principal	Interest
2019	$ 1,312,000	$ 124,636
2020	702,000	97,856
2021	717,000	82,412
2022	733,000	66,638
2023	749,000	50,512
2024	765,000	34,034
2025	782,000	17,204
Total	$ 5,760,000	$ 473,292

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Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	Governmental Activities	
	School Obligations	
	General Obligation Bond	
Year Ending June 30	Principal	Interest
2019	$ 150,000	$ 68,314
2020	160,000	60,254
2021	165,000	51,804
2022	175,000	43,397
2023	180,000	34,870
2024	185,000	25,723
2025	190,000	15,933
2026	200,000	5,438
Total	$ 1,405,000	$ 305,733

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Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	Buisness-type Activities	
Year Ending	Revenue Bond	
June 30	Principal	Interest
2019	$ 1,713	$ 3,499
2020	3,448	2,300
2021	3,502	2,246
2022	3,551	2,197
2023	3,600	2,148
2024	3,644	2,104
2025	3,700	2,048
2026	3,751	1,997
2027	3,803	1,945
2028	3,851	1,897
2029	3,909	1,839
2030	3,963	1,785
2031	4,018	1,730
2032	4,069	1,679
2033	4,130	1,618
2034	4,187	1,561
2035	4,245	1,503
2036	4,300	1,448
2037	4,364	1,384
2038	4,424	1,324
2039	4,485	1,263
2040	4,544	1,204
2041	4,610	1,138
2042	4,674	1,074
2043	4,739	1,009
2044	4,802	946
2045	4,871	877
2046	4,938	810
2047	5,007	741
2048	5,074	674
2049	5,146	602
2050	5,218	530
2051	5,290	458
2052	5,362	386
2053	5,437	311
2054	5,513	235
2055	5,589	159
2056	5,666	82
2057	2,863	11
Total	$ 170,000	$ 50,762

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness:

Governmental Activities	Total Amount
Incurred by County:	
Capital Lease:	
$70,839 Capital lease issued October 26, 2016, securred by a leasehold interest in the equipment. Due in yearly installments of $16,008 (principal plus interest) through November 11, 2020, with interest rate of 5.95%	$ 42,829
Lease Revenue Bonds:	
$3,870,000 lease revenue bond issued November 16, 2011 due in annual installments of varying amounts through October 1, 2018, with varying interest rates	$ 625,000
$7,107,000 lease revenue bond issued September 26, 2014 due in annual installments of varying amounts through January 15, 2025, with interest rate of 2.2%	5,135,000
Total Revenue Bonds	$ 5,760,000
Compensated absences (payable from General Fund)	$ 223,992
Net pension liability	1,968,890
Net OPEB liability	379,000
Total incurred by County	$ 8,374,711

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness: (Continued)

		Total Amount
Incurred by School Board:		
General Obligation Bond:		
$2,280,000 General Obligation bond issued November 14, 2010, due in annual installments of varying amounts through April 2026, interest at .586% to 5.438%.	$	1,405,000
Bond premium		128,408
Total incurred by School Board	$	1,533,408
Total Long-Term Obligations, Governmental Activities	$	9,908,119

		Total Amount
Business-type Activities:		
Revenue Bond:		
$170,000 Revenue Bond issued December 14, 2016, due in monthly installments of $479 (principal plus interest) beginning January 15, 2019 through December 12, 2056, with interest rate of 1.375%. Additionally, interest only payments of $2,338 due December 15, 2017 and 2018.	$	170,000
Total Long Term Obligations, Business-type Activities	$	170,000

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Restated Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	$ 497,991	$ 123,241	$ 49,799	$ 571,433	$ 57,143
Net OPEB liability	2,042,000	120,000	223,000	1,939,000	-
Net pension liability	14,276,071	1,946,831	4,047,941	12,174,961	-
Total Component Unit-School Board	$ 14,774,062	$ 2,190,072	$ 4,320,740	$ 14,685,394	$ 57,143

Note 8—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of two police vehicles and a phone system. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government
Asset:	
Equipment	$ 70,294
Less: accumulated depreciation	(28,118)
Total	$ 42,176

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Note 8—Capital Leases: (Continued)

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

Year Ended June 30	Primary Government
2019	$ 16,008
2020	16,008
2021	16,008
Total minimum lease payments	$ 48,024
Less: amount representing interest	(5,195)
Present value of minimum lease payments	$ 42,829

Note 9—Unearned and Deferred/Unavailable Revenue:

Unearned and 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. Under the accrual basis, assessments for future periods are deferred. Unearned and deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled $749,255 at June 30, 2018.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled $295,665 at June 30, 2018.

Unearned Revenue – Other miscellaneous unearned revenue items totaled $1,746, all of which was related to asset forfeiture grant funds.

Note 10—Contingent Liabilities:

Federal programs in which the County and discretely presented component units participate were audited in accordance with the provisions of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this regulation 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 disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Litigation:

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

Note 12 —Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the VACO Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays VACO contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

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Note 13—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County 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 13—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.

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

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

*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.</td></tr>
</table>

Note 13—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.)** 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 (Cont.)** 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 13—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.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**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. 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 13—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 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
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 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**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.	**Service Retirement Multiplier** **Defined Benefit Component:** **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 **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 13—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>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.</td><td>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.</td><td>Earliest Unreduced Retirement Eligibility
<u>Defined Benefit Component:</u>
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.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>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.</td><td>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.</td><td>Earliest Reduced Retirement Eligibility
<u>Defined Benefit Component:</u>
VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees: Not applicable.

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

Note 13—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>Eligibility:</u>
Same as Plan 1 and Plan 2.</td></tr>
<tr><td><u>Exceptions to COLA Effective Dates:</u>
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
The member retires on disability.</td><td><u>Exceptions to COLA Effective Dates:</u>
Same as Plan 1.</td><td><u>Exceptions to COLA Effective Dates:</u>
Same as Plan 1 and Plan 2.</td></tr>
</table>

Note 13—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.) **Exceptions to COLA Effective Dates: (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. • 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.)**	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**
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.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage (Cont.)	**Disability Coverage (Cont.)**	**Disability Coverage (Cont.)** 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.

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.

Note 13—Pension Plan: (Continued)

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	61	25
Inactive members:		
Vested inactive members	8	-
Non-vested inactive members	11	7
Inactive members active elsewhere in VRS	44	7
Total inactive members	63	14
Active members	99	48
Total covered employees	223	87

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.

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 10.49% 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 County were $499,262 and $476,163 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually employer required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 9.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Note 13—Pension Plan: (Continued)

Contributions (Continued)

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 $82,760 and $83,849 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.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
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:

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.

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

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.

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%

Note 13—Pension Plan: (Continued)

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.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
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:

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.

Post-Disablement:

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

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (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 – 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 13—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%.

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.

Note 13—Pension Plan: (Continued)

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	$ 21,093,635	$ 17,526,464	$ 3,567,171
Changes for the year:			
Service cost	$ 531,038	$ -	$ 531,038
Interest	1,435,694	-	1,435,694
Assumption changes	(24,006)		(24,006)
Differences between expected and actual experience	(717,360)	-	(717,360)
Contributions - employer	-	476,163	(476,163)
Contributions - employee	-	241,369	(241,369)
Net investment income	-	2,120,458	(2,120,458)
Benefit payments, including refunds Refunds of employee contributions	(1,167,440)	(1,167,440)	-
Administrative expenses	-	(12,468)	12,468
Other changes	-	(1,875)	1,875
Net changes	$ 57,926	$ 1,656,207	$ (1,598,281)
Balances at June 30, 2017	$ 21,151,561	$ 19,182,671	$ 1,968,890

Note 13—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	$ 3,305,012	$ 2,662,941	$ 642,071
Changes for the year:			
Service cost	$ 89,641	$ -	$ 89,641
Interest	227,049	-	227,049
Assumption changes	(38,882)	-	(38,882)
Differences between expected and actual experience	(155,676)	-	(155,676)
Contributions - employer	-	83,849	(83,849)
Contributions - employee	-	41,507	(41,507)
Net investment income	-	327,027	(327,027)
Benefit payments, including refunds Refunds of employee contributions	(122,916)	(122,916)	-
Administrative expenses	-	(1,849)	1,849
Other changes	-	(292)	292
Net changes	$ (784)	$ 327,326	$ (328,110)
Balances at June 30, 2017	$ 3,304,228	$ 2,990,267	$ 313,961

Sensitivity of the Net Pension Liability 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's Net Pension Liability (Asset)	$ 4,487,453	$ 1,968,890	$ (147,493)
Component Unit School Board's (nonprofessional) Net Pension Liability (Asset)	$ 693,471	$ 313,961	$ (7,477)

Note 13—Pension Plan: (Continued)

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 $79,799 and $23,860, 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	$ 30,551	$ 654,868	$ 22,600	$ 107,329
Change of assumptions	-	16,361	-	26,807
Net difference between projected and actual earnings on pension plan investments	-	276,718	-	44,353
Employer contributions subsequent to the measurement date	499,262	-	82,760	-
Total	$ 529,813	$ 947,947	$ 105,360	$ 178,489

$499,262 and $82,760 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 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	Primary Government	Component Unit School Board (nonprofessional)
2019	$ (491,494)	$ (68,396)
2020	(211,020)	(45,166)
2021	(32,911)	(14,204)
2022	(181,971)	(28,123)
2023	-	-
Thereafter	-	-

Note 13—Pension Plan: (Continued)

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.

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 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 $1,224,853 and $1,097,411 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 $11,861,000 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 0.09644% as compared to 0.09729% at June 30, 2016.

Note 13—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)

For the year ended June 30, 2018, the school division recognized pension expense of $799,000. 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.

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	$ -	$ 840,000
Change of assumptions	173,000	-
Net difference between projected and actual earnings on pension plan investments	-	431,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	255,000
Employer contributions subsequent to the measurement date	1,224,853	-
Total	$ 1,397,853	$ 1,526,000

$1,224,853 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	$ (542,000)
2020	(102,000)
2021	(217,000)
2022	(437,000)
2023	(55,000)
Thereafter	-

Note 13—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.

Note 13—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%

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.

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (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 Asests	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 13—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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 17,712,000	$ 11,861,000	$ 7,021,000

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 14—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.

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.

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

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.

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 $25,507 and $24,154 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were $40,704 and $40,138 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 nonprofessional group were $4,423 and $4,424 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 $379,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of $629,000 and $70,000, respectively, 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 0.02518% as compared to 0.02546% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was 0.04185% and 0.00461%, respectively as compared to 0.04139% and 0.00480% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of $3,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of $8,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of ($2,000). 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.

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 School Board (professional)		Component School Board (nonprofessional)	
	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	$ -	$ 8,000	$ -	$ 14,000	$ -	$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	14,000	-	24,000	-	3,000
Change in assumptions	-	20,000	-	32,000	-	4,000
Changes in proportionate share	-	4,000	7,000	-	-	-
Employer contributions subsequent to the measurement date	25,507	-	40,704	-	4,423	-
Total	$ 25,507	$ 46,000	$ 47,704	$ 70,000	$ 4,423	$ 8,000

Note 14—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)

$25,507, $40,704 and $4,423, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's 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 (professional)	Component Unit School Board (nonprofessional)
2019	$ (10,000)	$ (13,000)	$ (2,000)
2020	(10,000)	(13,000)	(2,000)
2021	(10,000)	(13,000)	(2,000)
2022	(10,000)	(13,000)	(2,000)
2023	(5,000)	(8,000)	-
Thereafter	(1,000)	(3,000)	-

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 14—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 14—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 14—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 14—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 14—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 14—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 14—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%

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.

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty 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:

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%

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.

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and	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%

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 14—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 14—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	$ 490,000	$ 379,000	$ 289,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 814,000	$ 629,000	$ 480,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 90,000	$ 70,000	$ 53,000

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 15—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 15—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 $95,543 and $85,633 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 $1,240,000 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 0.09775% as compared to 0.09729% 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 $102,000. 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 15—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
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	$ -	$ 2,000
Change of assumptions	-	13,000
Changes in proportionate share	5,000	-
Employer contributions subsequent to the measurement date	95,543	-
Total	$ 100,543	$ 15,000

$95,543 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	$ (1,000)
2020	(1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
Thereafter	(5,000)

Note 15—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 15—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 15—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%.

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.

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 1,384,000	$ 1,240,000	$ 1,118,000

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 16–Surety Bonds:

	Amount
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Diane H. Mumford, Clerk of the Circuit Court	$ 110,000
Bonnie J. Dickson, Treasurer	400,000
Marlon Savoy, Commissioner of the Revenue	3,000
Patrick McCranie, Sheriff	30,000
Fidelity and Deposit Company of Maryland-Surety	
All School Board Employees-blanket bond	25,000
VA Risk Pool-Surety	
All Department of Social Services Employees-blanket bond	100,000

Note 17–Jointly Governed Organizations:

The County in conjunction with other localities has created the Middle Peninsula/Northern Neck Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year the County contributed $40,040, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 18–Postclosure Costs:

Old County Landfill

The County demonstrated financial assurance requirements for postclosure care and corrective action costs, if any, through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA20-70 of the Virginia Administrative Code. In addition, the County closed its landfill in August 1996 and is liable for the postclosure monitoring for a period of ten years. The amount reported as landfill postclosure liability at June 30, 2018 represents the estimated liability for postclosure monitoring of $0 over a period of one year. This amount is based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Note 19–Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

Note 19–Line of Duty Act (LODA) (OPEB Benefits): (Continued)

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was $34,616.

Note 20 – Adoption of Accounting Principles:

The County 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 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	$ 3,971,137	$ (5,034,508)
Implementation of GASB 75:		
Deferred outflows of resources	23,000	130,000
Net OPEB liability	(445,000)	(2,042,000)
Net position, July 1, 2017, as restated	$ 3,549,137	$ (6,946,508)

Note 21–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.

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 21–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.

Exhibit 11

County of Lancaster, 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	$ 17,168,500	$ 17,168,500	$ 16,986,495	$ (182,005)
Other local taxes	2,007,000	2,007,000	2,068,049	61,049
Permits, privilege fees, and regulatory licenses	111,356	111,356	131,233	19,877
Fines and forfeitures	16,800	16,800	30,713	13,913
Revenue from the use of money and property	95,000	95,000	127,228	32,228
Charges for services	343,950	343,950	399,434	55,484
Miscellaneous	18,500	18,500	25,129	6,629
Recovered costs	25,600	25,600	52,102	26,502
Intergovernmental:				
Commonwealth	4,137,789	4,137,789	4,109,441	(28,348)
Federal	779,252	779,252	982,828	203,576
Total revenues	$ 24,703,747	$ 24,703,747	$ 24,912,652	$ 208,905
EXPENDITURES				
Current:				
General government administration	$ 1,692,656	$ 1,692,656	$ 1,428,951	$ 263,705
Judicial administration	767,752	767,752	721,735	46,017
Public safety	5,257,997	5,344,329	5,459,268	(114,939)
Public works	1,211,672	1,211,672	1,437,942	(226,270)
Health and welfare	2,990,068	2,990,068	2,649,502	340,566
Education	10,877,818	10,877,818	10,850,102	27,716
Parks, recreation, and cultural	202,595	202,595	202,898	(303)
Community development	496,535	497,769	447,070	50,699
Capital projects	1,186,675	1,186,675	752,520	434,155
Debt service:				
Principal retirement	1,665,000	1,665,000	1,677,704	(12,704)
Interest and other fiscal charges	319,191	319,191	278,042	41,149
Total expenditures	$ 26,667,959	$ 26,755,525	$ 25,905,734	$ 849,791
Excess (deficiency) of revenues over (under) expenditures	$ (1,964,212)	$ (2,051,778)	$ (993,082)	$ 1,058,696
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 508	$ 628,200	$ 627,692
Total other financing sources (uses)	$ -	$ 508	$ 628,200	$ 627,692
Net change in fund balances	$ (1,964,212)	$ (2,051,270)	$ (364,882)	$ 1,686,388
Fund balances - beginning	1,964,212	2,051,270	3,638,946	1,587,676
Fund balances - ending	$ -	$ -	$ 3,274,064	$ 3,274,064

Exhibit 12

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

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
REVENUES				
Revenue from the use of money and property	$ -	$ 508	$ 24	$ (484)
Intergovernmental:				
Federal	-	-	751	751
Total revenues	$ -	$ 508	$ 775	$ 267
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 508	$ 775	$ 267
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ (508)	$ (3,708)	$ (3,200)
Total other financing sources (uses)	$ -	$ (508)	$ (3,708)	$ (3,200)
Net change in fund balances	$ -	$ -	$ (2,933)	$ (2,933)
Fund balances - beginning	-	-	26,634	26,634
Fund balances - ending	$ -	$ -	$ 23,701	$ 23,701

Exhibit 13

County of Lancaster, 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	$ 531,038	$ 531,291	$ 504,777	$ 513,722
Interest	1,435,694	1,401,918	1,320,944	1,253,422
Changes of assumptions	(24,006)	-	-	-
Differences between expected and actual experience	(717,360)	(388,741)	248,771	-
Benefit payments, including refunds of employee contributions	(1,167,440)	(956,461)	(878,972)	(726,122)
Net change in total pension liability	$ 57,926	$ 588,007	$ 1,195,520	$ 1,041,022
Total pension liability - beginning	21,093,635	20,505,628	19,310,108	18,269,086
Total pension liability - ending (a)	$ 21,151,561	$ 21,093,635	$ 20,505,628	$ 19,310,108
Plan fiduciary net position				
Contributions - employer	$ 476,163	$ 581,264	$ 573,585	$ 562,794
Contributions - employee	241,369	235,664	230,155	222,340
Net investment income	2,120,458	300,518	767,978	2,278,553
Benefit payments, including refunds of employee contributions	(1,167,440)	(956,461)	(878,972)	(726,122)
Administrative expense	(12,468)	(10,836)	(10,432)	(12,131)
Other	(1,875)	(129)	(160)	120
Net change in plan fiduciary net position	$ 1,656,207	$ 150,020	$ 682,154	$ 2,325,554
Plan fiduciary net position - beginning	17,526,464	17,376,444	16,694,290	14,368,736
Plan fiduciary net position - ending (b)	$ 19,182,671	$ 17,526,464	$ 17,376,444	$ 16,694,290
County's net pension liability - ending (a) - (b)	$ 1,968,890	$ 3,567,171	$ 3,129,184	$ 2,615,818
Plan fiduciary net position as a percentage of the total pension liability	90.69%	83.09%	84.74%	86.45%
Covered payroll	$ 4,640,146	$ 4,553,321	$ 4,471,202	$ 4,304,657
County's net pension liability as a percentage of covered payroll	42.43%	78.34%	69.99%	60.77%

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 14

County of Lancaster, 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	$ 89,641	$ 91,102	$ 88,092	$ 94,669
Interest	227,049	210,460	198,993	187,434
Changes of assumptions	(38,882)	-	-	-
Differences between expected and actual experience	(155,676)	59,648	4,221	-
Benefit payments, including refunds of employee contributions	(122,916)	(125,526)	(129,468)	(104,491)
Net change in total pension liability	$ (784)	$ 235,684	$ 161,838	$ 177,612
Total pension liability - beginning	3,305,012	3,069,328	2,907,490	2,729,878
Total pension liability - ending (a)	$ 3,304,228	$ 3,305,012	$ 3,069,328	$ 2,907,490
Plan fiduciary net position				
Contributions - employer	$ 83,849	$ 90,270	$ 89,468	$ 95,208
Contributions - employee	41,507	41,274	41,189	38,144
Net investment income	327,027	46,922	114,353	338,585
Benefit payments, including refunds of employee contributions	(122,916)	(125,526)	(129,468)	(104,491)
Administrative expense	(1,849)	(1,602)	(1,541)	(1,785)
Other	(292)	(19)	(26)	18
Net change in plan fiduciary net position	$ 327,326	$ 51,319	$ 113,975	$ 365,679
Plan fiduciary net position - beginning	2,662,941	2,611,622	2,497,647	2,131,968
Plan fiduciary net position - ending (b)	$ 2,990,267	$ 2,662,941	$ 2,611,622	$ 2,497,647
School Division's net pension liability - ending (a) - (b)	$ 313,961	$ 642,071	$ 457,706	$ 409,843
Plan fiduciary net position as a percentage of the total pension liability	90.50%	80.57%	85.09%	85.90%
Covered payroll	$ 850,716	$ 853,609	$ 841,096	$ 762,880
School Division's net pension liability as a percentage of covered payroll	36.91%	75.22%	54.42%	53.72%

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 15

County of Lancaster, 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)	0.09644%	0.09729%	0.09889%	0.09898%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 11,861,000	$ 13,634,000	$ 12,447,000	$ 11,962,000
Employer's Covered Payroll	7,718,889	7,438,235	7,358,567	7,245,215
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	153.66%	183.30%	169.15%	165.10%
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 16

County of Lancaster, Virginia
Schedule of Employer Contributions
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	$ 499,262	$ 499,262	$ -	$ 4,899,898	10.19%
2017	476,163	476,163	-	4,640,146	10.26%
2016	581,264	581,264	-	4,553,321	12.77%
2015	573,585	573,585	-	4,471,202	12.83%
2014	563,049	563,049	-	4,304,657	13.08%
2013	531,602	531,602	-	4,064,234	13.08%
2012	431,242	431,242	-	3,796,146	11.36%
2011	468,069	468,069	-	4,120,328	11.36%
2010	367,116	367,116	-	3,780,806	9.71%
2009	359,675	359,675	-	3,704,173	9.71%
Component Unit School Board (nonprofessional)					
2018	$ 82,760	$ 82,760	$ -	$ 850,536	9.73%
2017	83,849	83,849	-	850,716	9.86%
2016	90,270	90,270	-	853,609	10.58%
2015	89,468	89,468	-	841,096	10.64%
2014	95,207	95,207	-	762,880	12.48%
2013	100,762	100,762	-	807,389	12.48%
2012	83,208	83,208	-	769,734	10.81%
2011	84,780	84,780	-	784,278	10.81%
2010	94,226	94,226	-	781,962	12.05%
2009	94,793	94,793	-	786,662	12.05%
Component Unit School Board (professional)					
2018	$ 1,224,853	$ 1,224,853	$ -	$ 7,774,073	15.76%
2017	1,097,411	1,097,411	-	7,718,889	14.22%
2016	1,155,374	1,155,374	-	7,438,235	15.53%
2015	1,066,056	1,066,056	-	7,358,567	14.49%
2014	842,406	842,406	-	7,245,215	11.63%
2013	811,193	811,193	-	7,141,207	11.36%
2012	463,563	463,563	-	7,355,964	6.30%
2011	279,119	279,119	-	7,054,765	3.96%
2010	617,285	617,285	-	7,002,493	8.82%
2009	631,709	631,709	-	7,096,190	8.90%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

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 are 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
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

Exhibit 18

County of Lancaster, Virginia
Schedule of County'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 (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) 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	0.02518%	$ 379,000	$ 4,645,089	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00461%	$ 70,000	$ 850,716	8.23%	48.86%
Component Unit School Board (professional):					
2017	0.04185%	$ 629,000	$ 7,718,889	8.15%	48.86%

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

County of Lancaster, 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	$ 25,507	$ 25,507	$ -	$ 4,905,271	0.52%
2017	24,154	24,154	-	4,645,089	0.52%
2016	21,963	21,963	-	4,575,564	0.48%
2015	21,476	21,476	-	4,474,101	0.48%
2014	20,690	20,690	-	4,310,370	0.48%
2013	19,508	19,508	-	4,064,234	0.48%
2012	10,629	10,629	-	3,796,146	0.28%
2011	10,818	10,818	-	3,863,509	0.28%
2010	7,669	7,669	-	3,863,509	0.20%
2009	10,001	10,001	-	3,704,173	0.27%
Component Unit School Board (nonprofessional):					
2018	$ 4,423	$ 4,423	$ -	$ 850,536	0.52%
2017	4,424	4,424	-	850,716	0.52%
2016	4,140	4,140	-	862,531	0.48%
2015	4,037	4,037	-	841,096	0.48%
2014	3,703	3,703	-	771,512	0.48%
2013	3,875	3,875	-	807,389	0.48%
2012	2,155	2,155	-	769,734	0.28%
2011	2,196	2,196	-	784,278	0.28%
2010	1,596	1,596	-	591,180	0.27%
2009	2,124	2,124	-	786,662	0.27%
Component Unit School Board (professional):					
2018	$ 40,704	$ 40,704	$ -	$ 7,774,073	0.52%
2017	40,138	40,138	-	7,718,889	0.52%
2016	35,704	35,704	-	7,438,235	0.48%
2015	35,321	35,321	-	7,358,567	0.48%
2014	34,777	34,777	-	7,245,215	0.48%
2013	34,278	34,278	-	7,141,207	0.48%
2012	20,597	20,597	-	7,355,964	0.28%
2011	19,753	19,753	-	7,054,765	0.28%
2010	13,564	13,564	-	7,002,493	0.19%
2009	19,160	19,160	-	7,096,190	0.27%

County of Lancaster, 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 Lancaster, 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,	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 21

County of Lancaster, Virginia
Schedule of County 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 (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.09775%	$ 1,240,000	$ 7,714,656	16.07%	7.04%

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

Exhibit 22

County of Lancaster, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
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)
2018	$ 95,543	$ 95,543	$ -	$ 7,774,073	1.23%
2017	85,633	85,633	-	7,714,656	1.11%
2016	78,634	78,634	-	7,418,330	1.06%
2015	77,932	77,932	-	7,352,112	1.06%
2014	80,343	80,343	-	7,238,082	1.11%
2013	78,293	78,293	-	7,053,394	1.11%
2012	44,417	44,417	-	7,402,865	0.60%
2011	42,278	42,278	-	8,046,263	0.53%
2010	52,248	52,248	-	5,023,839	1.04%
2009	76,530	76,530	-	7,086,098	1.08%

County of Lancaster, 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:

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 24

County of Lancaster, Virginia
County Capital Projects 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				
Revenue from the use of money and property	$ 39,000	$ 39,000	$ 12,595	$ (26,405)
Intergovernmental:				
Federal	-	-	139,212	139,212
Total revenues	$ 39,000	$ 39,000	$ 151,807	$ 112,807
EXPENDITURES				
Capital projects	$ -	$ -	$ 48,611	$ (48,611)
Total expenditures	$ -	$ -	$ 48,611	$ (48,611)
Excess (deficiency) of revenues over (under) expenditures	$ 39,000	$ 39,000	$ 103,196	$ 64,196
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ -	$ (624,492)	$ (624,492)
Total other financing sources (uses)	$ -	$ -	$ (624,492)	$ (624,492)
Net change in fund balances	$ 39,000	$ 39,000	$ (521,296)	$ (560,296)
Fund balances - beginning	(39,000)	(39,000)	1,776,865	1,815,865
Fund balances - ending	$ -	$ -	$ 1,255,569	$ 1,255,569

Exhibit 25

County of Lancaster, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Agency Fund	
	Special Welfare	
ASSETS		
Cash and cash equivalents	$	15,686
Total assets	$	15,686
LIABILITIES		
Accounts payable	$	4,877
Amounts held for social services clients		10,809
Total liabilities	$	15,686

Exhibit 26

County of Lancaster, Virginia
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	$ 16,011	$ 1,050	$ 1,375	$ 15,686
Liabilities:				
Accounts payable	$ 4,877	$ -	$ -	$ 4,877
Amounts held for social services clients	11,134	1,050	1,375	10,809
Total liabilities	$ 16,011	$ 1,050	$ 1,375	$ 15,686

Exhibit 27

County of Lancaster, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ -	$ 109,439	$ 204,947	$ 314,386
Receivables (net of allowance for uncollectibles):				
Accounts receivable	4,115	-	-	4,115
Due from other funds	19,763	-	-	19,763
Due from other governmental units	1,380,498	21,095	-	1,401,593
Total assets	$ 1,404,376	$ 130,534	$ 204,947	$ 1,739,857
LIABILITIES				
Accounts payable	$ 213,062	$ 1,738	$ -	$ 214,800
Accrued liabilities	1,191,314	38,476	-	1,229,790
Due to other funds	-	19,763	-	19,763
Total liabilities	$ 1,404,376	$ 59,977	$ -	$ 1,464,353
FUND BALANCES				
Committed	$ -	$ 70,557	$ 204,947	$ 275,504
Total fund balances	$ -	$ 70,557	$ 204,947	$ 275,504
Total liabilities and fund balances	$ 1,404,376	$ 130,534	$ 204,947	$ 1,739,857

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above		$ 275,504
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	$ 20,988,789	
Accumulated depreciation	(13,430,434)	7,558,355
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 1,503,213	
OPEB related items	152,670	1,655,883
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	$ (571,433)	
Net OPEB liability	(1,939,000)	
Net pension liability	(12,174,961)	(14,685,394)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (1,704,489)	
OPEB related items	(93,000)	(1,797,489)
Net position of governmental activities		$ (6,993,141)

Exhibit 28

County of Lancaster, Virginia
Combining 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	Textbook Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	$ 3,532	$ 230	$ -	$ 3,762
Charges for services	4,550	95,597	-	100,147
Miscellaneous	71,341	5,500	14,000	90,841
Recovered costs	106,403	-	-	106,403
Intergovernmental:				
Local government	10,744,536	-	91,366	10,835,902
Commonwealth	3,981,708	10,831	28,385	4,020,924
Federal	740,797	482,160	-	1,222,957
Total revenues	$ 15,652,867	$ 594,318	$ 133,751	$ 16,380,936
EXPENDITURES				
Current:				
Education	$ 15,652,867	$ 583,339	$ 35,747	$ 16,271,953
Total expenditures	$ 15,652,867	$ 583,339	$ 35,747	$ 16,271,953
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 10,979	$ 98,004	$ 108,983
Net change in fund balances	$ -	$ 10,979	$ 98,004	$ 108,983
Fund balances - beginning	-	59,578	106,943	166,521
Fund balances - ending	$ -	$ 70,557	$ 204,947	$ 275,504

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

Net change in fund balances - total governmental funds - per above		$ 108,983
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 capital outlays exceeded depreciation in the current period. The following is a sumary of items supporting this adjustment:		
Capital asset additions	$ 156,251	
Depreciation expense	(753,768)	
Transfer of joint tenancy assets to Component Unit from Primary Government	33,514	(564,003)
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	$ (73,442)	
Pension expense	449,159	
OPEB expense	32,670	408,387
Change in net position of governmental activities		$ (46,633)

Exhibit 29

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

	School Operating Fund				School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES												
Revenue from the use of money and property	$ 1,730	$ 1,730	$ 3,532	$ 1,802	$ 250	$ 250	$ 230	$ (20)	$ -	$ -	$ -	$ -
Charges for services	5,700	5,700	4,550	(1,150)	130,426	130,426	95,597	(34,829)	-	-	-	-
Miscellaneous	14,000	14,000	71,341	57,341	-	-	5,500	5,500	-	-	14,000	14,000
Recovered costs	25,000	25,000	106,403	81,403	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	10,772,252	10,772,252	10,744,536	(27,716)	-	-	-	-	91,366	91,366	91,366	-
Commonwealth	3,910,574	3,931,574	3,981,708	50,134	8,188	8,188	10,831	2,643	29,392	29,392	28,385	(1,007)
Federal	907,030	907,030	740,797	(166,233)	423,249	467,249	482,160	14,911	-	-	-	-
Total revenues	$ 15,636,286	$ 15,657,286	$ 15,652,867	$ (4,419)	$ 562,113	$ 606,113	$ 594,318	$ (11,795)	$ 120,758	$ 120,758	$ 133,751	$ 12,993
EXPENDITURES												
Current:												
Education	$ 15,636,286	$ 15,657,286	$ 15,652,867	$ 4,419	$ 562,113	$ 606,113	$ 583,339	$ 22,774	$ 120,758	$ 120,758	$ 35,747	$ 85,011
Total expenditures	$ 15,636,286	$ 15,657,286	$ 15,652,867	$ 4,419	$ 562,113	$ 606,113	$ 583,339	$ 22,774	$ 120,758	$ 120,758	$ 35,747	$ 85,011
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,979	$ 10,979	$ -	$ -	$ 98,004	$ 98,004
Net change in fund balances	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,979	$ 10,979	$ -	$ -	$ 98,004	$ 98,004
Fund balances - beginning	-	-	-	-	-	-	59,578	59,578	-	-	106,943	106,943
Fund balances - ending	$ -	$ -	$ -	$ -	$ -	$ -	$ 70,557	$ 70,557	$ -	$ -	$ 204,947	$ 204,947

Exhibit 30

County of Lancaster, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2018

ASSETS		
Cash and cash equivalents	$	105,367
Total assets	$	105,367
NET POSITION		
Unrestricted	$	105,367
Total net position	$	105,367

Exhibit 31

County of Lancaster, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2018

OPERATING REVENUES		
Charges for services:		
Bond fees	$	30,308
Total operating revenues	$	30,308
OPERATING EXPENSES		
Other expenses	$	69,400
Total operating expenses	$	69,400
Operating income (loss)	$	(39,092)
NONOPERATING REVENUES (EXPENSES)		
Interest income	$	63
Total nonoperating revenues (expenses)	$	63
Change in net position	$	(39,029)
Total net position - beginning		144,396
Total net position - ending	$	105,367

Exhibit 32

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	30,308
Payments for operating activities		(69,400)
Net cash provided by (used for) operating activities	$	(39,092)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	$	63
Net cash provided by (used for) investing activities	$	63
Net increase (decrease) in cash and cash equivalents	$	(39,029)
Cash and cash equivalents - beginning		144,396
Cash and cash equivalents - ending	$	105,367

County of Lancaster, 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	$ 15,185,000	$ 15,185,000	$ 14,793,316	$ (391,684)
Real and personal public service corporation taxes	322,000	322,000	358,898	36,898
Personal property taxes	1,300,000	1,300,000	1,419,016	119,016
Mobile home taxes	27,500	27,500	29,685	2,185
Machinery and tools taxes	4,000	4,000	8,466	4,466
Merchant's capital taxes	115,000	115,000	112,799	(2,201)
Penalties	165,000	165,000	209,584	44,584
Interest	50,000	50,000	54,731	4,731
Total general property taxes	$ 17,168,500	$ 17,168,500	$ 16,986,495	$ (182,005)
Other local taxes:				
Local sales and use taxes	$ 1,600,000	$ 1,600,000	$ 1,621,919	$ 21,919
Consumption tax	45,000	45,000	44,861	(139)
Motor vehicle licenses	190,000	190,000	193,894	3,894
Bank stock taxes	27,000	27,000	29,664	2,664
Taxes on recordation and wills	145,000	145,000	177,711	32,711
Total other local taxes	$ 2,007,000	$ 2,007,000	$ 2,068,049	$ 61,049
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 5,750	$ 5,750	$ 6,032	$ 282
Land use application fees	500	500	150	(350)
Transfer fees	600	600	730	130
Permits and other licenses	104,506	104,506	124,321	19,815
Total permits, privilege fees, and regulatory licenses	$ 111,356	$ 111,356	$ 131,233	$ 19,877
Fines and forfeitures:				
Court fines and forfeitures	$ 16,800	$ 16,800	$ 30,713	$ 13,913
Revenue from use of money and property:				
Revenue from use of money	$ 35,000	$ 35,000	$ 56,038	$ 21,038
Revenue from use of property	60,000	60,000	71,190	11,190
Total revenue from use of money and property	$ 95,000	$ 95,000	$ 127,228	$ 32,228
Charges for services:				
Courthouses maintenance fees	$ 2,200	$ 2,200	$ 2,610	$ 410
Charges for Commonwealth's Attorney	1,000	1,000	971	(29)
Charges for correction and detention	2,550	2,550	2,680	130
Charges for other protection	2,700	2,700	3,196	496
Sheriff's fees	1,050	1,050	2,097	1,047
Charges for sanitation and waste removal	12,000	12,000	5,883	(6,117)
Charges for planning and community development	50	50	42	(8)
Charges for ambulance and rescue services	310,000	310,000	367,537	57,537
Court fees	12,400	12,400	14,418	2,018
Total charges for services	$ 343,950	$ 343,950	$ 399,434	$ 55,484

County of Lancaster, 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	$ 18,500	$ 18,500	$ 25,129	$ 6,629
Recovered costs:				
Tri-county landfill	$ 500	$ 500	$ -	$ (500)
VHDA	25,000	25,000	30,129	5,129
Other recovered costs	100	100	21,973	21,873
Total recovered costs	$ 25,600	$ 25,600	$ 52,102	$ 26,502
Total revenue from local sources	$ 19,786,706	$ 19,786,706	$ 19,820,383	$ 33,677
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	$ 300,000	$ 300,000	$ 302,840	$ 2,840
Motor vehicle carriers' tax	4,000	4,000	7,820	3,820
Mobile home titling tax	8,000	8,000	12,707	4,707
Rolling stock tax	-	-	6	6
Additional tax on deeds	52,000	52,000	65,501	13,501
State recordation tax	40,000	40,000	59,081	19,081
Personal property tax relief funds	871,000	871,000	871,017	17
Total noncategorical aid	$ 1,275,000	$ 1,275,000	$ 1,318,972	$ 43,972
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 255,469	$ 255,469	$ 255,271	$ (198)
Sheriff	1,233,169	1,233,169	1,217,012	(16,157)
Commissioner of revenue	90,443	90,443	86,928	(3,515)
Treasurer	91,795	91,795	90,288	(1,507)
Registrar/electoral board	45,000	45,000	37,399	(7,601)
Clerk of the Circuit Court	177,736	177,736	184,638	6,902
Local jails	45,000	45,000	48,792	3,792
Total shared expenses	$ 1,938,612	$ 1,938,612	$ 1,920,328	$ (18,284)
Other categorical aid:				
Public assistance and welfare administration	$ 600,709	$ 600,709	$ 390,968	$ (209,741)
Emergency medical services	-	-	2,700	2,700
Comprehensive services act	200,000	200,000	321,948	121,948
DMV - animal tags	120	120	122	2
Victim-witness grant	54,348	54,348	34,837	(19,511)
Fire programs fund	29,000	29,000	60,085	31,085
Rescue squad assistance	-	-	12,024	12,024

County of Lancaster, 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 Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	$ 40,000	$ 40,000	$ 45,362	$ 5,362
Other state funds	-	-	2,095	2,095
Total other categorical aid	$ 924,177	$ 924,177	$ 870,141	$ (54,036)
Total categorical aid	$ 2,862,789	$ 2,862,789	$ 2,790,469	$ (72,320)
Total revenue from the Commonwealth	$ 4,137,789	$ 4,137,789	$ 4,109,441	$ (28,348)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 779,252	$ 779,252	$ 855,297	$ 76,045
BABs subsidy	-	-	14,892	14,892
Emergency management	-	-	7,500	7,500
Victim-witness grant	-	-	105,139	105,139
Total categorical aid	$ 779,252	$ 779,252	$ 982,828	$ 203,576
Total revenue from the federal government	$ 779,252	$ 779,252	$ 982,828	$ 203,576
Total General Fund	$ 24,703,747	$ 24,703,747	$ 24,912,652	$ 208,905
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ 508	$ 24	$ (484)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture proceeds	$ -	$ -	$ 751	$ 751
Total revenue from the federal government	$ -	$ -	$ 751	$ 751
Total County Special Revenue Fund	$ -	$ 508	$ 775	$ 267
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 39,000	$ 39,000	$ 12,595	$ (26,405)
Total revenue from use of money and property	$ 39,000	$ 39,000	$ 12,595	$ (26,405)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	$ -	$ -	$ 139,212	$ 139,212
Total revenue from the federal government	$ -	$ -	$ 139,212	$ 139,212
Total County Capital Projects Fund	$ 39,000	$ 39,000	$ 151,807	$ 112,807
Total Primary Government	$ 24,742,747	$ 24,743,255	$ 25,065,234	$ 321,979
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 1,730	$ 1,730	$ 3,532	$ 1,802
Charges for services:				
Charges for education	$ 5,700	$ 5,700	$ 4,550	$ (1,150)
Miscellaneous:				
Miscellaneous	$ 14,000	$ 14,000	$ 71,341	$ 57,341

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)								
Revenue from local sources: (Continued)								
Recovered costs:								
Other recovered costs	$	25,000	$	25,000	$	106,403	$	81,403
Total revenue from local sources	$	46,430	$	46,430	$	185,826	$	139,396
Intergovernmental:								
Revenues from local governments:								
Contribution from County of Lancaster, Virginia	$	10,772,252	$	10,772,252	$	10,744,536	$	(27,716)
Revenue from the Commonwealth:								
Categorical aid:								
Share of state sales tax	$	1,285,337	$	1,285,337	$	1,216,682	$	(68,655)
Basic school aid		1,291,715		1,291,715		1,222,131		(69,584)
Security equipment grant		-		21,000		16,461		(4,539)
Compensation supplement		14,597		14,597		14,086		(511)
Remedial summer education		16,706		16,706		11,829		(4,877)
Vocational education		32,664		32,664		31,545		(1,119)
Gifted and talented		12,852		12,852		12,411		(441)
Remedial education		94,780		94,780		91,532		(3,248)
School fringes		293,710		293,710		283,644		(10,066)
Early reading intervention		7,947		7,947		10,332		2,385
Class size reduction		86,529		86,529		91,990		5,461
Lottery		73,393		73,393		70,942		(2,451)
Homebound		2,902		2,902		1,270		(1,632)
Vocational education - equipment		3,182		3,182		4,025		843
Special education		235,076		235,076		293,953		58,877
GED preparation assistance		7,859		7,859		8,294		435
At risk payments		261,061		261,061		261,008		(53)
ESL		3,031		3,031		2,905		(126)
Project graduation		3,354		3,354		3,354		-
Mentor teacher program		4,634		4,634		3,930		(704)
Technology grant		169,600		169,600		298,722		129,122
SOL algebra readiness		9,645		9,645		8,850		(795)
Workplace readiness		-		-		272		272
CTE industry certification		-		-		1,612		1,612
Other state funds		-		-		19,928		19,928
Total categorical aid	$	3,910,574	$	3,931,574	$	3,981,708	$	50,134
Total revenue from the Commonwealth	$	3,910,574	$	3,931,574	$	3,981,708	$	50,134

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 federal government:				
Categorical aid:				
Title VI-B	$ 254,620	$ 254,620	$ 216,869	$ (37,751)
Title I	373,707	373,707	367,002	(6,705)
Vocational education	24,380	24,380	15,022	(9,358)
CTE equipment	1,500	1,500	-	(1,500)
Title II, Part A - Improving teacher quality	55,000	55,000	55,017	17
Title VI - Rural education	23,595	23,595	22,509	(1,086)
Title III, Part A	-	-	1,500	1,500
JROTC grant	58,228	58,228	62,878	4,650
VA medical assistance	116,000	116,000	-	(116,000)
Total categorical aid	$ 907,030	$ 907,030	$ 740,797	$ (166,233)
Total revenue from the federal government	$ 907,030	$ 907,030	$ 740,797	$ (166,233)
Total School Operating Fund	$ 15,636,286	$ 15,657,286	$ 15,652,867	$ (4,419)
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 250	$ 250	$ 230	$ (20)
Charges for services:				
Cafeteria sales	$ 130,426	$ 130,426	$ 95,597	$ (34,829)
Miscellaneous:				
Miscellaneous	$ -	$ -	$ 5,500	$ 5,500
Total revenue from local sources	$ 130,676	$ 130,676	$ 101,327	$ (29,349)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 8,188	$ 8,188	$ 10,831	$ 2,643

Fund, Major and Minor Revenue Source		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)								
School Cafeteria Fund: (Continued)								
Intergovernmental: (Continued)								
Revenue from the federal government:								
Categorical aid:								
School food program grant	$	420,249	$	420,249	$	433,643	$	13,394
Summer food		3,000		3,000		4,517		1,517
Commodities		-		44,000		44,000		-
Total categorical aid	$	423,249	$	467,249	$	482,160	$	14,911
Total revenue from the federal government	$	423,249	$	467,249	$	482,160	$	14,911
Total School Cafeteria Fund	$	562,113	$	606,113	$	594,318	$	(11,795)
Textbook Fund:								
Revenue from local sources:								
Miscellaneous revenue:								
Other miscellaneous	$	-	$	-	$	14,000	$	14,000
Total miscellaneous revenue	$	-	$	-	$	14,000	$	14,000
Intergovernmental:								
Revenues from local governments:								
Contribution from County of Lancaster, Virginia	$	91,366	$	91,366	$	91,366	$	-
Total revenues from local governments	$	91,366	$	91,366	$	91,366	$	-
Revenue from the Commonwealth:								
Categorical aid:								
Textbook payment	$	29,392	$	29,392	$	28,385	$	(1,007)
Total revenue from the Commonwealth	$	29,392	$	29,392	$	28,385	$	(1,007)
Total Textbook Fund	$	120,758	$	120,758	$	133,751	$	12,993
Total Discretely Presented Component Unit - School Board	$	16,319,157	$	16,384,157	$	16,380,936	$	(3,221)

County of Lancaster, 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	$	60,076	$	60,076	$	46,387	$	13,689
General and financial administration:								
County administrator	$	470,006	$	470,006	$	403,060	$	66,946
Information Technology		114,169		114,169		105,733		8,436
Legal services		150,000		150,000		60,674		89,326
Commissioner of revenue		251,822		251,822		227,534		24,288
Independent Auditor		40,000		40,000		49,350		(9,350)
Treasurer		307,684		307,684		300,474		7,210
Real estate assessor		150,000		150,000		95,835		54,165
Total general and financial administration	$	1,483,681	$	1,483,681	$	1,242,660	$	241,021
Board of elections:								
Electoral board and officials	$	46,504	$	46,504	$	43,182	$	3,322
Registrar		102,395		102,395		96,722		5,673
Total board of elections	$	148,899	$	148,899	$	139,904	$	8,995
Total general government administration	$	1,692,656	$	1,692,656	$	1,428,951	$	263,705
Judicial administration:								
Courts:								
Circuit court	$	24,178	$	24,178	$	24,468	$	(290)
General district court		3,400		3,400		3,528		(128)
Special Magistrates		200		200		-		200
Juvenile and domestic relations court		2,675		2,675		2,065		610
Victim/witness assistance		65,212		65,212		59,997		5,215
Court appointed special advocates		5,000		5,000		5,000		-
Clerk of the circuit court		310,094		310,094		301,537		8,557
Total courts	$	410,759	$	410,759	$	396,595	$	14,164
Commonwealth's attorney:								
Commonwealth's attorney	$	356,993	$	356,993	$	325,140	$	31,853
Total judicial administration	$	767,752	$	767,752	$	721,735	$	46,017
Public safety:								
Law enforcement and traffic control:								
Sheriff	$	1,960,570	$	1,969,588	$	2,029,752	$	(60,164)
School resource officer		116,172		116,172		123,787		(7,615)
Law enforcement grants		-		-		12,014		(12,014)
DCJS grant		-		-		30,881		(30,881)
Total law enforcement and traffic control	$	2,076,742	$	2,085,760	$	2,196,434	$	(110,674)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	$ 318,346	$ 318,346	$ 318,364	$ (18)
Ambulance and rescue services	1,378,355	1,437,069	1,506,106	(69,037)
Forestry service	4,000	4,000	3,991	9
Local emergency services	30,000	30,000	41,660	(11,660)
Total fire and rescue services	$ 1,730,701	$ 1,789,415	$ 1,870,121	$ (80,706)
Correction and detention:				
Sheriff	$ 1,070,377	$ 1,075,977	$ 1,041,468	$ 34,509
Probation office	82,649	82,649	52,009	30,640
Total correction and detention	$ 1,153,026	$ 1,158,626	$ 1,093,477	$ 65,149
Inspections:				
Building	$ 156,885	$ 169,885	$ 161,372	$ 8,513
Other protection:				
Animal control	$ 140,443	$ 140,443	$ 137,664	$ 2,779
Medical examiner	200	200	200	-
Total other protection	$ 140,643	$ 140,643	$ 137,864	$ 2,779
Total public safety	$ 5,257,997	$ 5,344,329	$ 5,459,268	$ (114,939)
Public works:				
Sanitation and waste removal:				
Refuse disposal	$ 917,010	$ 917,010	$ 1,125,100	$ (208,090)
Maintenance of general buildings and grounds:				
General properties	$ 294,662	$ 294,662	$ 312,842	$ (18,180)
Total public works	$ 1,211,672	$ 1,211,672	$ 1,437,942	$ (226,270)
Health and welfare:				
Health:				
Local health department	$ 215,936	$ 215,936	$ 215,928	$ 8
Free health clinic	100,477	100,477	100,476	1
Total health	$ 316,413	$ 316,413	$ 316,404	$ 9
Mental health and mental retardation:				
Community services board	$ 42,231	$ 42,231	$ 40,040	$ 2,191
Welfare:				
Public assistance and welfare administration	$ 1,885,000	$ 1,885,000	$ 1,517,211	$ 367,789
Area agency on aging	70,549	70,549	70,549	-

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Comprehensive services act	$ 600,000	$ 600,000	$ 630,702	$ (30,702)
Chamber of commerce	1,275	1,275	-	1,275
Rappahannock legal services	5,600	5,600	5,600	-
The Haven crisis shelter	4,000	4,000	4,000	-
Virginia quality of life	10,000	10,000	10,000	-
Boys and girls club of America	55,000	55,000	54,996	4
Total welfare	$ 2,631,424	$ 2,631,424	$ 2,293,058	$ 338,366
Total health and welfare	$ 2,990,068	$ 2,990,068	$ 2,649,502	$ 340,566
Education:				
Contributions to Community College	$ 14,200	$ 14,200	$ 14,200	$ -
Contribution to County School Board	10,863,618	10,863,618	10,835,902	27,716
Total education	$ 10,877,818	$ 10,877,818	$ 10,850,102	$ 27,716
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	$ 75,000	$ 75,000	$ 75,000	$ -
Total parks and recreation	$ 75,000	$ 75,000	$ 75,000	$ -
Cultural enrichment:				
Museum	$ 4,400	$ 4,400	$ 4,903	$ (503)
Historic resources commission	200	200	-	200
Total cultural enrichment	$ 4,600	$ 4,600	$ 4,903	$ (303)
Library:				
Library	$ 122,995	$ 122,995	$ 122,995	$ -
Total parks, recreation, and cultural	$ 202,595	$ 202,595	$ 202,898	$ (303)
Community development:				
Planning and community development:				
Land use administration	$ 284,684	$ 284,684	$ 256,219	$ 28,465
Section 8 housing	59,758	60,992	60,310	682
Indoor plumbing	16,450	16,450	16,337	113
Planning district commission	31,536	31,536	26,967	4,569
Zoning board	2,170	2,170	1,081	1,089
Greentown/Gaskins Rd - CDBG	-	-	14,457	(14,457)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Other community development	$ 5,500	$ 5,500	$ 4,375	$ 1,125
Total planning and community development	$ 400,098	$ 401,332	$ 379,746	$ 21,586
Environmental management:				
Contribution to soil and water conservation district	$ 10,000	$ 10,000	$ 10,000	$ -
Wetlands board	10,005	10,005	8,545	1,460
Total environmental management	$ 20,005	$ 20,005	$ 18,545	$ 1,460
Cooperative extension program:				
Extension office	$ 51,432	$ 51,432	$ 30,029	$ 21,403
Rebranding initiative	25,000	25,000	18,750	6,250
Total cooperative extension program	$ 76,432	$ 76,432	$ 48,779	$ 27,653
Total community development	$ 496,535	$ 497,769	$ 447,070	$ 50,699
Capital projects:				
Landfill closure	$ 10,000	$ 10,000	$ 7,176	$ 2,824
Enhanced emergency telephone system	30,925	30,925	21,248	9,677
School projects	114,000	114,000	4,115	109,885
Other capital projects	1,031,750	1,031,750	719,981	311,769
Total capital projects	$ 1,186,675	$ 1,186,675	$ 752,520	$ 434,155
Debt service:				
Principal retirement	$ 1,665,000	$ 1,665,000	$ 1,677,704	$ (12,704)
Interest and other fiscal charges	319,191	319,191	278,042	41,149
Total debt service	$ 1,984,191	$ 1,984,191	$ 1,955,746	$ 28,445
Total General Fund	$ 26,667,959	$ 26,755,525	$ 25,905,734	$ 849,791
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
Greentown/Gaskins CDBG	$ -	$ -	$ 48,611	$ (48,611)
Total County Capital Projects Fund	$ -	$ -	$ 48,611	$ (48,611)
Total Primary Government	$ 26,667,959	$ 26,755,525	$ 25,954,345	$ 801,180

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, health, and attendance	$	899,058	$	899,058	$	862,498	$	36,560
Instruction costs		12,038,601		12,038,601		12,111,625		(73,024)
Pupil transportation		1,148,595		1,148,595		1,131,060		17,535
Operation and maintenance of school plant		1,550,032		1,571,032		1,547,684		23,348
Total education	$	15,636,286	$	15,657,286	$	15,652,867	$	4,419
Total School Operating Fund	$	15,636,286	$	15,657,286	$	15,652,867	$	4,419
Special Revenue Funds:								
School Cafeteria Fund:								
Education:								
School food services:								
School food	$	562,113	$	562,113	$	539,339	$	22,774
Commodities		-		44,000		44,000		-
Total school food services	$	562,113	$	606,113	$	583,339	$	22,774
Total education	$	562,113	$	606,113	$	583,339	$	22,774
Total School Cafeteria Fund	$	562,113	$	606,113	$	583,339	$	22,774
Textbook Fund								
Education:								
Purchase of textbooks	$	120,758	$	120,758	$	35,747	$	85,011
Total Textbook Fund	$	120,758	$	120,758	$	35,747	$	85,011
Total Discretely Presented Component Unit - School Board	$	16,319,157	$	16,384,157	$	16,271,953	$	112,204

County of Lancaster, 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
2009	$ 897,403	$ 599,799	$ 3,662,812	$ 1,177,914	$ 2,202,534	$ 11,031,828
2010	1,204,355	616,607	3,872,862	1,048,830	2,332,650	10,188,939
2011	1,427,317	761,709	4,064,428	1,132,419	2,391,444	10,318,017
2012	1,582,525	807,167	3,845,479	1,110,981	2,517,020	10,768,097
2013	1,331,834	779,749	4,617,309	1,167,822	2,740,633	10,485,368
2014	1,345,631	804,040	4,889,888	827,480	2,603,743	10,495,867
2015	1,611,832	807,803	4,613,799	1,238,203	2,511,962	10,403,350
2016	1,908,331	799,809	4,952,988	1,310,981	2,586,611	11,439,147
2017	1,699,686	838,473	5,424,432	1,917,013	2,647,115	10,916,368
2018	1,449,191	821,911	5,516,169	1,501,261	2,614,466	10,994,217

Table 1

Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sewer Fund	Total
$ 160,839	$ 1,283,578	$ 306,444	$ -	$ 21,323,151
160,179	1,711,279	398,847	-	21,534,548
172,801	1,453,260	444,034	-	22,165,429
172,895	1,119,775	426,296	-	22,350,235
176,275	633,659	228,599	-	22,161,248
182,973	1,244,682	194,525	-	22,588,829
172,119	661,086	378,089	-	22,398,243
31,285	605,475	255,179	16,483	23,906,289
210,063	456,267	274,329	17,443	24,401,189
204,327	659,828	188,793	72,496	24,022,659

Table 2

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

	PROGRAM REVENUES			GENERAL REVENUES					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Misc-ellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2009	$ 476,784	$ 3,359,779	$ 943,083	$ 15,383,703	$ 2,013,343	$ 337,290	$ 135,390	$ 900,904	$ 23,550,276
2010	492,903	3,975,191	668,227	15,284,455	1,865,960	205,834	47,921	980,269	23,520,760
2011	477,621	4,738,390	-	14,656,899	1,892,761	161,276	41,957	1,000,772	22,969,676
2012	526,885	4,019,711	50,000	14,923,610	1,950,576	135,618	43,915	1,337,343	22,987,658
2013	639,082	3,720,366	18,000	14,403,558	1,930,588	120,500	49,012	1,330,494	22,211,600
2014	519,542	3,261,746	644,332	14,722,918	1,892,069	118,016	83,414	1,323,904	22,565,941
2015	600,783	3,340,098	212,096	15,827,037	1,936,429	153,280	142,360	1,317,854	23,529,937
2016	508,057	3,637,999	163,998	15,693,176	1,973,114	145,471	114,978	1,302,796	23,539,589
2017	496,767	3,318,227	912,601	15,493,614	2,052,020	130,432	589,649	1,314,001	24,307,311
2018	619,374	3,774,048	139,212	17,228,176	2,068,049	139,878	25,129	1,318,972	25,312,838

County of Lancaster, Virginia
General Governmental Expenditures by Function (1,3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)
2009	$ 1,252,466	$ 604,767	$ 3,568,597	$ 1,172,357	$ 2,207,354	$ 15,278,613
2010	1,235,687	607,641	3,749,601	1,072,457	2,288,465	15,389,267
2011	1,341,422	618,495	4,141,836	1,120,296	2,366,967	15,707,417
2012	1,501,800	625,449	3,779,509	1,116,041	2,482,024	15,285,122
2013	1,323,619	637,902	4,323,772	1,148,111	2,713,142	15,101,887
2014	1,310,767	663,850	4,694,193	1,254,976	2,596,948	14,752,836
2015	1,539,813	694,752	4,622,133	1,203,081	2,565,290	15,377,552
2016	1,520,697	683,614	4,992,280	1,320,139	2,583,793	15,300,394
2017	1,586,908	701,180	5,165,831	1,445,692	2,628,153	16,151,982
2018	1,428,951	721,735	5,459,268	1,437,942	2,649,502	16,286,153

(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.
(3) Excludes Capital Projects funds.

Table 3

Parks, Recreation, and Cultural	Community Development	Debt Service	Total
$ 160,839	$ 1,311,718	$ 1,053,149	$ 26,609,860
160,179	1,743,331	1,453,989	27,700,617
172,801	1,486,288	1,498,206	28,453,728
172,895	1,152,343	7,003,073	33,118,256
176,275	555,165	1,209,686	27,189,559
182,973	656,245	1,206,455	27,319,243
183,454	476,841	2,350,142	29,013,058
192,866	522,018	1,999,846	29,115,647
192,816	482,994	1,985,164	30,340,720
202,898	447,070	1,955,746	30,589,265

County of Lancaster, Virginia
General Governmental Revenues by Source (1,3)
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
2009	$ 15,149,635	$ 2,013,343	$ 142,355	$ 28,029	$ 202,512	$ 527,518
2010	15,208,025	1,865,960	149,757	20,168	169,681	512,438
2011	14,595,997	1,892,761	142,764	16,314	137,139	488,592
2012	14,742,887	1,950,576	149,016	16,626	129,677	531,002
2013	14,497,683	1,930,588	119,007	25,797	117,827	631,065
2014	14,722,314	1,892,069	100,564	14,759	118,770	524,268
2015	15,927,308	1,936,429	101,185	21,134	121,975	583,249
2016	15,836,307	1,973,114	108,799	10,833	116,102	499,186
2017	15,593,585	2,052,020	137,953	24,333	114,374	450,878
2018	16,986,495	2,068,049	131,233	30,713	131,014	499,581

(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.
(3) Excludes Capital Projects funds.

Table 4

Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
$ 352,749	$ 47,510	$ 10,281,484	$ 28,745,135
319,456	50,812	10,651,224	28,947,521
70,775	269,465	11,073,878	28,687,685
77,737	284,593	10,072,348	27,954,462
173,133	187,047	9,615,225	27,297,372
180,383	115,017	9,065,976	26,734,120
347,465	196,456	9,454,840	28,690,041
223,117	69,887	9,976,488	28,813,833
109,288	188,360	9,937,141	28,607,932
115,970	158,505	10,336,901	30,458,461

Table 5

County of Lancaster, 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)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2009	$ 15,037,856	$ 14,640,508	97.36%	$ 268,363	$ 14,908,871	99.14%	$ 728,623	4.85%
2010	15,031,753	14,629,582	97.32%	331,663	14,961,245	99.53%	835,636	5.56%
2011	14,472,243	13,993,953	96.70%	357,927	14,351,880	99.17%	941,217	6.50%
2012	15,470,572	14,963,025	96.72%	400,496	15,363,521	99.31%	1,000,012	6.46%
2013	15,151,601	14,727,353	97.20%	396,680	15,124,033	99.82%	958,038	6.32%
2014	15,317,462	14,841,839	96.89%	465,359	15,307,198	99.93%	959,942	6.27%
2015	16,471,200	16,022,956	97.28%	487,835	16,510,791	100.24%	857,726	5.21%
2016	16,395,196	15,993,536	97.55%	443,482	16,437,018	100.26%	797,241	4.86%
2017	16,223,560	15,813,002	97.47%	379,351	16,192,353	99.81%	794,978	4.90%
2018	17,853,001	16,314,250	91.38%	407,930	16,722,180	93.67%	856,569	4.80%

(1) Exclusive of penalties and interest.
(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2009	$ 3,047,826,152	$ 161,929,534	$ 309,350	$ 12,444,246	$ 37,970,594	$ 3,260,479,876
2010	3,084,145,548	147,216,942	248,650	11,959,791	42,470,454	3,286,041,385
2011	3,109,524,980	144,199,002	199,250	11,191,102	44,516,230	3,309,630,564
2012	3,130,960,535	144,354,545	181,750	12,081,091	44,173,669	3,331,751,590
2013	3,149,202,900	140,487,618	742,450	9,884,665	44,806,003	3,345,123,636
2014	2,493,664,800	136,569,120	433,350	10,992,013	44,789,060	2,686,448,343
2015	2,502,707,773	138,593,352	327,250	11,044,308	57,257,295	2,709,929,978
2016	2,508,388,693	131,126,404	276,500	11,576,166	57,321,237	2,708,689,000
2017	2,514,523,163	114,663,537	256,150	11,405,489	59,378,306	2,700,226,645
2018	2,524,855,368	119,572,026	556,950	10,972,495	60,647,781	2,716,604,620

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

County of Lancaster, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2009	$ 0.42	$ 2.04	$ 1.00	$ 1.52
2010	0.42	2.04	1.00	1.52
2011	0.40	2.04	1.00	1.52
2012	0.40	2.04	1.00	1.52
2013	0.39	2.04	1.00	1.52
2014	0.50	2.04	1.00	1.52
2015	0.54	2.04	1.00	1.52
2016	0.54	2.04	1.00	1.52
2017	0.54	2.04	1.00	1.52
2018	0.59	2.04	1.00	1.52

(1) Per $100 of assessed value.

Table 8

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

				Less:				
Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Debt Assumed by Other Localities (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009	11,567	$ 3,260,479,876	$ -	$ -	$ -	$ -	0.00%	$ -
2010	11,391	3,286,041,385	-	-	-	-	0.00%	-
2011	11,391	3,309,630,564	2,280,000	-	-	2,280,000	0.07%	200
2012	11,391	3,331,751,590	2,170,000	-	-	2,170,000	0.07%	191
2013	11,391	3,345,123,636	2,055,000	-	-	2,055,000	0.06%	180
2014	11,391	2,686,448,343	1,935,000	-	-	1,935,000	0.07%	170
2015	11,391	2,709,929,978	1,810,000	-	-	1,810,000	0.07%	159
2016	11,391	2,708,689,000	1,680,000	-	-	1,680,000	0.06%	147
2017	11,391	2,700,226,645	1,545,000	-	-	1,545,000	0.06%	136
2018	11,391	2,716,604,620	1,405,000	-	-	1,405,000	0.05%	123

(1) Weldon Cooper Center for 2000 and 2010 Census.
(2) From Table 6.
(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.
(4) In accordance with the provisions of annexation settlements.

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 Lancaster
Lancaster, 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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the County of Lancaster, Virginia's basic financial statements and have issued our report thereon dated November 12, 2018 .

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Lancaster, 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 Lancaster, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Lancaster, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Lancaster, 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*.

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.

Richmond, Virginia
November 12, 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 Lancaster
Lancaster, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Lancaster, 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 Lancaster, Virginia's major federal programs for the year ended June 30, 2018. County of Lancaster, 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 Lancaster, 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 Lancaster, 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 Lancaster, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Lancaster, 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 Lancaster, 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 Lancaster, 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 Lancaster, Virginia's internal control over compliance.

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

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

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

Richmond, Virginia
November 12, 2018

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950117/0950118		$ 6,883
Temporary Assistance for Needy Families	93.558	0400117/0400118		141,928
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118		242
Low-Income Home Energy Assistance	93.568	0600417/00600418		21,561
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118		24,350
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/090118		538
Foster Care - Title IV-E	93.658	1100117/1100118		124,709
Adoption Assistance	93.659	1130117/11301118		32,900
Social Services Block Grant	93.667	1000117/1000118		99,383
Chafee Foster Care Independence Program	93.674	9150117/9150118		1,226
Children's Health Insurance Program	93.767	0540117/0540118		7,751
Medical Assistance Program	93.778	1200117/1200118		198,661
Total Department of Health and Human Services				$ 660,132
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Assistance:				
Emergency Management Performance Grants	97.042	77501-52743		$ 7,500
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Agriculture:				
Summer Food Service Program for Children Food Distribution	10.559	Unknown	$ 331	
Department of Health:				
Summer Food Service Program for Children	10.559	17901-45707	4,517	
			$ 4,848	
Department of Agriculture:				
National School Lunch Food Distribution	10.555	17901-45707	$ 43,669	
Department of Education:				
National School Lunch Program	10.555	17901-40623	305,592	
			$ 349,261	
School Breakfast Program	10.553	17901-40591	115,946	$ 470,055
Child and Adult Care Food Program	10.558	17901-70027		12,105
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118		195,165
Total Department of Agriculture				$ 677,325

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50790	$ 139,212
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-86000	$ 105,139
Department of Treasury:			
Pass Through Payments:			
Virginia Office of the Attorney General			
Sheriff Asset Forfeiture Funds	21.xxx	N/A	$ 751
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	$ 62,880
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	$ 367,001
Special Education - Grants to States	84.027	17901-43071	216,869
Career and Technical Education - Basic Grants to States	84.048	17901-61095	15,022
Rural Education	84.358	17901-43481	22,508
Supporting Effective Instruction State Grant	84.367	17901-61480	55,017
English Language Acquisition State Grants	84.365	17901-60512	1,500
Total Department of Education			$ 677,917
Total Expenditures of Federal Awards			$ 2,330,856

See accompanying notes to schedule of expenditures of federal awards.

County of Lancaster, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Lancaster, Virginia 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion ofthe operations of the County of Lancaster, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Lancaster, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the 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.

Note 3 - Food Donation

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

Note 4 - Relationship to 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	$	982,828
Special Revenue Fund		751
County Capital Projects Fund		139,212
Total primary government	$	1,122,791
Component Unit School Board:		
School Operating Fund	$	740,797
School Cafeteria Fund		482,160
Total Component Unit School Board	$	1,222,957
Total expenditures of federal awards per basic financial statements	$	2,345,748
BABs subsidy		(14,892)
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	$	2,330,856

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

County of Lancaster, 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	✓	no
Significant deficiency(ies) identified?		yes	✓	none reported
Noncompliance material to financial statements noted?		yes	✓	no

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	✓	yes		no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Lancaster, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

There were no prior year findings.