

COUNTY OF LANCASTER, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2015

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

| | | |
|--------------------|----------------------------------|----------------|
| | Jason D. Bellows, Chair | |
| | Ernest W. Palin, Jr., Vice Chair | |
| B. Wally Beauchamp | | William R. Lee |
| F. W. Jenkins, Jr. | | |

COUNTY SCHOOL BOARD

| | | |
|------------------------------|-----------------------------|------------------|
| | Dr. Robert Westbrook, Chair | |
| Donald M. McCann, Vice Chair | | Patrick McCranie |
| Ella L. Davis | | Robert Smart |

SOCIAL SERVICES BOARD

| | | |
|---------------------------------|---------------------|------------------|
| | Sandra Smyre, Chair | |
| Ernest W. Palin, Jr. | | Charles R. Lee |
| Vera Lee | | Douglas Anderson |
| Sharon Waddy Foster, Vice Chair | | |

OTHER OFFICIALS

| | |
|--|--------------------------|
| Judge of the Circuit Court..... | Harry T. Taliaferro, III |
| Clerk of the Circuit Court | Diane H. Mumford |
| Judge of the General District Court | Ricardo Rigual |
| Judge of the Juvenile and Domestic Relations Court | R. Michael McKenney |
| Commonwealth's Attorney..... | Robert L. Cunningham |
| Commissioner of the Revenue | George E. Thomas, Jr. |
| Treasurer | Bonnie J. D. Haynie |
| Sheriff | Ronald D. Crockett |
| Superintendent of Schools..... | Steve Parker |
| Director of Social Services..... | Edna G. Davenport |
| County Administrator..... | Frank A. Pleva |

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LANCASTER, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

| | | |
|--|----------------|--------------------|
| Independent Auditors' Report | | <u>Page</u> 1-3 |
| Management's Discussion and Analysis | | 4-10 |
| | <u>Exhibit</u> | <u>Page</u> |
| Basic Financial Statements: | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | 1 | 11 |
| Statement of Activities | 2 | 12 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | 3 | 13 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 4 | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 5 | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 16 |
| Statement of Fiduciary Net Position - Fiduciary Fund | 7 | 17 |
| Notes to Financial Statements | | 18-66 |
| Required Supplementary Information: | | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: | | |
| General Fund | 8 | 67 |
| County Special Revenue Fund | 9 | 68 |
| Schedule of Components of and Changes in Net Pension Liability and Related Ratios - Primary Government | 10 | 69 |
| Schedule of Components of and Changes in Net Pension Liability and Related Ratios - Component Unit School Board (nonprofessional) | 11 | 70 |
| Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan | 12 | 71 |
| Schedule of Employer Contributions | 13 | 72 |
| Notes to Required Supplementary Information | 14 | 73 |
| Other Supplementary Information: | | |
| Combining and Individual Fund Statements and Schedules: | | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: | | |
| County Capital Projects Fund | 15 | 74 |
| Statement of Fiduciary Net Position - Fiduciary Fund | 16 | 75 |
| Statement of Changes in Assets and Liabilities - Agency Fund | 17 | 76 |

COUNTY OF LANCASTER, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

| | | |
|---|-----------------|-------------|
| Other Supplementary Information: (Continued) | <u>Exhibit</u> | <u>Page</u> |
| Combining and Individual Fund Statements and Schedules: (Continued) | | |
| Discretely Presented Component Unit - School Board: | | |
| Combining Balance Sheet - Governmental Funds | 18 | 77 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 19 | 78 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 20 | 79 |
| Discretely Presented Component Unit - Industrial Development Authority: | | |
| Statement of Net Position | 21 | 80 |
| Statement of Revenues, Expenses, and Changes in Net Position | 22 | 81 |
| Statement of Cash Flows | 23 | 82 |
| Supporting Schedules: | <u>Schedule</u> | <u>Page</u> |
| Schedule of Revenues - Budget and Actual - Governmental Funds | 1 | 83-88 |
| Schedule of Expenditures - Budget and Actual - Governmental Funds | 2 | 89-93 |
| | <u>Table</u> | <u>Page</u> |
| Statistical Information: | | |
| Government-wide information: | | |
| Government-Wide Expenses by Function | 1 | 94 |
| Government-Wide Revenues | 2 | 95 |
| Fund information: | | |
| General Governmental Expenditures by Function | 3 | 96 |
| General Governmental Revenues by Source | 4 | 97 |
| Property Tax Levies and Collections | 5 | 98 |
| Assessed Value of Taxable Property | 6 | 99 |
| Property Tax Rates | 7 | 100 |
| Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita | 8 | 101 |
| Compliance: | | |
| 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 <i>Government Auditing Standards</i> | | 102-103 |
| Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 | | 104-105 |
| Schedule of Expenditures of Federal Awards | | 106-107 |
| Notes to Schedule of Expenditures of Federal Awards | | 108 |

COUNTY OF LANCASTER, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

| | |
|---|-------------|
| Compliance: (Continued) | <u>Page</u> |
| Schedule of Findings and Questioned Costs | 109 |
| Summary Schedule of Prior Year Findings | 110 |

THIS PAGE LEFT BLANK INTENTIONALLY

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of June 30, 2015, 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 1 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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 funding on pages 4-10, 67-68, and 69-73 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.

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 other supplementary information, supporting schedules 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (Continued)

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 stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Lancaster, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
December 29, 2015

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2015. 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 \$6,119,168 (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 \$7,344,041 (Exhibit 5) after making contributions totaling \$10,080,025 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$12,209,518, an increase of \$7,344,041 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,293,767, or 22% of total general fund expenditures and other uses.
- The combined long-term obligations increased \$4,801,015 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.

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.

Remainder of page left blank intentionally

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 \$6,119,168 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

| <u>County of Lancaster, Virginia's Net Position</u> | | |
|---|--------------------------------|----------------------------|
| | <u>Governmental Activities</u> | |
| | <u>2015</u> | <u>2014</u> |
| Current and other assets | \$ 14,313,530 | \$ 7,632,936 |
| Capital assets | <u>8,969,446</u> | <u>9,220,756</u> |
| Total assets | <u>\$ 23,282,976</u> | <u>\$ 16,853,692</u> |
| Deferred outflows of resources | <u>\$ 575,891</u> | <u>\$ -</u> |
| Current liabilities | \$ 1,455,524 | \$ 1,944,721 |
| Long-term liabilities outstanding | <u>15,241,372</u> | <u>6,540,007</u> |
| Total liabilities | <u>\$ 16,696,896</u> | <u>\$ 8,484,728</u> |
| Deferred inflows of resources | <u>\$ 1,042,803</u> | <u>\$ 43,934</u> |
| Net position: | | |
| Net investment in capital assets | \$ 2,989,235 | \$ 2,863,014 |
| Restricted: | | |
| Forfeited asset | 17,529 | 14,472 |
| Wetlands special project | 15,303 | 15,288 |
| Unrestricted | <u>3,097,101</u> | <u>5,432,256</u> |
| Total net position | <u><u>\$ 6,119,168</u></u> | <u><u>\$ 8,325,030</u></u> |

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations.

Government-wide Financial Analysis (Continued)

The County's net position increased \$1,131,694 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 | | |
| | 2015 | 2014 | |
| Charges for services | \$ 600,783 | \$ 519,542 | |
| Operating grants and contributions | 3,340,098 | 3,261,746 | |
| Capital grants and contributions | 212,096 | 644,332 | |
| General property taxes | 15,827,037 | 14,722,918 | |
| Other local taxes | 1,936,429 | 1,892,069 | |
| Grants and other contributions not restricted | 1,317,854 | 1,323,904 | |
| Other general revenues | 295,640 | 201,430 | |
| Total revenues | \$ 23,529,937 | \$ 22,565,941 | |
| General government administration | \$ 1,611,832 | \$ 1,345,631 | |
| Judicial administration | 807,803 | 804,040 | |
| Public safety | 4,613,799 | 4,889,888 | |
| Public works | 1,238,203 | 827,480 | |
| Health and welfare | 2,511,962 | 2,603,743 | |
| Education | 10,403,350 | 10,495,867 | |
| Parks, recreation, and cultural | 172,119 | 182,973 | |
| Community development | 661,086 | 1,244,682 | |
| Interest and other fiscal charges | 378,089 | 194,525 | |
| Total expenses | \$ 22,398,243 | \$ 22,588,829 | |
| Change in net position | \$ 1,131,694 | \$ (22,888) | |
| Net position, beginning of year | 4,987,474 | 8,347,918 | |
| Net position, end of year | \$ 6,119,168 | \$ 8,325,030 | |

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations. Therefore, beginning net position for 2015 as displayed above does not agree to ending net position for 2014.

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 \$12,209,518, an increase of \$7,344,041 in comparison with the prior year. Approximately 43% 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 the completion of a capital project.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$6,881,418.

During the year, actual revenues and other sources of the General Fund exceeded budgetary estimates by \$1,708,231. Actual expenditures and other uses exceeded budgetary estimates by \$291,747. The combination of the two resulted in a positive variance of \$1,416,484.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2015 amounts to \$8,969,446 (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 \$12,007,000. Of this amount, \$1,810,000 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).

The County's total debt increased \$6,236,000 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 2016 fiscal year.

The fiscal year 2016 budget increased by approximately 5%. All 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.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Statement of Net Position
June 30, 2015

| | Primary Government | Component Units | |
|---|----------------------------|-----------------------|-------------------|
| | Governmental Activities | School Board | IDA |
| ASSETS | | | |
| Cash and cash equivalents | \$ 6,181,058 | \$ 115,860 | \$ 116,162 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 860,431 | - | - |
| Accounts receivable | 69,614 | - | - |
| Notes receivable | 17,905 | - | - |
| Due from other governmental units | 725,915 | 1,594,187 | - |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Cash and cash equivalents- unspent bond proceeds | 6,458,607 | - | - |
| Capital assets (net of accumulated depreciation): | | | |
| Land and land improvements | 883,755 | 6,271 | - |
| Buildings and improvements | 7,544,972 | 6,618,449 | - |
| Machinery and equipment | 408,326 | 1,297,635 | - |
| Construction in progress | 132,393 | - | - |
| Total assets | <u>\$ 23,282,976</u> | <u>\$ 9,632,402</u> | <u>\$ 116,162</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension contributions subsequent to measurement date | \$ 575,891 | \$ 1,230,466 | \$ - |
| Total deferred outflows of resources | <u>\$ 575,891</u> | <u>\$ 1,230,466</u> | <u>\$ -</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 23,858,867</u> | <u>\$ 10,862,868</u> | <u>\$ 116,162</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 325,880 | \$ 137,003 | \$ - |
| Accrued liabilities | - | 1,458,413 | - |
| Accrued interest payable | 128,114 | - | - |
| Due to other governmental units | 996,117 | - | - |
| Unearned revenue | 5,413 | 28,800 | - |
| Long-term liabilities: | | | |
| Due within one year | 1,670,254 | 31,739 | - |
| Due in more than one year | 13,571,118 | 12,657,494 | - |
| Total liabilities | <u>\$ 16,696,896</u> | <u>\$ 14,313,449</u> | <u>\$ -</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ 25,926 | \$ - | \$ - |
| Items related to measurement of net pension liability | 1,016,877 | 1,978,719 | - |
| Total deferred inflows of resources | <u>\$ 1,042,803</u> | <u>\$ 1,978,719</u> | <u>\$ -</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 2,989,235 | \$ 7,922,355 | \$ - |
| Restricted: | | | |
| Forfeited asset | 17,529 | - | - |
| Wetlands special project | 15,303 | - | - |
| Unrestricted (deficit) | 3,097,101 | (13,351,655) | 116,162 |
| Total net position | <u>\$ 6,119,168</u> | <u>\$ (5,429,300)</u> | <u>\$ 116,162</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 23,858,867</u> | <u>\$ 10,862,868</u> | <u>\$ 116,162</u> |

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, 2015

| | | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------|-------------------------|--|--|-----------------|--|-----------------|-----|
| | | | | | | Primary Government | Component Units | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | Governmental Activities | School Board | IDA |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 1,611,832 | \$ - | \$ 213,928 | \$ - | \$ (1,397,904) | | | |
| Judicial administration | 807,803 | 17,020 | 418,631 | - | (372,152) | | | |
| Public safety | 4,613,799 | 573,760 | 1,370,369 | - | (2,669,670) | | | |
| Public works | 1,238,203 | 7,393 | 23,900 | - | (1,206,910) | | | |
| Health and welfare | 2,511,962 | - | 1,298,458 | - | (1,213,504) | | | |
| Education | 10,403,350 | 2,520 | - | - | (10,400,830) | | | |
| Parks, recreation, and cultural | 172,119 | - | - | - | (172,119) | | | |
| Community development | 661,086 | 90 | - | 212,096 | (448,900) | | | |
| Interest on long-term debt | 378,089 | - | 14,812 | - | (363,277) | | | |
| Total governmental activities | \$ 22,398,243 | \$ 600,783 | \$ 3,340,098 | \$ 212,096 | \$ (18,245,266) | | | |
| Total primary government | \$ 22,398,243 | \$ 600,783 | \$ 3,340,098 | \$ 212,096 | \$ (18,245,266) | | | |
| COMPONENT UNITS: | | | | | | | | |
| School Board | \$ 15,725,439 | \$ 104,785 | \$ 4,796,888 | \$ - | | \$ (10,823,766) | \$ - | |
| IDA | 48,125 | 42,376 | - | - | | - | (5,749) | |
| Total component units | \$ 15,773,564 | \$ 147,161 | \$ 4,796,888 | \$ - | | \$ (10,823,766) | \$ (5,749) | |
| General revenues: | | | | | | | | |
| General property taxes | | | | | \$ 15,827,037 | \$ - | \$ - | |
| Other local taxes: | | | | | | | | |
| Local sales and use taxes | | | | | 1,518,641 | - | - | |
| Motor vehicle licenses | | | | | 196,255 | - | - | |
| Other local taxes | | | | | 221,533 | - | - | |
| Unrestricted revenues from use of money and property | | | | | 153,280 | 1,738 | 54 | |
| Miscellaneous | | | | | 142,360 | 206,105 | - | |
| Payments from Lancaster County | | | | | - | 10,581,673 | - | |
| Grants and contributions not restricted to specific programs | | | | | 1,317,854 | - | - | |
| Total general revenues | | | | | \$ 19,376,960 | \$ 10,789,516 | \$ 54 | |
| Change in net position | | | | | \$ 1,131,694 | \$ (34,250) | \$ (5,695) | |
| Net position - beginning, as restated | | | | | 4,987,474 | (5,395,050) | 121,857 | |
| Net position - ending | | | | | \$ 6,119,168 | \$ (5,429,300) | \$ 116,162 | |

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

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

| | <u>General</u> | <u>County Special Revenue</u> | <u>County Capital Projects</u> | <u>Total</u> |
|---|---------------------|---------------------------------------|--|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,498,102 | \$ 39,746 | \$ 643,210 | \$ 6,181,058 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 860,431 | - | - | 860,431 |
| Accounts receivable | 69,614 | - | - | 69,614 |
| Notes receivable | 17,905 | - | - | 17,905 |
| Due from other funds | 220,000 | - | - | 220,000 |
| Due from other governmental units | 725,915 | - | - | 725,915 |
| Restricted assets: | | | | |
| Temporarily restricted: | | | | |
| Cash and cash equivalents | - | - | 6,458,607 | 6,458,607 |
| Total assets | <u>\$ 7,391,967</u> | <u>\$ 39,746</u> | <u>\$ 7,101,817</u> | <u>\$ 14,533,530</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 325,481 | \$ - | \$ 399 | \$ 325,880 |
| Due to other funds | - | - | 220,000 | 220,000 |
| Due to other governmental units | 996,117 | - | - | 996,117 |
| Unearned revenue | - | 5,413 | - | 5,413 |
| Total liabilities | <u>\$ 1,321,598</u> | <u>\$ 5,413</u> | <u>\$ 220,399</u> | <u>\$ 1,547,410</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue - property taxes | \$ 776,602 | \$ - | \$ - | \$ 776,602 |
| Total deferred inflows of resources | <u>\$ 776,602</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 776,602</u> |
| Fund balances: | | | | |
| Restricted | \$ - | \$ 32,832 | \$ - | \$ 32,832 |
| Committed | - | 1,501 | 6,881,418 | 6,882,919 |
| Unassigned | 5,293,767 | - | - | 5,293,767 |
| Total fund balances | <u>\$ 5,293,767</u> | <u>\$ 34,333</u> | <u>\$ 6,881,418</u> | <u>\$ 12,209,518</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,391,967</u> | <u>\$ 39,746</u> | <u>\$ 7,101,817</u> | <u>\$ 14,533,530</u> |

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

County of Lancaster, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | |
|--|---------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 12,209,518 |
|--|---------------|

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 | \$ 15,941,805 | |
| Accumulated depreciation | <u>(6,972,359)</u> | 8,969,446 |

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

| | | |
|---|--------------------|-----------|
| Unavailable revenue - property taxes | \$ 750,676 | |
| Items related to measurement of net pension liability | <u>(1,016,877)</u> | (266,201) |

| | |
|--|---------|
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | 575,891 |
|--|---------|

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 | \$ (10,197,000) | |
| General obligations bond | (1,810,000) | |
| Capital lease | (84,580) | |
| Accrued interest payable | (128,114) | |
| Bond premium | (347,238) | |
| Net pension liability | (2,615,818) | |
| Compensated absences | <u>(186,736)</u> | (15,369,486) |

| | |
|---|----------------------------|
| Net position of governmental activities | <u><u>\$ 6,119,168</u></u> |
|---|----------------------------|

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, 2015

| | <u>General</u> | <u>County Special Revenue</u> | <u>County Capital Projects</u> | <u>Total</u> |
|--|----------------------|---------------------------------------|--|----------------------|
| REVENUES | | | | |
| General property taxes | \$ 15,927,308 | \$ - | \$ - | \$ 15,927,308 |
| Other local taxes | 1,936,429 | - | - | 1,936,429 |
| Permits, privilege fees, and regulatory licenses | 101,185 | - | - | 101,185 |
| Fines and forfeitures | 21,134 | - | - | 21,134 |
| Revenue from the use of money and property | 120,199 | 38 | 33,043 | 153,280 |
| Charges for services | 478,464 | - | - | 478,464 |
| Miscellaneous | 141,360 | - | 1,000 | 142,360 |
| Recovered costs | 25,541 | - | - | 25,541 |
| Intergovernmental: | | | | |
| Commonwealth | 3,833,674 | 4,236 | - | 3,837,910 |
| Federal | 820,042 | - | 212,096 | 1,032,138 |
| Total revenues | <u>\$ 23,405,336</u> | <u>\$ 4,274</u> | <u>\$ 246,139</u> | <u>\$ 23,655,749</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,539,813 | \$ - | \$ - | \$ 1,539,813 |
| Judicial administration | 694,752 | - | - | 694,752 |
| Public safety | 4,622,133 | - | - | 4,622,133 |
| Public works | 1,203,081 | - | - | 1,203,081 |
| Health and welfare | 2,565,290 | - | - | 2,565,290 |
| Education | 10,086,842 | - | - | 10,086,842 |
| Parks, recreation, and cultural | 183,454 | - | - | 183,454 |
| Community development | 476,841 | - | - | 476,841 |
| Capital projects | 475,708 | - | 222,752 | 698,460 |
| Debt service: | | | | |
| Principal retirement | 1,955,080 | - | - | 1,955,080 |
| Interest and other fiscal charges | 286,312 | - | 108,750 | 395,062 |
| Total expenditures | <u>\$ 24,089,306</u> | <u>\$ -</u> | <u>\$ 331,502</u> | <u>\$ 24,420,808</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (683,970)</u> | <u>\$ 4,274</u> | <u>\$ (85,363)</u> | <u>\$ (765,059)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 1,551,163 | \$ - | \$ - | \$ 1,551,163 |
| Transfers out | - | (1,200) | (1,549,963) | (1,551,163) |
| Issuance of bonds | 21,100 | - | 8,088,000 | 8,109,100 |
| Total other financing sources (uses) | <u>\$ 1,572,263</u> | <u>\$ (1,200)</u> | <u>\$ 6,538,037</u> | <u>\$ 8,109,100</u> |
| Net change in fund balances | \$ 888,293 | \$ 3,074 | \$ 6,452,674 | \$ 7,344,041 |
| Fund balances - beginning | 4,405,474 | 31,259 | 428,744 | 4,865,477 |
| Fund balances - ending | <u>\$ 5,293,767</u> | <u>\$ 34,333</u> | <u>\$ 6,881,418</u> | <u>\$ 12,209,518</u> |

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

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, 2015

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

Net change in fund balances - total governmental funds \$ 7,344,041

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 | \$ 690,136 | |
| Depreciation expense | (573,060) | |
| Transfer of joint tenancy assets to Component Unit from Primary Government | <u>(368,386)</u> | (251,310) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|--|--------------------|-------------|
| Property taxes | \$ (100,271) | |
| Decrease (increase) in items related to measurement of net pension liability | <u>(1,016,877)</u> | (1,117,148) |

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 | \$ 1,748,100 | |
| Principal retirement of school general obligation bond | 125,000 | |
| Principal retirement of capital lease | 81,980 | |
| Issuance of bonds | <u>(8,109,100)</u> | (6,154,020) |

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 | \$ 72,944 | |
| (Increase) decrease in compensated absences | (4,471) | |
| (Increase) decrease in net pension liability | 1,284,532 | |
| (Increase) decrease in deferred outflows related to pension payments subsequent to the measurement date | 13,097 | |
| (Increase) decrease in accrued interest payable | <u>(55,971)</u> | 1,310,131 |

| | | |
|---|--|----------------------------|
| Change in net position of governmental activities | | <u><u>\$ 1,131,694</u></u> |
|---|--|----------------------------|

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

County of Lancaster, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

| | Agency Fund |
|--|------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 17,937 |
| Receivables: | |
| Accounts receivable | 120 |
| Total assets | <u>\$ 18,057</u> |
| LIABILITIES | |
| Amounts held for social services clients | <u>\$ 18,057</u> |

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

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2015

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 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 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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, 2015.

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, 2015.

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, 2015. 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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 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. The County also reports the County Capital Projects Fund as a major Capital Projects 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. 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. Fiduciary funds are not included in the government-wide financial statements.

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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

F. Investments

Investments are reported at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

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

Investments for the government, as well as for its component unit, are reported at fair value.

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 \$242,932 at June 30, 2015 is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

| | <u>Real Property</u> | <u>Personal Property</u> |
|-----------|----------------------|--------------------------|
| 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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 estimated fair market 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.

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.

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

K. 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.

L. 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.

M. 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.

N. Deferred Outflows/Inflows of Resources

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

N. 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 two types of 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 liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

O. 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

O. 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: | | | | |
| Restricted: | | | | |
| Forfeited asset | \$ - | \$ 17,529 | \$ - | \$ 17,529 |
| Wetlands special project | - | 15,303 | - | 15,303 |
| Total Restricted Fund Balance | \$ - | \$ 32,832 | \$ - | \$ 32,832 |
| Committed: | | | | |
| Sheriff's K-9 Unit | \$ - | \$ 1,501 | \$ - | \$ 1,501 |
| Capital Improvements | - | - | 6,881,418 | 6,881,418 |
| Total Committed Fund Balance | \$ - | \$ 1,501 | \$ 6,881,418 | \$ 6,882,919 |
| Unassigned Fund Balance | \$ 5,293,767 | \$ - | \$ - | \$ 5,293,767 |
| Total Fund Balances | \$ 5,293,767 | \$ 34,333 | \$ 6,881,418 | \$ 12,209,518 |

P. 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

Q. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in a restatement of net position, reference Note 17.

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:

| | |
|------------------------------|-----------|
| General Fund | \$291,747 |
| County Capital Projects Fund | \$222,752 |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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, 2015 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

| County's Rated Debt Investments' Values | |
|---|----------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Rating</u> |
| | <u>AAAm</u> |
| Local Government Investment Pool | \$ 6,733 |
| State Non-Arbitrage Pool | <u>131,205</u> |
| Total | <u>\$ 137,938</u> |

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-ended management investment company registered with the Securities and Exchange Commission (SEC). The fair 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 the pool shares. As the LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 4—Due to/from Other Governments:

At June 30, 2015, the County has receivables from other governments as follows:

| | Primary Government | Component Unit School Board |
|---------------------------------------|-----------------------|-----------------------------------|
| Other Local Governments: | | |
| County of Lancaster | \$ - | \$ 996,117 |
| Town of Kilmarnock | 10,210 | - |
| Commonwealth of Virginia: | | |
| Local sales tax | 318,111 | - |
| Welfare | 31,970 | - |
| Local jails | 11,176 | - |
| State sales tax | - | 227,820 |
| VPSA technology | - | 80,000 |
| Constitutional officer reimbursements | 155,694 | - |
| Additional tax on deeds | 3,981 | - |
| Recordation tax | 12,536 | - |
| Auto rental tax | 923 | - |
| Comprehensive services act | 55,926 | - |
| E-911 wireless | 7,063 | - |
| Communications tax | 54,213 | - |
| VHDA fees | 2,205 | - |
| Federal Government: | | |
| School fund grants | - | 290,250 |
| Emergency management | 2,047 | - |
| Welfare | 59,860 | - |
| Total due from other governments | <u>\$ 725,915</u> | <u>\$ 1,594,187</u> |

At June 30, 2015, amounts due to other local governments are as follows:

| | | |
|-------------------------------|-------------------|-------------|
| Other Local Governments: | | |
| Lancaster County School Board | \$ <u>996,117</u> | \$ <u>-</u> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---|-------------------------|-------------|------------|--------------------------|
| <i>Primary Government:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 883,755 | \$ - | \$ - | \$ 883,755 |
| Construction in progress | - | 132,393 | - | 132,393 |
| Total capital assets not subject to depreciation | \$ 883,755 | \$ 132,393 | \$ - | \$ 1,016,148 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 7,611,330 | \$ 113,029 | \$ - | \$ 7,724,359 |
| Machinery and equipment | 2,894,794 | 150,045 | - | 3,044,839 |
| Jointly owned assets | 4,402,808 | 294,669 | 541,018 | 4,156,459 |
| Total capital assets subject to depreciation | \$ 14,908,932 | \$ 557,743 | \$ 541,018 | \$ 14,925,657 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 1,860,405 | \$ 213,564 | \$ - | \$ 2,073,969 |
| Machinery and equipment | 2,410,279 | 226,234 | - | 2,636,513 |
| Jointly owned assets | 2,301,247 | 133,262 | 172,632 | 2,261,877 |
| Total accumulated depreciation | \$ 6,571,931 | \$ 573,060 | \$ 172,632 | \$ 6,972,359 |
| Total capital assets subject to depreciation, net | \$ 8,337,001 | \$ (15,317) | \$ 368,386 | \$ 7,953,298 |
| Governmental activities capital assets, net | \$ 9,220,756 | \$ 117,076 | \$ 368,386 | \$ 8,969,446 |

The remainder of this page left blank intentionally.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---|-------------------------|--------------|--------------|--------------------------|
| <i>Component Unit-School Board:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 6,271 | \$ - | \$ - | \$ 6,271 |
| Total capital assets not subject to depreciation | \$ 6,271 | \$ - | \$ - | \$ 6,271 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 51,100 | \$ - | \$ - | \$ 51,100 |
| Machinery and equipment | 4,279,240 | 28,000 | 114,882 | 4,192,358 |
| Jointly owned assets | 13,900,583 | - | (541,018) | 14,441,601 |
| Total capital assets subject to depreciation | \$ 18,230,923 | \$ 28,000 | \$ (426,136) | \$ 18,685,059 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 11,970 | \$ 3,394 | \$ - | \$ 15,364 |
| Machinery and equipment | 2,755,274 | 254,331 | 114,882 | 2,894,723 |
| Jointly owned assets | 7,265,519 | 420,737 | (172,632) | 7,858,888 |
| Total accumulated depreciation | \$ 10,032,763 | \$ 678,462 | \$ (57,750) | \$ 10,768,975 |
| Total capital assets subject to depreciation, net | \$ 8,198,160 | \$ (650,462) | \$ (368,386) | \$ 7,916,084 |
| Component unit school board capital assets, net | \$ 8,204,431 | \$ (650,462) | \$ (368,386) | \$ 7,922,355 |

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

| | |
|-----------------------------------|----------|
| General government administration | \$ 6,314 |
| Judicial administration | 140,190 |
| Public safety | 233,684 |
| Public works | 31,698 |
| Health and welfare | 27,912 |
| Education | 133,262 |

Total Governmental activities

\$ 573,060

Component Unit School Board

\$ 678,462

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| Primary Government: | | |
| General Fund | \$ 1,551,163 | \$ - |
| County capital projects fund | - | 1,549,963 |
| County special revenue fund | - | 1,200 |
| Total | <u>\$ 1,551,163</u> | <u>\$ 1,551,163</u> |

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.

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2015:

| | <u>Restated Balance at July 1, 2014</u> | <u>Issuances/ Increases</u> | <u>Retirements/ Decreases</u> | <u>Balance at June 30, 2015</u> | <u>Amounts Due Within One Year</u> |
|---|---|---------------------------------|-----------------------------------|-------------------------------------|--|
| Governmental Activities Obligations: | | | | | |
| Incurred by County: | | | | | |
| Compensated absences | \$ 182,265 | \$ 22,698 | \$ 18,227 | \$ 186,736 | \$ 18,674 |
| Net pension liability | 3,900,350 | 1,779,275 | 3,063,807 | 2,615,818 | - |
| Lease revenue bonds | 3,836,000 | 8,109,100 | 1,748,100 | 10,197,000 | 1,437,000 |
| Total incurred by County | <u>\$ 7,918,615</u> | <u>\$ 9,911,073</u> | <u>\$ 4,830,134</u> | <u>\$ 12,999,554</u> | <u>\$ 1,455,674</u> |
| Incurred by School Board: | | | | | |
| General obligation bond | \$ 1,935,000 | \$ - | \$ 125,000 | \$ 1,810,000 | \$ 130,000 |
| Bond premium | 420,182 | - | 72,944 | 347,238 | - |
| Capital lease (Note 8) | 166,560 | - | 81,980 | 84,580 | 84,580 |
| Total incurred by School Board | <u>\$ 2,521,742</u> | <u>\$ -</u> | <u>\$ 279,924</u> | <u>\$ 2,241,818</u> | <u>\$ 214,580</u> |
| Total Governmental Activities Obligations | <u>\$ 10,440,357</u> | <u>\$ 9,911,073</u> | <u>\$ 5,110,058</u> | <u>\$ 15,241,372</u> | <u>\$ 1,670,254</u> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

| Year Ending June 30 | County Obligations | |
|------------------------|----------------------|---------------------|
| | Lease | |
| | Revenue Bonds | |
| | Principal | Interest |
| 2016 | \$ 1,437,000 | \$ 256,592 |
| 2017 | 1,475,000 | 213,761 |
| 2018 | 1,525,000 | 169,356 |
| 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 | <u>\$ 10,197,000</u> | <u>\$ 1,113,001</u> |

The remainder of this page left blank intentionally.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

| Year Ending June 30 | School Obligations | |
|------------------------|---------------------|-------------------|
| | General Obligation | |
| | Bond | |
| | Principal | Interest |
| 2016 | \$ 130,000 | \$ 88,769 |
| 2017 | 135,000 | 82,529 |
| 2018 | 140,000 | 75,854 |
| 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 | <u>\$ 1,810,000</u> | <u>\$ 552,885</u> |

Details of long-term indebtedness:

Incurred by County:

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

\$ 2,345,000

\$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%

7,107,000

\$981,000 lease revenue bond issued September 26, 2014 due in annual installments of varying amounts through January 15, 2018, with interest rate

745,000

Total Revenue Bonds

\$ 10,197,000

Compensated absences (payable from General Fund)

\$ 186,736

Net pension liability

\$ 2,615,818

Total incurred by County

\$ 12,999,554

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness: (Continued)

| | Total Amount |
|--|-----------------|
| <u>Incurred by School Board:</u> | |
| 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%. | \$ 1,810,000 |
| Bond premium | \$ 347,238 |
| Capital Lease (Note 8) | \$ 84,580 |
| Total incurred by School Board | \$ 2,241,818 |
| Total Long-Term Obligations, Primary Government | \$ 15,241,372 |

Component Unit - School Board:

| | Restated Balance at July 1, 2014 | Increases | Decreases | Balance at June 30, 2015 | Amounts Due Within One Year |
|-----------------------------------|--|--------------|--------------|-----------------------------|-----------------------------------|
| Component Unit-School Board: | | | | | |
| Compensated absences | \$ 336,889 | \$ 14,190 | \$ 33,689 | \$ 317,390 | \$ 31,739 |
| Net pension liability | 14,297,910 | 1,217,888 | 3,143,955 | 12,371,843 | - |
| Total Component Unit-School Board | \$ 14,634,799 | \$ 1,232,078 | \$ 3,177,644 | \$ 12,689,233 | \$ 31,739 |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 8—Capital Lease:

The government has entered into a lease agreement as lessee for financing the acquisition of energy efficiency upgrades for the component unit-school board's schools with a down payment of \$1. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

| | Primary Government (Incurred by School Board) |
|--------------------------------|--|
| Asset: | |
| Buildings and improvements | \$ 1,079,090 |
| Less: accumulated depreciation | (984,686) |
| Total | <u>\$ 94,404</u> |

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, are as follows:

| Year Ended June 30 | Primary Government (Incurred by School Board) |
|---|--|
| 2016 | <u>\$ 87,395</u> |
| Total minimum lease payments | \$ 87,395 |
| Less: amount representing interest | <u>(2,815)</u> |
| Present value of minimum lease payments | <u>\$ 84,580</u> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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. 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 \$750,676 at June 30, 2015.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$25,926 at June 30, 2015.

Deferred Revenue - Deferred revenue representing prepaid taxes due subsequent to June 30, 2015 totaled \$25,926.

Unearned Revenue - Other miscellaneous unearned revenue items totaled \$34,213, of which \$5,413 are related to asset forfeiture grant funds and \$28,800 are related to school grant funds.

Note 10—Contingent Liabilities:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Litigation:

At June 30, 2015, 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.

The remainder of this page left blank intentionally

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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.

The remainder of this page left blank intentionally.

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 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 a 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 |
| <p>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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>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. Employees are eligible for 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.</p> | <p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| About Plan 1 (Cont.) | About Plan 2 (Cont.) | About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> • 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. |
| <p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> | <p>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.</p> | <p>*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.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> | <p>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.</p> |

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Vesting (Cont.) | Vesting (Cont.) | <p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> 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.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p> |
| <p>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.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Calculating the Benefit (Cont.) 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.</p> | <p>Calculating the Benefit (Cont.)</p> | <p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> 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.</p> |
| <p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> |
| <p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p> | <p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p> | <p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p> | <p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>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.</p> <p>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.</p> | <p>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.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>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.</p> | <p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><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.</p> <p>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.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><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:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p>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.</p> <p>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.</p> |
| <p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p> |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 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 | 50 | 21 |
| Inactive members: | | |
| Vested inactive members | 8 | 1 |
| Non-vested inactive members | 10 | 17 |
| Inactive members active elsewhere in VRS | 35 | 8 |
| Total inactive members | 53 | 26 |
| Active members | 93 | 48 |
| Total covered employees | 196 | 95 |

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 contribution rate for the year ended June 30, 2015 was 12.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 County were \$575,891 and \$562,794 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 10.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$90,334 and \$95,208 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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, 2013, 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, 2014.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.35% |
| Investment rate of return | 7.0%, net of pension plan investment expense, 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: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 4.75% |
| Investment rate of return | 7.0%, net of pension plan investment expense, 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.

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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 |
|---------------------------|----------------------|---|--|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | <u>100.00%</u> | | <u>5.83%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic nominal return | <u>8.33%</u> |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 13—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, 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, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | Primary Government Increase (Decrease) | | |
|--|---|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2013 | \$ 18,269,086 | \$ 14,368,736 | \$ 3,900,350 |
| Changes for the year: | | | |
| Service cost | \$ 513,722 | \$ - | \$ 513,722 |
| Interest | 1,253,422 | - | 1,253,422 |
| Contributions - employer | - | 562,794 | (562,794) |
| Contributions - employee | - | 222,340 | (222,340) |
| Net investment income | - | 2,278,553 | (2,278,553) |
| Benefit payments, including refunds of employee contributions | (726,122) | (726,122) | - |
| Administrative expenses | - | (12,131) | 12,131 |
| Other changes | - | 120 | (120) |
| Net changes | \$ 1,041,022 | \$ 2,325,554 | \$ (1,284,532) |
| Balances at June 30, 2014 | \$ 19,310,108 | \$ 16,694,290 | \$ 2,615,818 |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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, 2013 | \$ 2,729,878 | \$ 2,131,968 | \$ 597,910 |
| Changes for the year: | | | |
| Service cost | \$ 94,669 | \$ - | \$ 94,669 |
| Interest | 187,434 | - | 187,434 |
| Contributions - employer | - | 95,208 | (95,208) |
| Contributions - employee | - | 38,144 | (38,144) |
| Net investment income | - | 338,585 | (338,585) |
| Benefit payments, including refunds of employee contributions | (104,491) | (104,491) | - |
| Administrative expenses | - | (1,785) | 1,785 |
| Other changes | - | 18 | (18) |
| Net changes | \$ 177,612 | \$ 365,679 | \$ (188,067) |
| Balances at June 30, 2014 | \$ 2,907,490 | \$ 2,497,647 | \$ 409,843 |

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 | | |
|---|--------------|--------------|------------|
| | (6.00%) | (7.00%) | (8.00%) |
| County | | | |
| Net Pension Liability (Asset) | \$ 4,917,761 | \$ 2,615,818 | \$ 681,860 |
| Component Unit School Board (nonprofessional) | | | |
| Net Pension Liability (Asset) | \$ 774,917 | \$ 409,843 | \$ 102,828 |

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$295,139 and \$57,860 respectively. At June 30, 2015, 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 |
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 1,016,877 | \$ - | \$ 150,719 |
| Employer contributions subsequent to the measurement date | 575,891 | - | 90,334 | - |
| Total | <u>\$ 575,891</u> | <u>\$ 1,016,877</u> | <u>\$ 90,334</u> | <u>\$ 150,719</u> |

\$575,891 and \$90,334 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | Primary Government | Component Unit School Board (nonprofessional) |
|--------------------|--------------------|---|
| 2016 | \$ (254,219) | \$ (37,680) |
| 2017 | (254,219) | (37,680) |
| 2018 | (254,219) | (37,680) |
| 2019 | (254,220) | (37,679) |
| 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 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$1,140,132 and \$844,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$11,960,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.09898% as compared to 0.09945% at June 30, 2013.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

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, 2015, the school division recognized pension expense of 934,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 1,775,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 53,000 |
| Employer contributions subsequent to the measurement date | <u>1,140,132</u> | <u>-</u> |
| Total | <u>\$ 1,140,132</u> | <u>\$ 1,828,000</u> |

\$1,140,132 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30</u> | |
|---------------------------|--------------|
| 2016 | \$ (456,000) |
| 2017 | (456,000) |
| 2018 | (456,000) |
| 2019 | (456,000) |
| Thereafter | (4,000) |

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, 2013, 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, 2014.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.95% |
| Investment rate of return | 7.0%, net of pension plan investment expense, 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-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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 |
|---------------------------|----------------------|---|--|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 8.33% |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, 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, 2018, 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, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | Rate | | |
|---|---------------|---------------|-----------|
| | (6.00%) | (7.00%) | (8.00%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan | | | |
| Net Pension Liability (Asset) \$ | 17,564,000 \$ | 11,962,000 \$ | 7,349,000 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

Note 14–Surety Bonds:

| | <u>Amount</u> |
|--|---------------|
| Division of Risk Management Surety Bond: | |
| Commonwealth Funds | |
| Diane H. Mumford, Clerk of the Circuit Court | \$ 110,000 |
| Bonnie J. D. Haynie, Treasurer | 400,000 |
| George E. Thomas, Jr., Commissioner of the Revenue | 3,000 |
| Ronald D. Crockett, 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 | 1,000,000 |

Note 15–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 \$37,846, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 16–Other Postemployment Benefits - Health Insurance Credit:

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 16-Other Postemployment Benefits - Health Insurance Credit:

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were \$77,841, \$80,195, and \$77,223, respectively and equaled the required contributions for each year.

Note 17-Restatement of Net Position:

The following adjustments were made to beginning net position:

| | <u>Governmental Activities</u> | <u>Component-Unit School Board</u> |
|-------------------------------------|------------------------------------|--|
| Net position as previously reported | \$ 8,325,030 | \$ 7,963,652 |
| Implementation of GASB 68: | | |
| Deferred outflows of resources | 562,794 | 939,208 |
| Net pension liability | <u>(3,900,350)</u> | <u>(14,297,910)</u> |
| Net position as restated | <u>\$ 4,987,474</u> | <u>\$ (5,395,050)</u> |

Note 18-Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by Statement 68 are effective for financial employers

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2015

Note 18-Upcoming Pronouncements: (Continued)

and governmental nonemployer contributing entities for pensions that are not within the scope of statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 14,971,000 | \$ 14,971,000 | \$ 15,927,308 | \$ 956,308 |
| Other local taxes | 2,083,000 | 2,083,000 | 1,936,429 | (146,571) |
| Permits, privilege fees, and regulatory licenses | 117,700 | 117,700 | 101,185 | (16,515) |
| Fines and forfeitures | 20,000 | 20,000 | 21,134 | 1,134 |
| Revenue from the use of money and property | 95,000 | 95,000 | 120,199 | 25,199 |
| Charges for services | 396,900 | 396,900 | 478,464 | 81,564 |
| Miscellaneous | 40,000 | 40,000 | 141,360 | 101,360 |
| Recovered costs | 28,100 | 28,100 | 25,541 | (2,559) |
| Intergovernmental: | | | | |
| Commonwealth | 3,967,408 | 3,967,408 | 3,833,674 | (133,734) |
| Federal | 588,060 | 588,060 | 820,042 | 231,982 |
| Total revenues | \$ 22,307,168 | \$ 22,307,168 | \$ 23,405,336 | \$ 1,098,168 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,318,962 | \$ 1,318,962 | \$ 1,539,813 | \$ (220,851) |
| Judicial administration | 707,114 | 707,114 | 694,752 | 12,362 |
| Public safety | 4,547,796 | 4,548,996 | 4,622,133 | (73,137) |
| Public works | 1,159,362 | 1,159,362 | 1,203,081 | (43,719) |
| Health and welfare | 2,537,916 | 2,537,916 | 2,565,290 | (27,374) |
| Education | 10,546,694 | 10,625,838 | 10,086,842 | 538,996 |
| Parks, recreation, and cultural | 182,595 | 182,595 | 183,454 | (859) |
| Community development | 476,699 | 476,699 | 476,841 | (142) |
| Capital projects | 66,925 | 66,925 | 475,708 | (408,783) |
| Debt service: | | | | |
| Principal retirement | 954,991 | 1,915,991 | 1,955,080 | (39,089) |
| Interest and other fiscal charges | 257,161 | 257,161 | 286,312 | (29,151) |
| Total expenditures | \$ 22,756,215 | \$ 23,797,559 | \$ 24,089,306 | \$ (291,747) |
| Excess (deficiency) of revenues over (under) expenditures | | | | |
| | \$ (449,047) | \$ (1,490,391) | \$ (683,970) | \$ 806,421 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ 941,100 | \$ 1,551,163 | \$ 610,063 |
| Issuance of bonds | - | 21,100 | 21,100 | - |
| Total other financing sources (uses) | \$ - | \$ 962,200 | \$ 1,572,263 | \$ 610,063 |
| Net change in fund balances | | | | |
| | \$ (449,047) | \$ (528,191) | \$ 888,293 | \$ 1,416,484 |
| Fund balances - beginning | 449,047 | 528,191 | 4,405,474 | 3,877,283 |
| Fund balances - ending | \$ - | \$ - | \$ 5,293,767 | \$ 5,293,767 |

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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|--------------|----------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 38 | \$ 38 |
| Intergovernmental: | | | | |
| Commonwealth | - | - | 4,236 | 4,236 |
| Total revenues | \$ - | \$ - | \$ 4,274 | \$ 4,274 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ 4,274 | \$ 4,274 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ (1,200) | \$ (1,200) |
| Total other financing sources (uses) | \$ - | \$ - | \$ (1,200) | \$ (1,200) |
| Net change in fund balances | \$ - | \$ - | \$ 3,074 | \$ 3,074 |
| Fund balances - beginning | - | - | 31,259 | 31,259 |
| Fund balances - ending | \$ - | \$ - | \$ 34,333 | \$ 34,333 |

County of Lancaster, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2015

| | <u>2014</u> |
|--|----------------------|
| Total pension liability | |
| Service cost | \$ 513,722 |
| Interest | 1,253,422 |
| Benefit payments, including refunds of employee contributions | (726,122) |
| Net change in total pension liability | \$ 1,041,022 |
| Total pension liability - beginning | 18,269,086 |
| Total pension liability - ending (a) | <u>\$ 19,310,108</u> |
| Plan fiduciary net position | |
| Contributions - employer | \$ 562,794 |
| Contributions - employee | 222,340 |
| Net investment income | 2,278,553 |
| Benefit payments, including refunds of employee contributions | (726,122) |
| Administrative expense | (12,131) |
| Other | 120 |
| Net change in plan fiduciary net position | \$ 2,325,554 |
| Plan fiduciary net position - beginning | 14,368,736 |
| Plan fiduciary net position - ending (b) | <u>\$ 16,694,290</u> |
| County's net pension liability - ending (a) - (b) | \$ 2,615,818 |
| Plan fiduciary net position as a percentage of the total pension liability | 86.45% |
| Covered-employee payroll | \$ 4,300,610 |
| County's net pension liability as a percentage of covered-employee payroll | 60.82% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Lancaster, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2015

| | 2014 |
|---|--------------|
| Total pension liability | |
| Service cost | \$ 94,669 |
| Interest | 187,434 |
| Benefit payments, including refunds of employee contributions | (104,491) |
| Net change in total pension liability | \$ 177,612 |
| Total pension liability - beginning | 2,729,878 |
| Total pension liability - ending (a) | \$ 2,907,490 |
| Plan fiduciary net position | |
| Contributions - employer | \$ 95,208 |
| Contributions - employee | 38,144 |
| Net investment income | 338,585 |
| Benefit payments, including refunds of employee contributions | (104,491) |
| Administrative expense | (1,785) |
| Other | 18 |
| Net change in plan fiduciary net position | \$ 365,679 |
| Plan fiduciary net position - beginning | 2,131,968 |
| Plan fiduciary net position - ending (b) | \$ 2,497,647 |
| School Division's net pension liability - ending (a) - (b) | \$ 409,843 |
| Plan fiduciary net position as a percentage of the total pension liability | 85.90% |
| Covered-employee payroll | \$ 747,441 |
| School Division's net pension liability as a percentage of covered-employee payroll | 54.83% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Lancaster, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Year Ended June 30, 2015*

| | <u>2015</u> |
|--|---------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.09898% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 11,962,000 |
| Employer's Covered-Employee Payroll | 7,862,979 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 152.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 70.88% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

County of Lancaster, Virginia
 Schedule of Employer Contributions
 For the Year Ended June 30, 2015

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|---|--|---|---|---|---|
| Primary Government | | | | | |
| 2015 | \$ 575,891 | \$ 575,891 | \$ - | \$ 4,471,202 | 12.88% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2015 | \$ 90,334 | \$ 90,334 | \$ - | \$ 841,096 | 10.74% |
| Component Unit School Board (professional) | | | | | |
| 2015 | \$ 1,140,132 | \$ 1,140,132 | \$ - | \$ 7,862,979 | 14.50% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Lancaster, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

THIS PAGE LEFT BLANK INTENTIONALLY

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 5,000 | \$ 5,000 | \$ 33,043 | \$ 28,043 |
| Miscellaneous | - | - | 1,000 | 1,000 |
| Intergovernmental: | | | | |
| Federal | - | - | 212,096 | 212,096 |
| Total revenues | <u>\$ 5,000</u> | <u>\$ 5,000</u> | <u>\$ 246,139</u> | <u>\$ 241,139</u> |
| EXPENDITURES | | | | |
| Capital projects | \$ - | \$ - | \$ 222,752 | \$ (222,752) |
| Debt service: | | | | |
| Bond issuance costs | - | 108,750 | 108,750 | - |
| Total expenditures | <u>\$ -</u> | <u>\$ 108,750</u> | <u>\$ 331,502</u> | <u>\$ (222,752)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 5,000</u> | <u>\$ (103,750)</u> | <u>\$ (85,363)</u> | <u>\$ 18,387</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ (939,900) | \$ (1,549,963) | \$ (610,063) |
| Issuance of bonds | - | 8,088,000 | 8,088,000 | - |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ 7,148,100</u> | <u>\$ 6,538,037</u> | <u>\$ (610,063)</u> |
| Net change in fund balances | \$ 5,000 | \$ 7,044,350 | \$ 6,452,674 | \$ (591,676) |
| Fund balances - beginning | (5,000) | (7,044,350) | 428,744 | 7,473,094 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,881,418</u> | <u>\$ 6,881,418</u> |

County of Lancaster, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

| | <u>Agency Fund</u> |
|--|----------------------------|
| | <u>Special Welfare</u> |
| ASSETS | |
| Cash and cash equivalents | \$ 17,937 |
| Receivables: | |
| Accounts receivable | 120 |
| Total assets | <u>\$ 18,057</u> |
| LIABILITIES | |
| Amounts held for social services clients | \$ 18,057 |
| Total liabilities | <u>\$ 18,057</u> |

County of Lancaster, Virginia
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2015

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|--|---------------------------------|-----------------|------------------|---------------------------|
| Special Welfare Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 17,609 | \$ 6,639 | \$ 6,311 | \$ 17,937 |
| Accounts receivable | 4,757 | - | 4,637 | 120 |
| Total assets | <u>\$ 22,366</u> | <u>\$ 6,639</u> | <u>\$ 10,948</u> | <u>\$ 18,057</u> |
| Liabilities: | | | | |
| Amounts held for social services clients | <u>\$ 22,366</u> | <u>\$ 6,639</u> | <u>\$ 10,948</u> | <u>\$ 18,057</u> |

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2015

| | School Operating <u>Fund</u> | School Cafeteria <u>Fund</u> | Total Governmental <u>Funds</u> |
|--|------------------------------------|------------------------------------|---------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 115,860 | \$ 115,860 |
| Due from other funds | 19,763 | - | 19,763 |
| Due from other governmental units | 1,571,246 | 22,941 | 1,594,187 |
| Total assets | <u>\$ 1,591,009</u> | <u>\$ 138,801</u> | <u>\$ 1,729,810</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 137,003 | \$ - | \$ 137,003 |
| Accrued liabilities | 1,425,206 | 33,207 | 1,458,413 |
| Due to other funds | - | 19,763 | 19,763 |
| Unearned revenue | 28,800 | - | 28,800 |
| Total liabilities | <u>\$ 1,591,009</u> | <u>\$ 52,970</u> | <u>\$ 1,643,979</u> |
| Fund balances: | | | |
| Committed | \$ - | \$ 85,831 | \$ 85,831 |
| Total fund balances | <u>\$ -</u> | <u>\$ 85,831</u> | <u>\$ 85,831</u> |
| Total liabilities and fund balances | <u>\$ 1,591,009</u> | <u>\$ 138,801</u> | <u>\$ 1,729,810</u> |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because: | | | |
| Total fund balances per above | | | \$ 85,831 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | |
| Capital assets, cost | | \$ 18,691,330 | |
| Accumulated depreciation | | <u>(10,768,975)</u> | 7,922,355 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | | |
| Items related to measurement of net pension liability | | | (1,978,719) |
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | | | |
| | | | 1,230,466 |
| 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 | | \$ (317,390) | |
| Net pension liability | | <u>(12,371,843)</u> | (12,689,233) |
| Net position of governmental activities | | | <u>\$ (5,429,300)</u> |

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, 2015

| | School Operating Fund | School Cafeteria Fund | Total Governmental Funds |
|---|-----------------------------|-----------------------------|--------------------------------|
| REVENUES | | | |
| Revenue from the use of money and property | \$ 1,387 | \$ 351 | \$ 1,738 |
| Charges for services | 5,050 | 99,735 | 104,785 |
| Miscellaneous | 206,055 | 50 | 206,105 |
| Recovered costs | 170,915 | - | 170,915 |
| Intergovernmental: | | | |
| Local government | 10,080,025 | - | 10,080,025 |
| Commonwealth | 3,341,504 | 7,034 | 3,348,538 |
| Federal | 997,418 | 450,932 | 1,448,350 |
| Total revenues | <u>\$ 14,802,354</u> | <u>\$ 558,102</u> | <u>\$ 15,360,456</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Education | \$ 14,802,354 | \$ 568,381 | \$ 15,370,735 |
| Total expenditures | <u>\$ 14,802,354</u> | <u>\$ 568,381</u> | <u>\$ 15,370,735</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (10,279)</u> | <u>\$ (10,279)</u> |
| Net change in fund balances | \$ - | \$ (10,279) | \$ (10,279) |
| Fund balances - beginning | - | 96,110 | 96,110 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 85,831</u> | <u>\$ 85,831</u> |

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

Net change in fund balances - total governmental funds - per above \$ (10,279)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

| | | |
|--|----------------|-----------|
| Capital asset additions | \$ 28,000 | |
| Depreciation expense | (678,462) | |
| Transfer of joint tenancy assets to Component Unit from Primary Government | <u>368,386</u> | (282,076) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Increase) decrease in items related to measurement of net pension liability (1,978,719)

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. This adjustment represents the net change in compensated absences.

| | | |
|---|------------------|-----------|
| (Increase) decrease in compensated absences | \$ 19,499 | |
| Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date | 291,258 | |
| (Increase) decrease in net pension liability | <u>1,926,067</u> | 2,236,824 |

Change in net position of governmental activities \$ (34,250)

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, 2015

| | School Operating Fund | | | | School Cafeteria Fund | | | |
|---|-----------------------|---------------|---|--------------|-----------------------|------------|---|-------------|
| | Budgeted Amounts | | Actual | | Budgeted Amounts | | Actual | |
| | Original | Final | | | Original | Final | | |
| | | | Variance with Final Budget Positive (Negative) | | | | Variance with Final Budget Positive (Negative) | |
| REVENUES | | | | | | | | |
| Revenue from the use of money and property | \$ 2,500 | \$ 2,500 | \$ 1,387 | \$ (1,113) | \$ - | \$ - | \$ 351 | \$ 351 |
| Charges for services | 5,960 | 5,960 | 5,050 | (910) | 141,050 | 141,050 | 99,735 | (41,315) |
| Miscellaneous | 151,144 | 204,737 | 206,055 | 1,318 | - | - | 50 | 50 |
| Recovered costs | 85,000 | 85,000 | 170,915 | 85,915 | - | - | - | - |
| Intergovernmental: | | | | | | | | |
| Local government | 10,539,877 | 10,619,021 | 10,080,025 | (538,996) | - | - | - | - |
| Commonwealth | 3,462,754 | 3,542,754 | 3,341,504 | (201,250) | 9,000 | 9,000 | 7,034 | (1,966) |
| Federal | 853,098 | 1,117,598 | 997,418 | (120,180) | 466,550 | 501,233 | 450,932 | (50,301) |
| Total revenues | \$ 15,100,333 | \$ 15,577,570 | \$ 14,802,354 | \$ (775,216) | \$ 616,600 | \$ 651,283 | \$ 558,102 | \$ (93,181) |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Education | \$ 15,100,333 | \$ 15,577,570 | \$ 14,802,354 | \$ 775,216 | \$ 616,600 | \$ 651,283 | \$ 568,381 | \$ 82,902 |
| Total expenditures | \$ 15,100,333 | \$ 15,577,570 | \$ 14,802,354 | \$ 775,216 | \$ 616,600 | \$ 651,283 | \$ 568,381 | \$ 82,902 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (10,279) | \$ (10,279) |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (10,279) | \$ (10,279) |
| Fund balances - beginning | - | - | - | - | - | - | 96,110 | 96,110 |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 85,831 | \$ 85,831 |

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2015

ASSETS

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 116,162 |
| Total assets | <u>\$ 116,162</u> |

NET POSITION

| | |
|--------------------|--------------------------|
| Unrestricted | \$ 116,162 |
| Total net position | <u><u>\$ 116,162</u></u> |

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, 2015

OPERATING REVENUES

Charges for services:

| | |
|--------------------------|------------------|
| Bond fees | \$ 42,376 |
| Total operating revenues | <u>\$ 42,376</u> |

OPERATING EXPENSES

| | |
|--------------------------|------------------|
| Other expenses | \$ 48,125 |
| Total operating expenses | <u>\$ 48,125</u> |

| | |
|-------------------------|-------------------|
| Operating income (loss) | <u>\$ (5,749)</u> |
|-------------------------|-------------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|-----------------|--------------|
| Interest income | <u>\$ 54</u> |
|-----------------|--------------|

| | |
|--|--------------|
| Total nonoperating revenues (expenses) | <u>\$ 54</u> |
|--|--------------|

| | |
|------------------------|------------|
| Change in net position | \$ (5,695) |
|------------------------|------------|

| | |
|--------------------------------|--------------------------|
| Total net position - beginning | 121,857 |
| Total net position - ending | <u><u>\$ 116,162</u></u> |

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------------|
| Receipts from customers and users | \$ 42,376 |
| Payments for operating activities | (48,125) |
| Net cash provided by (used for) operating activities | <u>\$ (5,749)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------|
| Interest income | <u>\$ 54</u> |
| Net cash provided by (used for) investing activities | <u>\$ 54</u> |

| | |
|--|------------|
| Net increase (decrease) in cash and cash equivalents | \$ (5,695) |
|--|------------|

| | |
|---------------------------------------|--------------------------|
| Cash and cash equivalents - beginning | 121,857 |
| Cash and cash equivalents - ending | <u><u>\$ 116,162</u></u> |

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPORTING SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 1 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 12,650,000 | \$ 12,650,000 | \$ 13,480,655 | \$ 830,655 |
| Real and personal public service corporation taxes | 230,000 | 230,000 | 310,946 | 80,946 |
| Personal property taxes | 1,750,000 | 1,750,000 | 1,703,642 | (46,358) |
| Mobile home taxes | 25,000 | 25,000 | 27,088 | 2,088 |
| Machinery and tools taxes | 11,000 | 11,000 | 5,031 | (5,969) |
| Merchant's capital taxes | 110,000 | 110,000 | 112,413 | 2,413 |
| Penalties | 150,000 | 150,000 | 220,719 | 70,719 |
| Interest | 45,000 | 45,000 | 66,814 | 21,814 |
| Total general property taxes | \$ 14,971,000 | \$ 14,971,000 | \$ 15,927,308 | \$ 956,308 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 1,650,000 | \$ 1,650,000 | \$ 1,518,641 | \$ (131,359) |
| Consumption tax | 40,000 | 40,000 | 44,790 | 4,790 |
| Motor vehicle licenses | 200,000 | 200,000 | 196,255 | (3,745) |
| Bank stock taxes | 23,000 | 23,000 | 29,227 | 6,227 |
| Taxes on recordation and wills | 170,000 | 170,000 | 147,516 | (22,484) |
| Total other local taxes | \$ 2,083,000 | \$ 2,083,000 | \$ 1,936,429 | \$ (146,571) |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 6,500 | \$ 6,500 | \$ 5,498 | \$ (1,002) |
| Land use application fees | 1,000 | 1,000 | 400 | (600) |
| Transfer fees | 1,000 | 1,000 | 594 | (406) |
| Permits and other licenses | 109,200 | 109,200 | 94,693 | (14,507) |
| Total permits, privilege fees, and regulatory licenses | \$ 117,700 | \$ 117,700 | \$ 101,185 | \$ (16,515) |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 20,000 | \$ 20,000 | \$ 21,134 | \$ 1,134 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 40,000 | \$ 40,000 | \$ 47,918 | \$ 7,918 |
| Revenue from use of property | 55,000 | 55,000 | 72,281 | 17,281 |
| Total revenue from use of money and property | \$ 95,000 | \$ 95,000 | \$ 120,199 | \$ 25,199 |
| Charges for services: | | | | |
| Courthouses maintenance fees | \$ 2,500 | \$ 2,500 | \$ 2,443 | \$ (57) |
| Charges for Commonwealth's Attorney | 1,300 | 1,300 | 1,301 | 1 |
| Charges for correction and detention | 5,000 | 5,000 | 3,151 | (1,849) |
| Charges for other protection | 4,000 | 4,000 | 2,367 | (1,633) |
| Sheriff's fees | 1,000 | 1,000 | 1,613 | 613 |
| Charges for sanitation and waste removal | 10,000 | 10,000 | 7,393 | (2,607) |
| Charges for planning and community development | 100 | 100 | 90 | (10) |

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 2 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Charges for services: (Continued) | | | | |
| Charges for ambulance and rescue services | \$ 360,000 | \$ 360,000 | \$ 444,310 | \$ 84,310 |
| Court fees | 13,000 | 13,000 | 13,276 | 276 |
| Charges for education | - | - | 2,520 | 2,520 |
| Total charges for services | \$ 396,900 | \$ 396,900 | \$ 478,464 | \$ 81,564 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 40,000 | \$ 40,000 | \$ 141,360 | \$ 101,360 |
| Recovered costs: | | | | |
| Tri-county landfill | \$ 1,000 | \$ 1,000 | \$ - | \$ (1,000) |
| VHDA | 27,000 | 27,000 | 25,541 | (1,459) |
| Other recovered costs | 100 | 100 | - | (100) |
| Total recovered costs | \$ 28,100 | \$ 28,100 | \$ 25,541 | \$ (2,559) |
| Total revenue from local sources | \$ 17,751,700 | \$ 17,751,700 | \$ 18,751,620 | \$ 999,920 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Communications tax | \$ 320,000 | \$ 320,000 | \$ 330,268 | \$ 10,268 |
| Motor vehicle carriers' tax | 6,500 | 6,500 | 10,039 | 3,539 |
| Mobile home titling tax | 9,000 | 9,000 | 3,662 | (5,338) |
| Additional tax on deeds | 41,000 | 41,000 | 48,913 | 7,913 |
| State recordation tax | 51,000 | 51,000 | 53,955 | 2,955 |
| Personal property tax relief funds | 870,000 | 870,000 | 871,017 | 1,017 |
| Total noncategorical aid | \$ 1,297,500 | \$ 1,297,500 | \$ 1,317,854 | \$ 20,354 |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 249,529 | \$ 249,529 | \$ 250,008 | \$ 479 |
| Sheriff | 1,171,207 | 1,171,207 | 1,157,543 | (13,664) |
| Commissioner of revenue | 92,553 | 92,553 | 92,562 | 9 |
| Treasurer | 86,847 | 86,847 | 86,121 | (726) |
| Registrar/electoral board | 41,000 | 41,000 | 35,155 | (5,845) |
| Clerk of the Circuit Court | 169,326 | 169,326 | 167,316 | (2,010) |
| Local jails | 71,000 | 71,000 | 45,144 | (25,856) |
| Total shared expenses | \$ 1,881,462 | \$ 1,881,462 | \$ 1,833,849 | \$ (47,613) |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 520,446 | \$ 520,446 | \$ 364,629 | \$ (155,817) |
| Emergency medical services | - | - | 12,273 | 12,273 |
| Comprehensive services act | 200,000 | 200,000 | 197,886 | (2,114) |

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 3 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Other categorical aid: (Continued) | | | | |
| Wireless grant | \$ 34,000 | \$ 34,000 | \$ 47,728 | \$ 13,728 |
| DMV - animal tags | - | - | 90 | 90 |
| Victim-witness grant | 10,000 | 10,000 | 9,291 | (709) |
| Fire programs fund | 24,000 | 24,000 | 28,893 | 4,893 |
| Rescue squad assistance | - | - | 10,964 | 10,964 |
| EMS training grant | - | - | 2,212 | 2,212 |
| Disaster assistance | - | - | 8,005 | 8,005 |
| Total other categorical aid | \$ 788,446 | \$ 788,446 | \$ 681,971 | \$ (106,475) |
| Total categorical aid | \$ 2,669,908 | \$ 2,669,908 | \$ 2,515,820 | \$ (154,088) |
| Total revenue from the Commonwealth | \$ 3,967,408 | \$ 3,967,408 | \$ 3,833,674 | \$ (133,734) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 588,060 | \$ 588,060 | \$ 735,943 | \$ 147,883 |
| Emergency management | - | - | 7,500 | 7,500 |
| Hazmat grant | - | - | 23,900 | 23,900 |
| BABs subsidy | - | - | 14,812 | 14,812 |
| Justice assistance | - | - | 1,307 | 1,307 |
| Crime victim assistance | - | - | 9,291 | 9,291 |
| Disaster recovery | - | - | 27,289 | 27,289 |
| Total categorical aid | \$ 588,060 | \$ 588,060 | \$ 820,042 | \$ 231,982 |
| Total revenue from the federal government | \$ 588,060 | \$ 588,060 | \$ 820,042 | \$ 231,982 |
| Total General Fund | \$ 22,307,168 | \$ 22,307,168 | \$ 23,405,336 | \$ 1,098,168 |
| Special Revenue Fund: | | | | |
| County Special Revenue Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 38 | \$ 38 |
| Total revenue from local sources | \$ - | \$ - | \$ 38 | \$ 38 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Asset forfeiture proceeds | \$ - | \$ - | \$ 4,236 | \$ 4,236 |
| Total revenue from the Commonwealth | \$ - | \$ - | \$ 4,236 | \$ 4,236 |
| Total County Special Revenue Fund | \$ - | \$ - | \$ 4,274 | \$ 4,274 |

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 4 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Capital Projects Fund: | | | | |
| County Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ 5,000 | \$ 5,000 | \$ 33,043 | \$ 28,043 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ - | \$ - | \$ 1,000 | \$ 1,000 |
| Total revenue from local sources | \$ 5,000 | \$ 5,000 | \$ 34,043 | \$ 29,043 |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Community development block grant | \$ - | \$ - | \$ 212,096 | \$ 212,096 |
| Total categorical aid | \$ - | \$ - | \$ 212,096 | \$ 212,096 |
| Total revenue from the federal government | \$ - | \$ - | \$ 212,096 | \$ 212,096 |
| Total County Capital Projects Fund | \$ 5,000 | \$ 5,000 | \$ 246,139 | \$ 241,139 |
| Total Primary Government | \$ 22,312,168 | \$ 22,312,168 | \$ 23,655,749 | \$ 1,343,581 |
| 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 | \$ 2,500 | \$ 2,500 | \$ 1,387 | \$ (1,113) |
| Charges for services: | | | | |
| Charges for education | \$ 5,960 | \$ 5,960 | \$ 5,050 | \$ (910) |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 151,144 | \$ 204,737 | \$ 206,055 | \$ 1,318 |
| Recovered costs: | | | | |
| Other recovered costs | \$ 85,000 | \$ 85,000 | \$ 170,915 | \$ 85,915 |
| Total revenue from local sources | \$ 244,604 | \$ 298,197 | \$ 383,407 | \$ 85,210 |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Lancaster, Virginia | \$ 10,539,877 | \$ 10,619,021 | \$ 10,080,025 | \$ (538,996) |

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 5 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 1,271,396 | \$ 1,271,396 | \$ 1,284,044 | \$ 12,648 |
| Basic school aid | 1,170,440 | 1,170,440 | 1,128,703 | (41,737) |
| Security equipment grant | - | 80,000 | 80,000 | - |
| Remedial summer education | 31,994 | 31,994 | 11,091 | (20,903) |
| Vocational education | 26,546 | 26,546 | 25,823 | (723) |
| Special education foster care | - | - | 7,940 | 7,940 |
| Gifted and talented | 11,882 | 11,882 | 11,559 | (323) |
| Remedial education | 78,120 | 78,120 | 75,995 | (2,125) |
| School fringes | 228,799 | 228,799 | 220,852 | (7,947) |
| Early reading intervention | 8,401 | 8,401 | 9,801 | 1,400 |
| Class size reduction | 66,023 | 66,023 | 79,466 | 13,443 |
| Homebound | 1,256 | 1,256 | 259 | (997) |
| Vocational education - equipment | 3,944 | 3,944 | 2,977 | (967) |
| Special education | 147,645 | 147,645 | 143,628 | (4,017) |
| Textbook payment | 24,326 | 24,326 | 23,664 | (662) |
| GED preparation assistance | 7,859 | 7,859 | 7,859 | - |
| At risk payments | 183,237 | 183,237 | 180,990 | (2,247) |
| ESL | 1,653 | 1,653 | 2,063 | 410 |
| Virtual Virginia | - | - | 943 | 943 |
| Project graduation | 15,000 | 15,000 | 10,765 | (4,235) |
| Mentor teacher program | 2,208 | 2,208 | 2,711 | 503 |
| Technology grant | 173,200 | 173,200 | 20,866 | (152,334) |
| SOL algebra readiness | 7,877 | 7,877 | 7,912 | 35 |
| Workplace readiness | - | - | 1,548 | 1,548 |
| CTE industry certification | 948 | 948 | 45 | (903) |
| Total categorical aid | \$ 3,462,754 | \$ 3,542,754 | \$ 3,341,504 | \$ (201,250) |
| Total revenue from the Commonwealth | \$ 3,462,754 | \$ 3,542,754 | \$ 3,341,504 | \$ (201,250) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title VI-B | \$ 265,000 | \$ 378,000 | \$ 360,675 | \$ (17,325) |
| Title I | 366,619 | 481,619 | 410,194 | (71,425) |
| Vocational education | 28,461 | 28,461 | 41,950 | 13,489 |
| CTE equipment | 3,320 | 3,320 | - | (3,320) |
| Title II, Part A - Improving teacher quality | 99,082 | 124,082 | 90,582 | (33,500) |

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 6 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Title VI - Rural education | \$ 26,616 | \$ 26,616 | \$ 24,797 | \$ (1,819) |
| Advanced placement testing | - | - | 185 | 185 |
| Title III, Part A | - | 1,500 | - | (1,500) |
| Parent resource center | - | 10,000 | - | (10,000) |
| JROTC grant | 64,000 | 64,000 | 69,035 | 5,035 |
| Total categorical aid | <u>\$ 853,098</u> | <u>\$ 1,117,598</u> | <u>\$ 997,418</u> | <u>\$ (120,180)</u> |
| Total revenue from the federal government | <u>\$ 853,098</u> | <u>\$ 1,117,598</u> | <u>\$ 997,418</u> | <u>\$ (120,180)</u> |
| Total School Operating Fund | <u>\$ 15,100,333</u> | <u>\$ 15,577,570</u> | <u>\$ 14,802,354</u> | <u>\$ (775,216)</u> |
| Special Revenue Fund: | | | | |
| School Cafeteria Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 351 | \$ 351 |
| Charges for services: | | | | |
| Cafeteria sales | <u>\$ 141,050</u> | <u>\$ 141,050</u> | <u>\$ 99,735</u> | <u>\$ (41,315)</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 50</u> | <u>\$ 50</u> |
| Total revenue from local sources | <u>\$ 141,050</u> | <u>\$ 141,050</u> | <u>\$ 100,136</u> | <u>\$ (40,914)</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | <u>\$ 9,000</u> | <u>\$ 9,000</u> | <u>\$ 7,034</u> | <u>\$ (1,966)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program grant | \$ 466,550 | \$ 466,550 | \$ 412,490 | \$ (54,060) |
| Summer food | - | - | 3,759 | 3,759 |
| Commodities | - | 34,683 | 34,683 | - |
| Total categorical aid | <u>\$ 466,550</u> | <u>\$ 501,233</u> | <u>\$ 450,932</u> | <u>\$ (50,301)</u> |
| Total revenue from the federal government | <u>\$ 466,550</u> | <u>\$ 501,233</u> | <u>\$ 450,932</u> | <u>\$ (50,301)</u> |
| Total School Cafeteria Fund | <u>\$ 616,600</u> | <u>\$ 651,283</u> | <u>\$ 558,102</u> | <u>\$ (93,181)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 15,716,933</u> | <u>\$ 16,228,853</u> | <u>\$ 15,360,456</u> | <u>\$ (868,397)</u> |

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 1 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 44,199 | \$ 44,199 | \$ 261,227 | \$ (217,028) |
| General and financial administration: | | | | |
| County administrator | \$ 390,902 | \$ 390,902 | \$ 348,784 | \$ 42,118 |
| Information Technology | 107,750 | 107,750 | 108,347 | (597) |
| Legal services | 40,000 | 40,000 | 92,689 | (52,689) |
| Commissioner of revenue | 286,848 | 286,848 | 288,164 | (1,316) |
| Independent Auditor | 34,200 | 34,200 | 39,900 | (5,700) |
| Treasurer | 290,981 | 290,981 | 288,133 | 2,848 |
| Other general and financial administration | - | - | 100 | (100) |
| Total general and financial administration | \$ 1,150,681 | \$ 1,150,681 | \$ 1,166,117 | \$ (15,436) |
| Board of elections: | | | | |
| Electoral board and officials | \$ 32,551 | \$ 32,551 | \$ 25,613 | \$ 6,938 |
| Registrar | 91,531 | 91,531 | 86,856 | 4,675 |
| Total board of elections | \$ 124,082 | \$ 124,082 | \$ 112,469 | \$ 11,613 |
| Total general government administration | \$ 1,318,962 | \$ 1,318,962 | \$ 1,539,813 | \$ (220,851) |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 13,053 | \$ 13,053 | \$ 13,121 | \$ (68) |
| General district court | 3,400 | 3,400 | 2,730 | 670 |
| Special Magistrates | 600 | 600 | 102 | 498 |
| Juvenile and domestic relations court | 1,975 | 1,975 | 2,057 | (82) |
| Victim/witness assistance | 22,298 | 22,298 | 24,365 | (2,067) |
| Court appointed special advocates | 5,000 | 5,000 | 5,000 | - |
| Clerk of the circuit court | 315,584 | 315,584 | 295,277 | 20,307 |
| Total courts | \$ 361,910 | \$ 361,910 | \$ 342,652 | \$ 19,258 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 345,204 | \$ 345,204 | \$ 352,100 | \$ (6,896) |
| Total judicial administration | \$ 707,114 | \$ 707,114 | \$ 694,752 | \$ 12,362 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 1,853,169 | \$ 1,854,369 | \$ 1,868,578 | \$ (14,209) |
| School resource officer | 106,666 | 106,666 | 116,141 | (9,475) |
| Total law enforcement and traffic control | \$ 1,959,835 | \$ 1,961,035 | \$ 1,984,719 | \$ (23,684) |

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 2 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Fire and rescue services: | | | | |
| Fire department | \$ 283,855 | \$ 283,855 | \$ 289,748 | \$ (5,893) |
| Ambulance and rescue services | 999,706 | 999,706 | 1,049,035 | (49,329) |
| Forestry service | 4,000 | 4,000 | 3,991 | 9 |
| Local emergency services | 27,120 | 27,120 | 27,560 | (440) |
| Total fire and rescue services | <u>\$ 1,314,681</u> | <u>\$ 1,314,681</u> | <u>\$ 1,370,334</u> | <u>\$ (55,653)</u> |
| Correction and detention: | | | | |
| Sheriff | \$ 957,573 | \$ 957,573 | \$ 956,053 | \$ 1,520 |
| Probation office | 50,450 | 50,450 | 48,762 | 1,688 |
| Total correction and detention | <u>\$ 1,008,023</u> | <u>\$ 1,008,023</u> | <u>\$ 1,004,815</u> | <u>\$ 3,208</u> |
| Inspections: | | | | |
| Building | \$ 133,862 | \$ 133,862 | \$ 137,439 | \$ (3,577) |
| Other protection: | | | | |
| Animal control | \$ 131,195 | \$ 131,195 | \$ 124,746 | \$ 6,449 |
| Medical examiner | 200 | 200 | 80 | 120 |
| Total other protection | <u>\$ 131,395</u> | <u>\$ 131,395</u> | <u>\$ 124,826</u> | <u>\$ 6,569</u> |
| Total public safety | <u>\$ 4,547,796</u> | <u>\$ 4,548,996</u> | <u>\$ 4,622,133</u> | <u>\$ (73,137)</u> |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse disposal | \$ 896,774 | \$ 896,774 | \$ 863,902 | \$ 32,872 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 262,588 | \$ 262,588 | \$ 339,179 | \$ (76,591) |
| Total public works | <u>\$ 1,159,362</u> | <u>\$ 1,159,362</u> | <u>\$ 1,203,081</u> | <u>\$ (43,719)</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Local health department | \$ 201,352 | \$ 201,352 | \$ 201,352 | \$ - |
| Free health clinic | 100,477 | 100,477 | 100,477 | - |
| Total health | <u>\$ 301,829</u> | <u>\$ 301,829</u> | <u>\$ 301,829</u> | <u>\$ -</u> |
| Mental health and mental retardation: | | | | |
| Community services board | \$ 37,846 | \$ 37,846 | \$ 37,846 | \$ - |
| Welfare: | | | | |
| Public assistance and welfare administration | \$ 1,452,592 | \$ 1,452,592 | \$ 1,394,471 | \$ 58,121 |
| Area agency on aging | 70,549 | 70,549 | 70,549 | - |

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 3 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Health and welfare: (Continued) | | | | |
| Welfare: (Continued) | | | | |
| Comprehensive services act | \$ 600,000 | \$ 600,000 | \$ 684,720 | \$ (84,720) |
| Chamber of commerce | 500 | 500 | 1,275 | (775) |
| 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 | 55,000 | - |
| Total welfare | \$ 2,198,241 | \$ 2,198,241 | \$ 2,225,615 | \$ (27,374) |
| Total health and welfare | \$ 2,537,916 | \$ 2,537,916 | \$ 2,565,290 | \$ (27,374) |
| Education: | | | | |
| Contributions to Community College | \$ 6,817 | \$ 6,817 | \$ 6,817 | \$ - |
| Contribution to County School Board | 10,539,877 | 10,619,021 | 10,080,025 | 538,996 |
| Total education | \$ 10,546,694 | \$ 10,625,838 | \$ 10,086,842 | \$ 538,996 |
| 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 | \$ 5,459 | \$ (1,059) |
| Historic resources commission | 200 | 200 | - | 200 |
| Total cultural enrichment | \$ 4,600 | \$ 4,600 | \$ 5,459 | \$ (859) |
| Library: | | | | |
| Library | \$ 102,995 | \$ 102,995 | \$ 102,995 | \$ - |
| Total parks, recreation, and cultural | \$ 182,595 | \$ 182,595 | \$ 183,454 | \$ (859) |
| Community development: | | | | |
| Planning and community development: | | | | |
| Land use administration | \$ 273,790 | \$ 273,790 | \$ 257,529 | \$ 16,261 |
| Section 8 housing | 56,079 | 56,079 | 57,360 | (1,281) |
| Indoor plumbing | - | - | 16,292 | (16,292) |
| Planning district commission | 30,331 | 30,331 | 27,010 | 3,321 |
| Zoning board | 2,167 | 2,167 | 972 | 1,195 |
| Greentown/Gaskins Rd - CDBG | - | - | 40,277 | (40,277) |

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 4 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Community development: (Continued) | | | | |
| Planning and community development: (Continued) | | | | |
| Other community development | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ - |
| Total planning and community development | \$ 369,367 | \$ 369,367 | \$ 406,440 | \$ (37,073) |
| Environmental management: | | | | |
| Contribution to soil and water conservation district | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ - |
| Wetlands board | 11,163 | 11,163 | 5,430 | 5,733 |
| Total environmental management | \$ 21,163 | \$ 21,163 | \$ 15,430 | \$ 5,733 |
| Cooperative extension program: | | | | |
| Extension office | \$ 61,169 | \$ 61,169 | \$ 29,971 | \$ 31,198 |
| Rebranding initiative | 25,000 | 25,000 | 25,000 | - |
| Total cooperative extension program | \$ 86,169 | \$ 86,169 | \$ 54,971 | \$ 31,198 |
| Total community development | \$ 476,699 | \$ 476,699 | \$ 476,841 | \$ (142) |
| Capital projects: | | | | |
| Landfill closure | \$ 7,000 | \$ 7,000 | \$ 6,324 | \$ 676 |
| Enhanced emergency telephone system | 59,925 | 59,925 | 24,431 | 35,494 |
| School projects | - | - | 230,587 | (230,587) |
| Other capital projects | - | - | 214,366 | (214,366) |
| Total capital projects | \$ 66,925 | \$ 66,925 | \$ 475,708 | \$ (408,783) |
| Debt service: | | | | |
| Principal retirement | \$ 954,991 | \$ 1,915,991 | \$ 1,955,080 | \$ (39,089) |
| Interest and other fiscal charges | 257,161 | 257,161 | 286,312 | (29,151) |
| Total debt service | \$ 1,212,152 | \$ 2,173,152 | \$ 2,241,392 | \$ (68,240) |
| Total General Fund | \$ 22,756,215 | \$ 23,797,559 | \$ 24,089,306 | \$ (291,747) |
| Capital Projects Fund: | | | | |
| County Capital Projects Fund: | | | | |
| Capital projects expenditures: | | | | |
| Greentown/Gaskins CDBG | \$ - | \$ - | \$ 221,487 | \$ (221,487) |
| USDA sewer system | - | - | 1,265 | (1,265) |
| Total capital projects | \$ - | \$ - | \$ 222,752 | \$ (222,752) |
| Debt service: | | | | |
| Bond issuance costs | \$ - | \$ 108,750 | \$ 108,750 | \$ - |
| Total debt service | \$ - | \$ 108,750 | \$ 108,750 | \$ - |
| Total County Capital Projects Fund | \$ - | \$ 108,750 | \$ 331,502 | \$ (222,752) |
| Total Primary Government | \$ 22,756,215 | \$ 23,906,309 | \$ 24,420,808 | \$ (514,499) |

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 5 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration, health, and attendance | \$ 700,203 | \$ 700,203 | \$ 661,872 | \$ 38,331 |
| Instruction costs | 11,698,307 | 12,085,544 | 11,460,540 | 625,004 |
| Pupil transportation | 1,204,038 | 1,204,038 | 1,097,944 | 106,094 |
| Operation and maintenance of school plant | 1,497,785 | 1,577,785 | 1,576,062 | 1,723 |
| School food | - | 10,000 | 5,936 | 4,064 |
| Total education | \$ 15,100,333 | \$ 15,577,570 | \$ 14,802,354 | \$ 775,216 |
| Total School Operating Fund | \$ 15,100,333 | \$ 15,577,570 | \$ 14,802,354 | \$ 775,216 |
| Special Revenue Fund: | | | | |
| School Cafeteria Fund: | | | | |
| Education: | | | | |
| School food services: | | | | |
| School food | \$ 616,600 | \$ 616,600 | \$ 533,698 | \$ 82,902 |
| Commodities | - | 34,683 | 34,683 | - |
| Total school food services | \$ 616,600 | \$ 651,283 | \$ 568,381 | \$ 82,902 |
| Total education | \$ 616,600 | \$ 651,283 | \$ 568,381 | \$ 82,902 |
| Total School Cafeteria Fund | \$ 616,600 | \$ 651,283 | \$ 568,381 | \$ 82,902 |
| Total Discretely Presented Component Unit - School Board | \$ 15,716,933 | \$ 16,228,853 | \$ 15,370,735 | \$ 858,118 |

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

Table 1

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 | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|----------------------------|---------------|
| 2006 | \$ 1,038,227 | \$ 504,831 | \$ 3,166,110 | \$ 1,213,930 | \$ 1,988,050 | \$ 9,085,541 | \$ 153,219 | \$ 825,533 | \$ 284,499 | \$ 18,259,940 |
| 2007 | 1,196,615 | 595,329 | 3,401,929 | 1,068,661 | 2,380,967 | 9,451,156 | 156,351 | 986,907 | 192,771 | 19,430,686 |
| 2008 | 1,521,966 | 610,071 | 3,695,460 | 1,236,465 | 2,501,442 | 9,814,756 | 161,940 | 1,294,897 | 272,582 | 21,109,579 |
| 2009 | 897,403 | 599,799 | 3,662,812 | 1,177,914 | 2,202,534 | 11,031,828 | 160,839 | 1,283,578 | 306,444 | 21,323,151 |
| 2010 | 1,204,355 | 616,607 | 3,872,862 | 1,048,830 | 2,332,650 | 10,188,939 | 160,179 | 1,711,279 | 398,847 | 21,534,548 |
| 2011 | 1,427,317 | 761,709 | 4,064,428 | 1,132,419 | 2,391,444 | 10,318,017 | 172,801 | 1,453,260 | 444,034 | 22,165,429 |
| 2012 | 1,582,525 | 807,167 | 3,845,479 | 1,110,981 | 2,517,020 | 10,768,097 | 172,895 | 1,119,775 | 426,296 | 22,350,235 |
| 2013 | 1,331,834 | 779,749 | 4,617,309 | 1,167,822 | 2,740,633 | 10,485,368 | 176,275 | 633,659 | 228,599 | 22,161,248 |
| 2014 | 1,345,631 | 804,040 | 4,889,888 | 827,480 | 2,603,743 | 10,495,867 | 182,973 | 1,244,682 | 194,525 | 22,588,829 |
| 2015 | 1,611,832 | 807,803 | 4,613,799 | 1,238,203 | 2,511,962 | 10,403,350 | 172,119 | 661,086 | 378,089 | 22,398,243 |

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

| Fiscal Year | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | | | | |
|-------------|----------------------|------------------------------------|----------------------------------|------------------|--------------|-------------|---------------------|---------------|-------------------------------------|--------------|--------------------------|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General | | | Other | | Unrestricted | | Grants and Contributions | |
| | | | | Property Taxes | Local Taxes | Local Taxes | Investment Earnings | Miscellaneous | Not Restricted to Specific Programs | Total | | |
| 2006 | \$ 472,945 | \$ 3,437,061 | \$ 47,600 | \$ 9,675,920 | \$ 1,985,483 | \$ 205,097 | \$ 29,702 | \$ 1,048,734 | \$ 29,702 | \$ 1,048,734 | \$ 16,902,542 | |
| 2007 | 531,837 | 3,568,636 | 185,505 | 11,358,649 | 2,029,167 | 190,307 | 25,485 | 1,054,455 | 25,485 | 1,054,455 | 18,944,041 | |
| 2008 | 484,423 | 3,862,996 | 801,066 | 12,893,466 | 2,212,575 | 266,252 | 26,037 | 997,110 | 26,037 | 997,110 | 21,543,925 | |
| 2009 | 476,784 | 3,359,779 | 943,083 | 15,383,703 | 2,013,343 | 337,290 | 135,390 | 900,904 | 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 | 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 | 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 | 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 | 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 | 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 | 142,360 | 1,317,854 | 23,529,937 | |

Table 3

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) | Parks, Recreation, and Cultural | Community Development | Debt Service | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|--------------|---------------|
| 2006 | \$ 1,077,633 | \$ 546,710 | \$ 3,040,856 | \$ 1,105,569 | \$ 1,979,628 | \$ 13,926,398 | \$ 153,219 | \$ 857,335 | \$ 1,210,862 | \$ 23,898,210 |
| 2007 | 1,202,178 | 596,834 | 3,274,791 | 1,074,404 | 2,390,250 | 15,091,424 | 156,351 | 1,027,945 | 974,364 | 25,788,541 |
| 2008 | 1,541,154 | 605,152 | 3,586,684 | 1,234,680 | 2,491,874 | 15,389,246 | 161,940 | 1,346,638 | 947,744 | 27,305,112 |
| 2009 | 1,252,466 | 604,767 | 3,568,597 | 1,172,357 | 2,207,354 | 15,278,613 | 160,839 | 1,311,718 | 1,053,149 | 26,609,860 |
| 2010 | 1,235,687 | 607,641 | 3,749,601 | 1,072,457 | 2,288,465 | 15,389,267 | 160,179 | 1,743,331 | 1,453,989 | 27,700,617 |
| 2011 | 1,341,422 | 618,495 | 4,141,836 | 1,120,296 | 2,366,967 | 15,707,417 | 172,801 | 1,486,288 | 1,498,206 | 28,453,728 |
| 2012 | 1,501,800 | 625,449 | 3,779,509 | 1,116,041 | 2,482,024 | 15,285,122 | 172,895 | 1,152,343 | 7,003,073 | 33,118,256 |
| 2013 | 1,323,619 | 637,902 | 4,323,772 | 1,148,111 | 2,713,142 | 15,101,887 | 176,275 | 555,165 | 1,209,686 | 27,189,559 |
| 2014 | 1,310,767 | 663,850 | 4,694,193 | 1,254,976 | 2,596,948 | 14,752,836 | 182,973 | 656,245 | 1,206,455 | 27,319,243 |
| 2015 | 1,539,813 | 694,752 | 4,622,133 | 1,203,081 | 2,565,290 | 15,377,552 | 183,454 | 476,841 | 2,350,142 | 29,013,058 |

(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.

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

| Fiscal Year | Revenue from the | | | | | | | | | | Recovered | | Inter- governmental (2) | Total |
|----------------|------------------------------|-------------------------|---|-----------------------------|---------------------------------|----------------------------|---------------|-----------|---------------|---------------|-----------|--|----------------------------|-------|
| | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Use of Money and Property | Charges for Services | Miscellaneous | Costs | | | | | | |
| 2006 | \$ 9,804,068 | \$ 1,985,483 | \$ 171,020 | \$ 19,455 | \$ 133,843 | \$ 546,112 | \$ 166,611 | \$ 72,659 | \$ 10,149,098 | \$ 23,048,349 | | | | |
| 2007 | 11,316,916 | 2,029,167 | 164,660 | 18,184 | 138,119 | 631,574 | 183,238 | 44,111 | 10,723,724 | 25,249,693 | | | | |
| 2008 | 12,865,681 | 2,212,575 | 138,683 | 19,840 | 216,879 | 584,112 | 251,943 | 64,743 | 11,528,616 | 27,883,072 | | | | |
| 2009 | 15,149,635 | 2,013,343 | 142,355 | 28,029 | 202,512 | 527,518 | 352,749 | 47,510 | 10,281,484 | 28,745,135 | | | | |
| 2010 | 15,208,025 | 1,865,960 | 149,757 | 20,168 | 169,681 | 512,438 | 319,456 | 50,812 | 10,651,224 | 28,947,521 | | | | |
| 2011 | 14,595,997 | 1,892,761 | 142,764 | 16,314 | 137,139 | 488,592 | 70,775 | 269,465 | 11,073,878 | 28,687,685 | | | | |
| 2012 | 14,742,887 | 1,950,576 | 149,016 | 16,626 | 129,677 | 531,002 | 77,737 | 284,593 | 10,072,348 | 27,954,462 | | | | |
| 2013 | 14,497,683 | 1,930,588 | 119,007 | 25,797 | 117,827 | 631,065 | 173,133 | 187,047 | 9,615,225 | 27,297,372 | | | | |
| 2014 | 14,722,314 | 1,892,069 | 100,564 | 14,759 | 118,770 | 524,268 | 180,383 | 115,017 | 9,065,976 | 26,734,120 | | | | |
| 2015 | 15,927,308 | 1,936,429 | 101,185 | 21,134 | 121,975 | 583,249 | 347,465 | 196,456 | 9,454,840 | 28,690,041 | | | | |

(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 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 |
|-------------|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------|--|------------------------------------|---|
| 2006 | \$ 10,555,764 | \$ 10,326,368 | 97.83% | \$ 228,678 | \$ 10,555,046 | 99.99% | \$ 401,020 | 3.80% |
| 2007 | 11,260,311 | 10,977,793 | 97.49% | 195,485 | 11,173,278 | 99.23% | 516,166 | 4.58% |
| 2008 | 12,739,466 | 12,448,235 | 97.71% | 232,606 | 12,680,841 | 99.54% | 531,551 | 4.17% |
| 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% |

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years and first half of current tax year.

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 |
|-------------|------------------|------------------------------------|---------------------|--------------------|--------------------|------------------|
| 2006 | \$ 1,889,426,637 | \$ 169,982,846 | \$ 211,600 | \$ 9,036,830 | \$ 35,705,141 | \$ 2,104,363,054 |
| 2007 | 1,955,748,546 | 179,478,372 | 190,250 | 9,584,128 | 32,717,833 | 2,177,719,129 |
| 2008 | 2,011,440,053 | 149,516,502 | 343,350 | 10,907,813 | 28,828,991 | 2,201,036,709 |
| 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 |

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

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

| Fiscal Year | Real Estate | Personal Property | Merchant's Capital | Machinery and Tools |
|----------------|-------------|----------------------|-----------------------|---------------------------|
| 2006 | \$ 0.41 | \$ 1.52 | \$ 1.00 | \$ 1.52 |
| 2007 | 0.46 | 1.52 | 1.00 | 1.52 |
| 2008 | 0.53 | 2.04 | 1.00 | 1.52 |
| 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 |

(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

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Less: | | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|----------------|----------------|-----------------------|-----------------------------|--|---|--|-------------------------------------|
| | | | | Debt Service Monies Available | Debt Assumed by Other Localities (4) | | |
| 2006 | 11,567 | \$ 2,104,363,054 | \$ 925,000 | - \$ | - \$ | 0.04% | \$ 80 |
| 2007 | 11,567 | 2,177,719,129 | 600,000 | - | - | 0.03% | 52 |
| 2008 | 11,567 | 2,201,036,709 | 275,000 | - | - | 0.01% | 24 |
| 2009 | 11,567 | 2,201,036,709 | - | - | - | 0.00% | - |
| 2010 | 11,391 | 3,286,041,385 | - | - | - | 0.00% | - |
| 2011 | 11,391 | 3,309,630,564 | 2,280,000 | - | - | 0.07% | 200 |
| 2012 | 11,391 | 3,331,751,590 | 2,170,000 | - | - | 0.07% | 191 |
| 2013 | 11,391 | 3,345,123,636 | 2,055,000 | - | - | 0.06% | 180 |
| 2014 | 11,391 | 2,686,448,343 | 1,935,000 | - | - | 0.07% | 170 |
| 2015 | 11,391 | 2,709,929,978 | 1,810,000 | - | - | 0.07% | 159 |

(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.

COMPLIANCE

THIS PAGE LEFT BLANK INTENTIONALLY

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of 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, 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, 2015, 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 December 29, 2015.

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.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a long horizontal line.

Richmond, Virginia
December 29, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of 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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "D. Frick", followed by a long horizontal line extending to the right.

Richmond, Virginia
December 29, 2015

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Page 1 of 2

| 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 | 0950114/0950115 | \$ 4,724 |
| Temporary Assistance for Needy Families | 93.558 | 0400114/0400115 | 148,662 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500114/0500115 | 230 |
| Low-Income Home Energy Assistance | 93.568 | 0600414/00600415 | 17,585 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760114/0760115 | 21,735 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 1130114/1130115 | 1,000 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900114/090115 | 1,077 |
| Foster Care - Title IV-E | 93.658 | 1100114/1100115 | 54,485 |
| Adoption Assistance | 93.659 | 1130114/1130115 | 26,187 |
| Social Services Block Grant | 93.667 | 1000114/1000115 | 109,087 |
| Chafee Foster Care Independence Program | 93.674 | 9150114/9150115 | 897 |
| Children's Health Insurance Program | 93.767 | 0540114/0540115 | 5,303 |
| Medical Assistance Program | 93.778 | 1200114/1200115 | 183,564 |
| | | | <u>574,536</u> |
| Total Department of Health and Human Services | | | \$ 574,536 |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| Department of Emergency Assistance: | | | |
| Emergency Management Performance Grant | 97.042 | 77501-52740 | \$ 7,500 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 77602-155 | 27,289 |
| | | | <u>34,789</u> |
| Total U.S. Department of Homeland Security | | | \$ 34,789 |
| Department of Agriculture: | | | |
| Direct Payments: | | | |
| Community Facilities Loans and Grants | 10.766 | N/A | \$ 45,000 |
| Pass Through Payments: | | | |
| Child Nutrition Cluster: | | | |
| Department of Agriculture: | | | |
| Summer Food Service Program for Children Food Distribution | 10.559 | Unknown | \$ 278 |
| Department of Health: | | | |
| Summer Food Service Program for Children | 10.559 | 17901-45707 | 3,759 |
| National School Lunch Food Distribution | 10.555 | 17901-45707 | 34,405 |
| Department of Education: | | | |
| National School Lunch Program | 10.555 | 17901-40623 | 314,784 |
| School Breakfast Program | 10.553 | 17901-40591 | 97,706 |
| Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010113/0010114 | 161,407 |
| | | | <u>657,339</u> |
| Total Department of Agriculture | | | \$ 657,339 |

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Page 2 of 2

| 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 | \$ 212,096 |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| Department of Criminal Justice Services: | | | |
| Crime Victim Assistance | 16.575 | 39001-86000 | \$ 9,291 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 39001-62200 | 1,307 |
| Department of Defense: | | | |
| Direct Payments: | | | |
| ROTC | 12.xxx | N/A | \$ 69,035 |
| Department of Education: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 17901-42901 | \$ 410,194 |
| Special Education - Grants to States | 84.027 | 17901-43071 | 360,675 |
| Career and Technical Education - Basic Grants to States | 84.048 | 17901-61095 | 41,950 |
| Rural Education | 84.358 | 17901-43481 | 24,797 |
| Improving Teacher Quality State Grants | 84.367 | 17901-61480 | 90,582 |
| Advanced Placement Program | 84.330 | 17901-60957 | 185 |
| Total Department of Education | | | \$ 928,383 |
| Total Expenditures of Federal Awards | | | \$ 2,486,776 |

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, 2015

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Lancaster, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of County of Lancaster, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Lancaster, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D - 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 | \$ 820,042 |
| County Capital Projects Funds | 212,096 |
| Total primary government | <u>\$ 1,032,138</u> |

Component Unit School Board:

| | |
|-----------------------------------|---------------------|
| School Operating Fund | \$ 997,418 |
| School Cafeteria Fund | 450,932 |
| Total Component Unit School Board | <u>\$ 1,448,350</u> |

| | |
|---|---------------------|
| Total expenditures of federal awards per basic financial statements | <u>\$ 2,480,488</u> |
|---|---------------------|

| | |
|---------------------------------|-----------------|
| Rural development loan proceeds | \$ 21,100 |
| BABs subsidy | <u>(14,812)</u> |

| | |
|---|----------------------------|
| Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards | <u><u>\$ 2,486,776</u></u> |
|---|----------------------------|

County of Lancaster, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

| | | |
|---|-----------------------|------------------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u> ✓ </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> ✓ </u> none reported |

Noncompliance material to financial statements noted?

| | |
|-----------------------|-------------------------|
| <u> </u> yes | <u> ✓ </u> no |
|-----------------------|-------------------------|

Federal Awards

Internal control over major programs:

| | | |
|---|-----------------------|------------------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u> ✓ </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> ✓ </u> 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 section 510(a) of
Circular A-133?

| | |
|-----------------------|-------------------------|
| <u> </u> yes | <u> ✓ </u> no |
|-----------------------|-------------------------|

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559
84.027

Name of Federal Program or Cluster
Child Nutrition Cluster
Special Education - Grants to States

Dollar threshold used to distinguish between type A
and type B programs:

\$300,000

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 Year Findings
For the Year Ended June 30, 2015

Prior Year Findings

None

THIS PAGE LEFT BLANK INTENTIONALLY