

COUNTY OF LANCASTER, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2019

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COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

Jack D. Larson	Jason D. Bellows, Chair	
William R. Lee	Ernest W. Palin, Jr, Vice Chair	Robert S. Westbrook

COUNTY SCHOOL BOARD

Carolyn Young, Vice Chair	Audrey Thomasson, Chair	Kenya Moody
Joan Gravatt		Katherine Keith

SOCIAL SERVICES BOARD

Harry C. Sadler, Jr., Vice Chair	Lynette Pinn, Chair	Charles R. Lee
Ernest W. Palin, Jr.		Vera Lee

OTHER OFFICIALS

Judge of the Circuit Court.....	R. Michael McKenney
Clerk of the Circuit Court	Diane H. Mumford
Judge of the General District Court	John S. Martin
Judge of the Juvenile and Domestic Relations Court	William L. Lewis
Commonwealth's Attorney.....	Jan Smith
Commissioner of the Revenue	Marlon Savoy
Treasurer	Bonnie J. Dickson
Sheriff	Patrick McCranie
Superintendent of Schools.....	Steve Parker
Director of Social Services.....	Edna G. Davenport
County Administrator	Don G. Gill

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of June 30, 2019, 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 21 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 82-88, and 89-94 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.

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019, on our consideration of County of Lancaster, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on County of Lancaster, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Lancaster, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
November 11, 2019

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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, 2019. 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 \$7,323,671 (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 \$247,383 (Exhibit 5) after making contributions totaling \$12,917,537 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$4,305,951, a decrease of \$247,383 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,930,964, or 7% of total general fund expenditures and other uses.
- The combined long-term obligations increased \$1,038,463 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 three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,323,671 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Lancaster, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,447,187	\$ 7,189,032	\$ 56,424	\$ 39,791	\$ 6,503,611	\$ 7,228,823
Capital assets	<u>11,726,899</u>	<u>9,977,023</u>	<u>1,182,543</u>	<u>1,235,391</u>	<u>12,909,442</u>	<u>11,212,414</u>
Total assets	<u>\$ 18,174,086</u>	<u>\$ 17,166,055</u>	<u>\$ 1,238,967</u>	<u>\$ 1,275,182</u>	<u>\$ 19,413,053</u>	<u>\$ 18,441,237</u>
Deferred outflows of resources	<u>\$ 1,056,703</u>	<u>\$ 555,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,056,703</u>	<u>\$ 555,320</u>
Current liabilities	\$ 1,451,224	\$ 1,669,857	\$ 628	\$ 1,890	\$ 1,451,852	\$ 1,671,747
Long-term liabilities outstanding	<u>10,948,301</u>	<u>9,908,119</u>	<u>168,281</u>	<u>170,000</u>	<u>11,116,582</u>	<u>10,078,119</u>
Total liabilities	<u>\$ 12,399,525</u>	<u>\$ 11,577,976</u>	<u>\$ 168,909</u>	<u>\$ 171,890</u>	<u>\$ 12,568,434</u>	<u>\$ 11,749,866</u>
Deferred inflows of resources	<u>\$ 577,651</u>	<u>\$ 1,289,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,651</u>	<u>\$ 1,289,612</u>
Net position:						
Net investment in capital assets	\$ 1,948,975	\$ 3,141,621	\$ 1,014,262	\$ 1,067,104	\$ 2,963,237	\$ 4,208,725
Restricted:						
Forfeited asset	11,543	11,527	-	-	11,543	11,527
Wetlands special project	10,351	10,335	-	-	10,351	10,335
Unrestricted	<u>4,282,744</u>	<u>1,690,304</u>	<u>55,796</u>	<u>36,188</u>	<u>4,338,540</u>	<u>1,726,492</u>
Total net position	<u>\$ 6,253,613</u>	<u>\$ 4,853,787</u>	<u>\$ 1,070,058</u>	<u>\$ 1,103,292</u>	<u>\$ 7,323,671</u>	<u>\$ 5,957,079</u>

Government-wide Financial Analysis (Continued)

The County's net position increased \$1,366,592 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Lancaster, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Charges for services	\$ 498,513	\$ 561,380	\$ 31,110	\$ 57,994	\$ 529,623	\$ 619,374
Operating grants and contributions	4,090,804	3,774,048	-	-	4,090,804	3,774,048
Capital grants and contributions	-	139,212	-	-	-	139,212
General property taxes	17,155,371	17,228,176	-	-	17,155,371	17,228,176
Other local taxes	2,089,980	2,068,049	-	-	2,089,980	2,068,049
Grants and other contributions not restricted	1,278,588	1,318,972	-	-	1,278,588	1,318,972
Other general revenues	287,037	164,976	45	31	287,082	165,007
Transfers	-	-	-	-	-	-
Total revenues	\$ 25,400,293	\$ 25,254,813	\$ 31,155	\$ 58,025	\$ 25,431,448	\$ 25,312,838
General government administration	\$ 1,476,693	\$ 1,449,191	\$ -	\$ -	\$ 1,476,693	\$ 1,449,191
Judicial administration	911,383	821,911	-	-	911,383	821,911
Public safety	5,408,627	5,516,169	-	-	5,408,627	5,516,169
Public works	1,336,789	1,501,261	64,389	72,496	1,401,178	1,573,757
Health and welfare	2,885,295	2,614,466	-	-	2,885,295	2,614,466
Education	11,164,059	10,994,217	-	-	11,164,059	10,994,217
Parks, recreation, and cultural	196,072	204,327	-	-	196,072	204,327
Community development	368,805	659,828	-	-	368,805	659,828
Interest and other fiscal charges	252,744	188,793	-	-	252,744	188,793
Total expenses	\$ 24,000,467	\$ 23,950,163	\$ 64,389	\$ 72,496	\$ 24,064,856	\$ 24,022,659
Change in net position	\$ 1,399,826	\$ 1,304,650	\$ (33,234)	\$ (14,471)	\$ 1,366,592	\$ 1,290,179
Net position, beginning of year	4,853,787	3,549,137	1,103,292	1,117,763	5,957,079	4,666,900
Net position, end of year	\$ 6,253,613	\$ 4,853,787	\$ 1,070,058	\$ 1,103,292	\$ 7,323,671	\$ 5,957,079

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$4,305,951, a decrease of \$247,383 in comparison with the prior year. Approximately 45% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion. The decrease was largely due to capital project expenditures.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$2,339,454.

During the year, budgetary estimates were exceeded by actual revenues and other sources of the General Fund by \$1,248,072. Budgetary estimates exceeded actual expenditures and other uses by \$1,140,176. The combination of the two resulted in a positive variance of \$2,388,248.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2019 amounts to \$11,726,899 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$7,946,473. Of this amount, \$1,255,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. lease revenue bonds, revenue bonds and capital leases).

The County's total debt increased \$536,281 during the current fiscal year.

Additional information on the County of Lancaster, Virginia's long-term debt can be found in the 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 2020 fiscal year.

The fiscal year 2020 budget increased by approximately 3%. The real estate tax rate increased \$.04 per \$1.00 with \$.01 set aside for school and capital projects funds each. All other property tax rates remained the same.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Lancaster, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 4,686,053	\$ 50,187	\$ 4,736,240	\$ 416,696	\$ 78,668
Receivables (net of allowance for uncollectibles):					
Taxes receivable	832,077	-	832,077	-	-
Accounts receivable	82,998	6,237	89,235	-	-
Due from other governmental units	834,261	-	834,261	1,356,961	-
Prepaid expenses	11,798	-	11,798	-	-
Restricted assets:					
Cash and cash equivalents- unspent bond proceeds	-	-	-	-	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	1,649,744	-	1,649,744	6,271	-
Buildings and improvements	5,824,571	1,182,543	7,007,114	6,314,165	-
Machinery and equipment	668,045	-	668,045	912,202	-
Infrastructure	2,175,241	-	2,175,241	-	-
Construction in progress	1,409,298	-	1,409,298	-	-
Total assets	\$ 18,174,086	\$ 1,238,967	\$ 19,413,053	\$ 9,006,295	\$ 78,668
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 1,004,257	\$ -	\$ 1,004,257	\$ 1,375,731	\$ -
OPEB related items	52,446	-	52,446	181,250	-
Total deferred outflows of resources	\$ 1,056,703	\$ -	\$ 1,056,703	\$ 1,556,981	\$ -
Total Assets and Deferred Outflows of Resources	\$ 19,230,789	\$ 1,238,967	\$ 20,469,756	\$ 10,563,276	\$ 78,668
LIABILITIES					
Accounts payable	\$ 353,908	\$ 628	\$ 354,536	\$ 208,762	\$ -
Accrued liabilities	-	-	-	1,209,682	-
Accrued interest payable	54,481	-	54,481	-	-
Due to other governmental units	1,041,089	-	1,041,089	-	-
Unearned revenue	1,746	-	1,746	-	-
Long-term liabilities:					
Due within one year	1,101,304	3,448	1,104,752	56,428	-
Due in more than one year	9,846,997	164,833	10,011,830	13,793,984	-
Total liabilities	\$ 12,399,525	\$ 168,909	\$ 12,568,434	\$ 15,268,856	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 45,350	\$ -	\$ 45,350	\$ -	\$ -
Pension related items	493,301	-	493,301	1,693,197	-
OPEB related items	39,000	-	39,000	112,000	-
Total deferred inflows of resources	\$ 577,651	\$ -	\$ 577,651	\$ 1,805,197	\$ -
NET POSITION					
Net investment in capital assets	\$ 1,948,975	\$ 1,014,262	\$ 2,963,237	\$ 7,232,638	\$ -
Restricted:					
Forfeited asset	11,543	-	11,543	-	-
Wetlands special project	10,351	-	10,351	-	-
Unrestricted (deficit)	4,282,744	55,796	4,338,540	(13,743,415)	78,668
Total net position	\$ 6,253,613	\$ 1,070,058	\$ 7,323,671	\$ (6,510,777)	\$ 78,668
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,230,789	\$ 1,238,967	\$ 20,469,756	\$ 10,563,276	\$ 78,668

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, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,476,693	\$ -	\$ 225,302	\$ -
Judicial administration	911,383	14,726	513,471	-
Public safety	5,408,627	478,022	1,671,364	-
Public works	1,336,789	5,741	-	-
Health and welfare	2,885,295	-	1,680,667	-
Education	11,164,059	-	-	-
Parks, recreation, and cultural	196,072	-	-	-
Community development	368,805	24	-	-
Interest on long-term debt	252,744	-	-	-
Total governmental activities	<u>\$ 24,000,467</u>	<u>\$ 498,513</u>	<u>\$ 4,090,804</u>	<u>\$ -</u>
Business-type activities:				
Sewer	\$ 64,389	\$ 31,110	\$ -	\$ -
Total business-type activities	<u>\$ 64,389</u>	<u>\$ 31,110</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 24,064,856</u>	<u>\$ 529,623</u>	<u>\$ 4,090,804</u>	<u>\$ -</u>
COMPONENT UNITS:				
School Board	\$ 16,346,771	\$ 88,450	\$ 5,176,751	\$ -
IDA	67,100	40,354	-	-
Total component units	<u>\$ 16,413,871</u>	<u>\$ 128,804</u>	<u>\$ 5,176,751</u>	<u>\$ -</u>

General revenues:

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

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government		Component Units			
Governmental Activities	Business-type Activities	Total	School Board	IDA	
\$ (1,251,391)	\$ -	\$ (1,251,391)	\$ -	\$ -	
(383,186)	-	(383,186)	-	-	
(3,259,241)	-	(3,259,241)	-	-	
(1,331,048)	-	(1,331,048)	-	-	
(1,204,628)	-	(1,204,628)	-	-	
(11,164,059)	-	(11,164,059)	-	-	
(196,072)	-	(196,072)	-	-	
(368,781)	-	(368,781)	-	-	
(252,744)	-	(252,744)	-	-	
\$ (19,411,150)	\$ -	\$ (19,411,150)	\$ -	\$ -	
\$ -	\$ (33,279)	\$ (33,279)	\$ -	\$ -	
\$ -	\$ (33,279)	\$ (33,279)	\$ -	\$ -	
\$ (19,411,150)	\$ (33,279)	\$ (19,444,429)	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ (11,081,570)	\$ -	
-	-	-	-	(26,746)	
\$ -	\$ -	\$ -	\$ (11,081,570)	\$ (26,746)	
\$ 17,155,371	\$ -	\$ 17,155,371	\$ -	\$ -	
1,652,781	-	1,652,781	-	-	
201,036	-	201,036	-	-	
236,163	-	236,163	-	-	
228,087	45	228,132	2,750	47	
58,950	-	58,950	140,160	-	
-	-	-	11,421,024	-	
1,278,588	-	1,278,588	-	-	
\$ 20,810,976	\$ 45	\$ 20,811,021	\$ 11,563,934	\$ 47	
\$ 1,399,826	\$ (33,234)	\$ 1,366,592	\$ 482,364	\$ (26,699)	
4,853,787	1,103,292	5,957,079	(6,993,141)	105,367	
\$ 6,253,613	\$ 1,070,058	\$ 7,323,671	\$ (6,510,777)	\$ 78,668	

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FUND FINANCIAL STATEMENTS

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County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,321,118	\$ 25,481	\$ 2,339,454	\$ 4,686,053
Receivables (net of allowance for uncollectibles):				
Taxes receivable	832,077	-	-	832,077
Accounts receivable	82,998	-	-	82,998
Due from other governmental units	834,261	-	-	834,261
Prepaid items	11,798	-	-	11,798
Total assets	<u>\$ 4,082,252</u>	<u>\$ 25,481</u>	<u>\$ 2,339,454</u>	<u>\$ 6,447,187</u>
LIABILITIES				
Accounts payable	\$ 353,908	\$ -	\$ -	\$ 353,908
Due to other governmental units	1,041,089	-	-	1,041,089
Unearned revenue	-	1,746	-	1,746
Total liabilities	<u>\$ 1,394,997</u>	<u>\$ 1,746</u>	<u>\$ -</u>	<u>\$ 1,396,743</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 744,493	\$ -	\$ -	\$ 744,493
Total deferred inflows of resources	<u>\$ 744,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,493</u>
FUND BALANCES				
Nonspendable	\$ 11,798	\$ -	\$ -	\$ 11,798
Restricted	-	21,894	-	21,894
Committed	-	1,841	2,339,454	2,341,295
Unassigned	1,930,964	-	-	1,930,964
Total fund balances	<u>\$ 1,942,762</u>	<u>\$ 23,735</u>	<u>\$ 2,339,454</u>	<u>\$ 4,305,951</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,082,252</u>	<u>\$ 25,481</u>	<u>\$ 2,339,454</u>	<u>\$ 6,447,187</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 4,305,951

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	\$ 20,215,465	
Accumulated depreciation	<u>(8,488,566)</u>	11,726,899

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

Unavailable revenue - property taxes		699,143
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,004,257	
OPEB related items	<u>52,446</u>	1,056,703

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	\$ (6,448,000)	
General obligations bond	(1,255,000)	
Accrued interest payable	(54,481)	
Capital leases	(75,192)	
Bond premium	(92,771)	
Net pension liability	(2,458,574)	
NET OPEB liability	(392,000)	
Compensated absences	<u>(226,764)</u>	(11,002,782)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (493,301)	
OPEB related items	<u>(39,000)</u>	(532,301)

Net position of governmental activities		<u><u>\$ 6,253,613</u></u>
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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, 2019

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 17,205,483	\$ -	\$ -	\$ 17,205,483
Other local taxes	2,089,980	-	-	2,089,980
Permits, privilege fees, and regulatory licenses	136,434	-	-	136,434
Fines and forfeitures	27,322	-	-	27,322
Revenue from the use of money and property	211,979	34	16,074	228,087
Charges for services	334,757	-	-	334,757
Miscellaneous	58,950	-	-	58,950
Recovered costs	44,168	-	-	44,168
Intergovernmental:				
Commonwealth	4,244,992	-	-	4,244,992
Federal	1,124,400	-	-	1,124,400
Total revenues	<u>\$ 25,478,465</u>	<u>\$ 34</u>	<u>\$ 16,074</u>	<u>\$ 25,494,573</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,477,843	\$ -	\$ -	\$ 1,477,843
Judicial administration	820,043	-	-	820,043
Public safety	5,337,243	-	-	5,337,243
Public works	1,351,889	-	-	1,351,889
Health and welfare	2,977,266	-	-	2,977,266
Education	11,096,383	-	-	11,096,383
Parks, recreation, and cultural	177,992	-	-	177,992
Community development	433,065	-	-	433,065
Capital projects	2,327,616	-	-	2,327,616
Debt service:				
Principal retirement	1,475,460	-	-	1,475,460
Interest and other fiscal charges	213,919	-	99,060	312,979
Total expenditures	<u>\$ 27,688,719</u>	<u>\$ -</u>	<u>\$ 99,060</u>	<u>\$ 27,787,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,210,254)</u>	<u>\$ 34</u>	<u>\$ (82,986)</u>	<u>\$ (2,293,206)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 944,455	\$ -	\$ 111,326	\$ 1,055,781
Transfers out	(111,326)	-	(944,455)	(1,055,781)
Issuance of general obligation bonds	-	-	2,000,000	2,000,000
Issuance of capital lease	45,823	-	-	45,823
Total other financing sources (uses)	<u>\$ 878,952</u>	<u>\$ -</u>	<u>\$ 1,166,871</u>	<u>\$ 2,045,823</u>
Net change in fund balances	\$ (1,331,302)	\$ 34	\$ 1,083,885	\$ (247,383)
Fund balances - beginning	3,274,064	23,701	1,255,569	4,553,334
Fund balances - ending	<u>\$ 1,942,762</u>	<u>\$ 23,735</u>	<u>\$ 2,339,454</u>	<u>\$ 4,305,951</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, 2019

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

Net change in fund balances - total governmental funds \$ (247,383)

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

Capital asset additions	\$ 2,705,767	
Depreciation expense	(624,008)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(331,883)</u>	1,749,876

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

Property taxes	(50,112)
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retirement of county lease revenue bonds	\$ 1,312,000	
Principal retirement of school general obligation bond	150,000	
Principal retirement of capital lease	13,460	
Issuance of county revenue bonds	(2,000,000)	
Issuance of capital lease	<u>(45,823)</u>	(570,363)

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	\$ 35,637	
Change in compensated absences	(2,772)	
Pension expense	439,406	
OPEB expense	20,939	
Change in accrued interest payable	<u>24,598</u>	517,808

Change in net position of governmental activities	<u><u>\$ 1,399,826</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Lancaster, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2019

	Enterprise Fund
	<u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 50,187
Accounts receivables, net of allowance for uncollectibles	6,237
Total current assets	<u>\$ 56,424</u>
Noncurrent assets:	
Capital assets:	
Buildings and improvements	\$ 1,182,543
Total noncurrent assets	<u>\$ 1,182,543</u>
Total assets	<u>\$ 1,238,967</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 628
Bonds payable - current portion	3,448
Total current liabilities	<u>\$ 4,076</u>
Noncurrent liabilities:	
Bonds payable	\$ 164,833
Total noncurrent liabilities	<u>\$ 164,833</u>
Total liabilities	<u>\$ 168,909</u>
NET POSITION	
Net investment in capital assets	\$ 1,014,262
Unrestricted	55,796
Total net position	<u><u>\$ 1,070,058</u></u>

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

County of Lancaster, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund
	<u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Sewer fees	\$ 19,892
Other revenues	5,218
Total operating revenues	<u>\$ 25,110</u>
OPERATING EXPENSES	
Repairs and maintenance	\$ 8,043
Depreciation	52,848
Total operating expenses	<u>\$ 60,891</u>
Operating income (loss)	<u>\$ (35,781)</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 6,000
Interest expense	(3,498)
Interest income	45
Total nonoperating revenues (expenses)	<u>\$ 2,547</u>
Change in net position	\$ (33,234)
Total net position - beginning	1,103,292
Total net position - ending	<u><u>\$ 1,070,058</u></u>

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

County of Lancaster, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 22,393
Payments for operating expenses	(9,305)
Net cash provided by (used for) operating activities	<u>\$ 13,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (1,719)
Connection fees	6,000
Interest payments	(3,498)
Net cash provided by (used for) capital and related financing activities	<u>\$ 783</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 45
Net cash provided by (used for) investing activities	<u>\$ 45</u>
Net increase (decrease) in cash and cash equivalents	\$ 13,916
Cash and cash equivalents - beginning	36,271
Cash and cash equivalents - ending	<u><u>\$ 50,187</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (35,781)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	52,848
(Increase) decrease in accounts receivable	(2,717)
Increase (decrease) in accounts payable	(1,262)
Total adjustments	<u>\$ 48,869</u>
Net cash provided by (used for) operating activities	<u><u>\$ 13,088</u></u>

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

County of Lancaster, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 14,585
Total assets	<u>\$ 14,585</u>
LIABILITIES	
Accounts payable	\$ 4,877
Amounts held for social services clients	9,708
Total liabilities	<u>\$ 14,585</u>

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies:

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

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

Government-wide and Fund Financial Statements

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

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

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

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2019.

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, 2019.

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, 2019. The Industrial Development Authority does not issue a separate financial report.

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

None

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

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.

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

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

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.

1. Governmental Funds

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

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

2. Proprietary Funds

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

Enterprise Funds

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$108,469 at June 30, 2019 is comprised solely of property taxes.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

G. Receivables and Payables (Continued)

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.

H. Capital Assets

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2019

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

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. 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.

J. Pensions

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

K. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans’ net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Use of Estimates

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

M. Net Position

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

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

N. Net Position Flow Assumption

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

O. Deferred Outflows/Inflows of Resources

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

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

P. Fund Balance

The following classifications of fund balance 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;

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

P. Fund Balance (Continued)

- 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.

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

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

	General Fund	Major Special Revenue Fund County Special Revenue Fund	Major Capital Projects Fund County Capital Projects Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 11,798	\$ -	\$ -	\$ 11,798
Total Nonspendable	\$ 11,798	\$ -	\$ -	\$ 11,798
Restricted:				
Forfeited asset	\$ -	\$ 11,543	\$ -	\$ 11,543
Wetlands special project	-	10,351	-	10,351
Total Restricted	\$ -	\$ 21,894	\$ -	\$ 21,894
Committed:				
Sheriff's K-9 Unit	\$ -	\$ 1,841	\$ -	\$ 1,841
Capital Improvements	-	-	2,339,454	2,339,454
Total Committed	\$ -	\$ 1,841	\$ 2,339,454	\$ 2,341,295
Unassigned	\$ 1,930,964	\$ -	\$ -	\$ 1,930,964
Total	\$ 1,942,762	\$ 23,735	\$ 2,339,454	\$ 4,305,951

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Q. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Amount</u>
County Capital Projects Fund	\$ 99,060

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2019

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, 2019 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	\$ 7,075
Virginia Investment Pool	1,010,641
State Non-Arbitrage Pool	1,906,961
Total	<u>\$ 2,924,677</u>

External Investment Pools

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 3—Deposits and Investments: (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the Virginia Investment Pool investments at net asset value (NAV). There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 7,075	\$ 7,075
Virginia Investment Pool	1,010,641	1,010,641
State Non-Arbitrage Pool	1,906,961	1,906,961
Total	<u>\$ 2,924,677</u>	<u>\$ 2,924,677</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 4—Due to/from Other Governments:

At June 30, 2019, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	\$ -	\$ 1,041,089
Commonwealth of Virginia:		
Local sales tax	308,552	155,249
Welfare	36,437	-
Rolling stock tax	3	-
Local jails	10,592	-
Constitutional officer reimbursements	164,113	-
Recordation tax	9,477	-
Auto rental tax	1,081	-
Mobile home titling tax	2,887	-
Victim-witness grant	17,500	-
Comprehensive services act	105,293	-
E-911 wireless	7,480	-
Communications tax	44,842	-
VHDA fees	2,737	-
Federal Government:		
School fund grants	-	160,623
Victim-witness grant	52,500	-
Welfare	70,767	-
Total due from other governments	<u>\$ 834,261</u>	<u>\$ 1,356,961</u>

At June 30, 2019, amounts due to other governmental units are as follows:

Other Local Governments:		
Lancaster County School Board	<u>\$ 1,041,089</u>	<u>\$ -</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

Primary Government:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 845,555	\$ 804,189	\$ -	\$ 1,649,744
Construction in progress	277,766	1,935,721	804,189	1,409,298
Total capital assets not subject to depreciation	<u>\$ 1,123,321</u>	<u>\$ 2,739,910</u>	<u>\$ 804,189</u>	<u>\$ 3,059,042</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,284,841	\$ -	\$ -	\$ 7,284,841
Infrastructure	2,558,128	-	-	2,558,128
Machinery and equipment	3,508,241	484,684	-	3,992,925
Jointly owned assets	3,527,793	285,362	492,626	3,320,529
Total capital assets subject to depreciation	<u>\$ 16,879,003</u>	<u>\$ 770,046</u>	<u>\$ 492,626</u>	<u>\$ 17,156,423</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,557,176	\$ 158,095	\$ -	\$ 2,715,271
Infrastructure	254,980	127,907	-	382,887
Machinery and equipment	3,090,354	234,526	-	3,324,880
Jointly owned assets	2,122,791	103,480	160,743	2,065,528
Total accumulated depreciation	<u>\$ 8,025,301</u>	<u>\$ 624,008</u>	<u>\$ 160,743</u>	<u>\$ 8,488,566</u>
Total capital assets subject to depreciation, net	<u>\$ 8,853,702</u>	<u>\$ 146,038</u>	<u>\$ 331,883</u>	<u>\$ 8,667,857</u>
Governmental activities capital assets, net	<u><u>\$ 9,977,023</u></u>	<u><u>\$ 2,885,948</u></u>	<u><u>\$ 1,136,072</u></u>	<u><u>\$ 11,726,899</u></u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

A summary of proprietary fund property, plant, and equipment at June 30, 2019 follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,321,205	\$ -	\$ -	\$ 1,321,205
Accumulated depreciation:				
Buildings and improvements	\$ 85,814	\$ 52,848	\$ -	\$ 138,662
Total capital assets subject to depreciation, net	\$ 1,235,391	\$ (52,848)	\$ -	\$ 1,182,543
Business-type activities capital assets, net	\$ 1,235,391	\$ (52,848)	\$ -	\$ 1,182,543

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 6,271	\$ -	\$ -	\$ 6,271
Construction in progress	82,325	-	82,325	-
Total capital assets not subject to depreciation	<u>\$ 88,596</u>	<u>\$ -</u>	<u>\$ 82,325</u>	<u>\$ 6,271</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 51,100	\$ -	\$ -	\$ 51,100
Machinery and equipment	4,694,082	171,764	-	4,865,846
Jointly owned assets	16,155,011	-	(492,626)	16,647,637
Total capital assets subject to depreciation	<u>\$ 20,900,193</u>	<u>\$ 171,764</u>	<u>\$ (492,626)</u>	<u>\$ 21,564,583</u>
Accumulated depreciation:				
Buildings and improvements	\$ 25,548	\$ 3,394	\$ -	\$ 28,942
Machinery and equipment	3,683,869	269,775	-	3,953,644
Jointly owned assets	9,721,017	473,870	(160,743)	10,355,630
Total accumulated depreciation	<u>\$ 13,430,434</u>	<u>\$ 747,039</u>	<u>\$ (160,743)</u>	<u>\$ 14,338,216</u>
Total capital assets subject to depreciation, net	<u>\$ 7,469,759</u>	<u>\$ (575,275)</u>	<u>\$ (331,883)</u>	<u>\$ 7,226,367</u>
Component unit school board capital assets, net	<u>\$ 7,558,355</u>	<u>\$ (575,275)</u>	<u>\$ (249,558)</u>	<u>\$ 7,232,638</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government:		
Governmental activities:		
General government administration	\$	24,853
Judicial administration		140,228
Public safety		289,445
Public works		8,681
Health and welfare		39,241
Education		103,480
Parks, recreation and cultural		18,080
Total Governmental activities	\$	624,008
Business-type Activities	\$	52,848
Component Unit School Board	\$	747,039

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General fund	\$ 944,455	\$ 111,326
County capital projects fund	111,326	944,455
Total	\$ 1,055,781	\$ 1,055,781

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

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2019:

	Balance at July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 223,992	\$ 25,171	\$ 22,399	\$ 226,764	\$ 22,676
Net pension liability	1,968,890	2,640,953	2,151,269	2,458,574	-
Net OPEB liability	379,000	77,000	64,000	392,000	-
Direct borrowings and placements:					
Lease revenue bonds	5,760,000	2,000,000	1,312,000	6,448,000	894,000
Capital lease (Note 8)	42,829	45,823	13,460	75,192	24,628
Total incurred by County	<u>\$ 8,374,711</u>	<u>\$ 4,788,947</u>	<u>\$ 3,563,128</u>	<u>\$ 9,600,530</u>	<u>\$ 941,304</u>
Incurred by School Board:					
General obligation bond	\$ 1,405,000	\$ -	\$ 150,000	\$ 1,255,000	\$ 160,000
Bond premium	128,408	-	35,637	92,771	-
Total incurred by School Board	<u>\$ 1,533,408</u>	<u>\$ -</u>	<u>\$ 185,637</u>	<u>\$ 1,347,771</u>	<u>\$ 160,000</u>
Total Governmental Activities Obligations	<u>\$ 9,908,119</u>	<u>\$ 4,788,947</u>	<u>\$ 3,748,765</u>	<u>\$ 10,948,301</u>	<u>\$ 1,101,304</u>
Business-type Activities Obligations:					
Direct borrowings and placements:					
Revenue bond	\$ 170,000	\$ -	\$ 1,719	\$ 168,281	\$ 3,448
Total Business-type Activities Obligations	<u>\$ 170,000</u>	<u>\$ -</u>	<u>\$ 1,719</u>	<u>\$ 168,281</u>	<u>\$ 3,448</u>
Total Primary Government Obligations	<u>\$ 10,078,119</u>	<u>\$ 4,788,947</u>	<u>\$ 3,750,484</u>	<u>\$ 11,116,582</u>	<u>\$ 1,104,752</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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	Direct Borrowings and Direct Placements	
	County Obligations	
	Lease	
	Revenue Bonds	
	Principal	Interest
2020	\$ 894,000	\$ 136,561
2021	896,000	135,116
2022	917,000	114,123
2023	938,000	92,634
2024	960,000	70,646
2025	982,000	48,132
2026	206,000	25,098
2027	212,000	19,092
2028	218,000	12,914
2029	225,000	6,559
Total	<u>\$ 6,448,000</u>	<u>\$ 660,875</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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
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	15,934
2026	200,000	5,438
Total	<u>\$ 1,255,000</u>	<u>\$ 237,420</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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	Direct Borrowings and Direct Placements	
	<u>Buisness-type Activities</u>	
	Revenue Bond	
	Principal	Interest
2020	\$ 3,448	\$ 2,300
2021	3,502	2,246
2022	3,551	2,197
2023	3,600	2,148
2024	3,644	2,104
2025	3,700	2,048
2026	3,751	1,997
2027	3,803	1,945
2028	3,851	1,897
2029	3,909	1,839
2030	3,963	1,785
2031	4,018	1,730
2032	4,069	1,679
2033	4,130	1,618
2034	4,187	1,561
2035	4,245	1,503
2036	4,300	1,448
2037	4,364	1,384
2038	4,424	1,324
2039	4,485	1,263
2040	4,544	1,204
2041	4,610	1,138
2042	4,674	1,074
2043	4,739	1,009
2044	4,802	946
2045	4,871	877
2046	4,938	810
2047	5,007	741
2048	5,074	674
2049	5,146	602
2050	5,218	530
2051	5,290	458
2052	5,362	386
2053	5,437	311
2054	5,513	235
2055	5,589	159
2056	5,666	82
2057	2,857	11
Total	<u>\$ 168,281</u>	<u>\$ 47,263</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Compensated absences (payable from the General Fund)					\$ 226,764	\$ 22,676
Net OPEB liability (payable from the General Fund)					\$ 392,000	\$ -
Net pension liability (payable from the General Fund)					\$ 2,458,574	\$ -
Total long-term obligations incurred by the County					\$ 3,077,338	\$ 22,676
Direct borrowings and placements:						
<u>General Obligation Bonds:</u>						
VPSA Bond outstanding \$1,255,000 plus unamortized premium of \$92,771.	.586%- 5.438%	11/14/10	04/01/26	\$ 2,280,000	\$ 1,347,771	\$ 160,000
Lease Revenue Refunding Bond outstanding \$2,000,000.	2.79%	05/16/19	01/15/29	2,000,000	2,000,000	192,000
Lease Revenue Refunding Bond outstanding \$4,448,000.	2.20%	09/26/14	01/15/25	7,107,000	4,448,000	702,000
Total General Obligation Bonds					\$ 7,795,771	\$ 1,054,000
<u>Other Long-Term Obligations:</u>						
Equipment Lease Purchase Agreement	5.95%	09/16/16	11/16/20	80,041	\$ 29,369	\$ 14,261
Equipment Lease Purchase Agreement	6.70%	10/12/18	10/12/22	45,823	45,823	10,367
Total Other Long-Term Obligations					\$ 75,192	\$ 24,628
Total long-term obligations incurred by the County					\$ 9,600,530	\$ 941,304
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 1,347,771	\$ 160,000
Total long-term obligations - governmental activities					\$ 10,948,301	\$ 1,101,304
Direct borrowings and placements:						
<u>Revenue Bonds:</u>						
Series 2016 Sewer Revenue Bonds	1.38%	12/14/16	12/12/56	170,000	\$ 168,281	\$ 3,448
Total Revenue Bonds					\$ 168,281	\$ 3,448
Total Direct Borrowings and Placements					\$ 168,281	\$ 3,448
Total long-term obligations - business-type activities					\$ 168,281	\$ 3,448

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 571,433	\$ 49,990	\$ 57,143	\$ 564,280	\$ 56,428
Net OPEB liability	1,939,000	234,000	263,000	1,910,000	-
Net pension liability	12,174,961	2,565,750	3,364,579	11,376,132	-
Total Component Unit-School Board	<u>\$ 14,685,394</u>	<u>\$ 2,849,740</u>	<u>\$ 3,684,722</u>	<u>\$ 13,850,412</u>	<u>\$ 56,428</u>

Note 8—Capital Leases:

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

The assets acquired through capital leases are as follows:

	Primary Government
Asset:	
Equipment	\$ 129,009
Less: accumulated depreciation	<u>(53,919)</u>
Total	<u>\$ 75,090</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019, are as follows:

Year Ended June 30	Primary Government
2020	\$ 29,446
2021	29,445
2022	13,436
2023	13,436
Total minimum lease payments	\$ 85,763
Less: amount representing interest	(10,571)
Present value of minimum lease payments	<u>\$ 75,192</u>

Note 9—Unearned and Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$699,143 at June 30, 2019.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$45,350 at June 30, 2019.

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

Note 10—Contingent Liabilities:

Federal programs in which the County and discretely presented component units participate were audited in accordance with the provisions of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this regulation all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2019

Note 11—Litigation:

At June 30, 2019, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12 –Risk Management:

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

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

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

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

Note 13—Pension Plans:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

Note 13—Pension Plans: (Continued)

Benefit Structures (Continued)

- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2017 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	62	23
Inactive members:		
Vested inactive members	6	1
Non-vested inactive members	12	10
Inactive members active elsewhere in VRS	50	8
Total inactive members	68	19
Active members	101	46
Total covered employees	231	88

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.

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 12.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Note 13—Pension Plans: (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 \$576,371 and \$499,262 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board’s contractually employer required contribution rate for nonprofessional employees for the year ended June 30, 2019 was 8.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$76,594 and \$82,760 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Discount Rate (Continued)

was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue 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, 2017	\$ 21,151,561	\$ 19,182,671	\$ 1,968,890
Changes for the year:			
Service cost	\$ 561,124	\$ -	\$ 561,124
Interest	1,441,221	-	1,441,221
Differences between expected and actual experience	625,068	-	625,068
Contributions - employer	-	499,673	(499,673)
Contributions - employee	-	238,583	(238,583)
Net investment income	-	1,413,013	(1,413,013)
Benefit payments, including refunds			
Refunds of employee contributions	(1,125,384)	(1,125,384)	-
Administrative expenses	-	(12,287)	12,287
Other changes	-	(1,253)	1,253
Net changes	\$ 1,502,029	\$ 1,012,345	\$ 489,684
Balances at June 30, 2018	\$ 22,653,590	\$ 20,195,016	\$ 2,458,574

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (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, 2017	\$ 3,304,228	\$ 2,990,267	\$ 313,961
Changes for the year:			
Service cost	\$ 97,277	\$ -	\$ 97,277
Interest	227,405	-	227,405
Differences between expected and actual experience	(71,087)	-	(71,087)
Contributions - employer	-	82,593	(82,593)
Contributions - employee	-	41,118	(41,118)
Net investment income	-	221,781	(221,781)
Benefit payments, including refunds			
Refunds of employee contributions	(111,163)	(111,163)	-
Administrative expenses	-	(1,868)	1,868
Other changes	-	(200)	200
Net changes	\$ 142,432	\$ 232,261	\$ (89,829)
Balances at June 30, 2018	\$ 3,446,660	\$ 3,222,528	\$ 224,132

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's			
Net Pension Liability	\$ 5,090,035	\$ 2,458,574	\$ 245,517
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ 608,512	\$ 224,132	\$ (102,396)

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$137,376 and (\$21,004), respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 427,886	\$ 315,022	\$ 4,076	\$ 103,934
Change of assumptions	-	8,716	-	14,732
Net difference between projected and actual earnings on pension plan investments	-	169,563	-	27,531
Employer contributions subsequent to the measurement date	576,371	-	76,594	-
Total	\$ 1,004,257	\$ 493,301	\$ 80,670	\$ 146,197

\$576,371 and \$76,594 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ (30,688)	\$ (73,720)
2021	147,421	(35,440)
2022	(165,299)	(30,542)
2023	(16,849)	(2,419)
2024	-	-
Thereafter	-	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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 related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,162,061 and \$1,224,853 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$11,152,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.09483% as compared to 0.09644% at June 30, 2017.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (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, 2019, the school division recognized pension expense of \$580,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 954,000
Change of assumptions	133,000	-
Net difference between projected and actual earnings on pension plan investments	-	236,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	357,000
Employer contributions subsequent to the measurement date	1,162,061	-
Total	\$ 1,295,061	\$ 1,547,000

\$1,162,061 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2020	\$ (240,000)
2021	(352,000)
2022	(569,000)
2023	(191,000)
2024	(62,000)
Thereafter	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (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, 2017, 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, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 17,035,000	\$ 11,152,000	\$ 6,283,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

	Primary Government				Component Unit School Board			
			Net Pension				Net Pension	
	Deferred Outflows	Deferred Inflows	Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,004,257	\$ 493,301	\$ 2,458,574	\$ 137,376	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	80,670	146,197	224,132	(21,004)
School Board Professional	-	-	-	-	1,295,061	1,547,000	11,152,000	580,000
Totals	\$ 1,004,257	\$ 493,301	\$ 2,458,574	\$ 137,376	\$ 1,375,731	\$ 1,693,197	\$ 11,376,132	\$ 558,996

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2019

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

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the County were \$25,446 and \$25,507 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board professional group were \$40,571 and \$40,704 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the GLI Program from the Component Unit School Board nonprofessional group were \$4,590 and \$4,423 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the County reported a liability of \$392,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$621,000 and \$68,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was 0.02580% as compared to 0.02518% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportion was 0.04088% and 0.00447%, respectively as compared to 0.04185% and 0.00461% respectively at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$4,000. For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of \$2,000. For the year ended June 30, 2019, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$2,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

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

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,000	\$ 7,000	\$ 30,000	\$ 11,000	\$ 3,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	13,000	-	20,000	-	2,000
Change in assumptions	-	16,000	-	26,000	-	3,000
Changes in proportionate share	8,000	3,000	6,000	14,000	-	-
Employer contributions subsequent to the measurement date	25,446	-	40,571	-	4,590	-
Total	<u>\$ 52,446</u>	<u>\$ 39,000</u>	<u>\$ 76,571</u>	<u>\$ 71,000</u>	<u>\$ 7,590</u>	<u>\$ 6,000</u>

\$25,446, \$40,571 and \$4,590, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2020	\$ (5,000)	\$ (11,000)	\$ (1,000)
2021	(5,000)	(11,000)	(1,000)
2022	(5,000)	(11,000)	(1,000)
2023	-	(5,000)	-
2024	1,000	2,000	-
Thereafter	2,000	1,000	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 513,000	\$ 392,000	\$ 295,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 811,000	\$ 621,000	\$ 466,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 89,000	\$ 68,000	\$ 51,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

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

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$93,089 and \$95,543 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$1,221,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.09613% as compared to 0.09775% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$98,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	5,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 1,000
Change of assumptions	-	11,000
Changes in proportion	4,000	18,000
Employer contributions subsequent to the measurement date	93,089	-
Total	\$ 97,089	\$ 35,000

\$93,089 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (5,000)
2021	(5,000)
2022	(5,000)
2023	(5,000)
2024	(6,000)
Thereafter	(5,000)

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality Rates - Teachers

- Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

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

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%
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The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,364,000	\$ 1,221,000	\$ 1,099,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Summary of Other Postemployment Benefit Plans:

Aggregate OPEB Information:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 13):								
County	\$ 52,446	\$ 39,000	\$ 392,000	\$ 4,000	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	7,590	6,000	68,000	(2,000)
School Board Professional	-	-	-	-	76,571	71,000	621,000	2,000
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	97,089	35,000	1,221,000	98,000
Totals	\$ 52,446	\$ 39,000	\$ 392,000	\$ 4,000	\$ 181,250	\$ 112,000	\$ 1,910,000	\$ 98,000

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2019

Note 17–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. Dickson, Treasurer	400,000
Marlon Savoy, Commissioner of the Revenue	3,000
Patrick McCranie, Sheriff	30,000
Fidelity and Deposit Company of Maryland-Surety	
All School Board Employees-blanket bond	25,000
VA Risk Pool-Surety	
All Department of Social Services Employees-blanket bond	100,000

Note 18–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 \$42,231, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 19–Postclosure Costs:

Old County Landfill

The County demonstrated financial assurance requirements for postclosure care and corrective action costs, if any, through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA20-70 of the Virginia Administrative Code. In addition, the County closed its landfill in August 1996 and is liable for the postclosure monitoring for a period of ten years. The County's ten year period has expired but they are still required to complete an annual landfill assurance calculation. The amount reported as landfill postclosure liability at June 30, 2019 represents the estimated liability for postclosure monitoring of \$0 over a period of one year. This amount is based on what it would cost to perform all postclosure care in 2019. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Note 20–Line of Duty Act (LODA) (OPEB Benefits):

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 20–Line of Duty Act (LODA) (OPEB Benefits): (Continued)

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2019 was \$36,150.

Note 21 - Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 22–Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 22–Upcoming Pronouncements: (Continued)

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

REQUIRED SUPPLEMENTARY INFORMATION

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County of Lancaster, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive Positive (Negative)
REVENUES				
General property taxes	\$ 17,250,500	\$ 17,250,500	\$ 17,205,483	\$ (45,017)
Other local taxes	2,007,000	2,007,000	2,089,980	82,980
Permits, privilege fees, and regulatory licenses	126,356	126,356	136,434	10,078
Fines and forfeitures	22,000	22,000	27,322	5,322
Revenue from the use of money and property	100,000	100,000	211,979	111,979
Charges for services	367,750	369,744	334,757	(34,987)
Miscellaneous	18,500	46,939	58,950	12,011
Recovered costs	25,600	25,600	44,168	18,568
Intergovernmental:				
Commonwealth	4,198,004	4,254,127	4,244,992	(9,135)
Federal	894,802	928,405	1,124,400	195,995
Total revenues	\$ 25,010,512	\$ 25,130,671	\$ 25,478,465	\$ 347,794
EXPENDITURES				
Current:				
General government administration	\$ 1,551,804	\$ 1,563,668	\$ 1,477,843	\$ 85,825
Judicial administration	810,224	822,128	820,043	2,085
Public safety	5,347,242	5,447,993	5,337,243	110,750
Public works	1,287,226	1,289,546	1,351,889	(62,343)
Health and welfare	3,071,894	3,149,481	2,977,266	172,215
Education	11,189,186	11,404,186	11,096,383	307,803
Parks, recreation, and cultural	179,395	179,395	177,992	1,403
Community development	460,799	462,793	433,065	29,728
Capital projects	37,925	2,811,559	2,327,616	483,943
Debt service:				
Principal retirement	1,462,000	1,475,460	1,475,460	-
Interest and other fiscal charges	331,464	334,012	213,919	120,093
Total expenditures	\$ 25,729,159	\$ 28,940,221	\$ 27,688,719	\$ 1,251,502
Excess (deficiency) of revenues over (under)				
expenditures	\$ (718,647)	\$ (3,809,550)	\$ (2,210,254)	\$ 1,599,296
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 90,000	\$ 944,455	\$ 854,455
Transfers out	-	-	(111,326)	(111,326)
Issuance of capital lease	-	-	45,823	45,823
Total other financing sources (uses)	\$ -	\$ 90,000	\$ 878,952	\$ 788,952
Net change in fund balances				
Fund balances - beginning	\$ (718,647)	\$ (3,719,550)	\$ (1,331,302)	\$ 2,388,248
Fund balances - ending	718,647	3,719,550	3,274,064	(445,486)
Fund balances - ending	\$ -	\$ -	\$ 1,942,762	\$ 1,942,762

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, 2019

	<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	\$ -	\$ -	\$ 34	\$ 34
Total revenues	\$ -	\$ -	\$ 34	\$ 34
Excess (deficiency) of revenues over (under)				
expenditures	\$ -	\$ -	\$ 34	\$ 34
Net change in fund balances	\$ -	\$ -	\$ 34	\$ 34
Fund balances - beginning	-	-	23,701	23,701
Fund balances - ending	\$ -	\$ -	\$ 23,735	\$ 23,735

County of Lancaster, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 561,124	\$ 531,038	\$ 531,291	\$ 504,777	\$ 513,722
Interest	1,441,221	1,435,694	1,401,918	1,320,944	1,253,422
Changes of assumptions	-	(24,006)	-	-	-
Differences between expected and actual experience	625,068	(717,360)	(388,741)	248,771	-
Benefit payments, including refunds of employee contributions	(1,125,384)	(1,167,440)	(956,461)	(878,972)	(726,122)
Net change in total pension liability	\$ 1,502,029	\$ 57,926	\$ 588,007	\$ 1,195,520	\$ 1,041,022
Total pension liability - beginning	21,151,561	21,093,635	20,505,628	19,310,108	18,269,086
Total pension liability - ending (a)	<u>\$ 22,653,590</u>	<u>\$ 21,151,561</u>	<u>\$ 21,093,635</u>	<u>\$ 20,505,628</u>	<u>\$ 19,310,108</u>
Plan fiduciary net position					
Contributions - employer	\$ 499,673	\$ 476,163	\$ 581,264	\$ 573,585	\$ 562,794
Contributions - employee	238,583	241,369	235,664	230,155	222,340
Net investment income	1,413,013	2,120,458	300,518	767,978	2,278,553
Benefit payments, including refunds of employee contributions	(1,125,384)	(1,167,440)	(956,461)	(878,972)	(726,122)
Administrative expense	(12,287)	(12,468)	(10,836)	(10,432)	(12,131)
Other	(1,253)	(1,875)	(129)	(160)	120
Net change in plan fiduciary net position	\$ 1,012,345	\$ 1,656,207	\$ 150,020	\$ 682,154	\$ 2,325,554
Plan fiduciary net position - beginning	19,182,671	17,526,464	17,376,444	16,694,290	14,368,736
Plan fiduciary net position - ending (b)	<u>\$ 20,195,016</u>	<u>\$ 19,182,671</u>	<u>\$ 17,526,464</u>	<u>\$ 17,376,444</u>	<u>\$ 16,694,290</u>
County's net pension liability - ending (a) - (b)	\$ 2,458,574	\$ 1,968,890	\$ 3,567,171	\$ 3,129,184	\$ 2,615,818
Plan fiduciary net position as a percentage of the total pension liability	89.15%	90.69%	83.09%	84.74%	86.45%
Covered payroll	\$ 4,899,898	\$ 4,640,146	\$ 4,553,321	\$ 4,471,202	\$ 4,304,657
County's net pension liability as a percentage of covered payroll	50.18%	42.43%	78.34%	69.99%	60.77%

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

County of Lancaster, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 97,277	\$ 89,641	\$ 91,102	\$ 88,092	\$ 94,669
Interest	227,405	227,049	210,460	198,993	187,434
Changes of assumptions	-	(38,882)	-	-	-
Differences between expected and actual experience	(71,087)	(155,676)	59,648	4,221	-
Benefit payments, including refunds of employee contributions	(111,163)	(122,916)	(125,526)	(129,468)	(104,491)
Net change in total pension liability	\$ 142,432	\$ (784)	\$ 235,684	\$ 161,838	\$ 177,612
Total pension liability - beginning	3,304,228	3,305,012	3,069,328	2,907,490	2,729,878
Total pension liability - ending (a)	<u>\$ 3,446,660</u>	<u>\$ 3,304,228</u>	<u>\$ 3,305,012</u>	<u>\$ 3,069,328</u>	<u>\$ 2,907,490</u>
Plan fiduciary net position					
Contributions - employer	\$ 82,593	\$ 83,849	\$ 90,270	\$ 89,468	\$ 95,208
Contributions - employee	41,118	41,507	41,274	41,189	38,144
Net investment income	221,781	327,027	46,922	114,353	338,585
Benefit payments, including refunds of employee contributions	(111,163)	(122,916)	(125,526)	(129,468)	(104,491)
Administrative expense	(1,868)	(1,849)	(1,602)	(1,541)	(1,785)
Other	(200)	(292)	(19)	(26)	18
Net change in plan fiduciary net position	\$ 232,261	\$ 327,326	\$ 51,319	\$ 113,975	\$ 365,679
Plan fiduciary net position - beginning	2,990,267	2,662,941	2,611,622	2,497,647	2,131,968
Plan fiduciary net position - ending (b)	<u>\$ 3,222,528</u>	<u>\$ 2,990,267</u>	<u>\$ 2,662,941</u>	<u>\$ 2,611,622</u>	<u>\$ 2,497,647</u>
School Division's net pension liability - ending (a) - (b)	\$ 224,132	\$ 313,961	\$ 642,071	\$ 457,706	\$ 409,843
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.50%	80.57%	85.09%	85.90%
Covered payroll	\$ 850,536	\$ 850,716	\$ 853,609	\$ 841,096	\$ 762,880
School Division's net pension liability as a percentage of covered payroll	26.35%	36.91%	75.22%	54.42%	53.72%

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

County of Lancaster, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09483%	0.09644%	0.09729%	0.09889%	0.09898%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,152,000	\$ 11,861,000	\$ 13,634,000	\$ 12,447,000	\$ 11,962,000
Employer's Covered Payroll	7,774,073	7,718,889	7,438,235	7,358,567	7,245,215
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	143.45%	153.66%	183.30%	169.15%	165.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.71%	72.92%	68.28%	70.68%	70.88%

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

County of Lancaster, Virginia
Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 576,371	\$ 576,371	\$ -	\$ 4,893,552	11.78%
2018	499,262	499,262	-	4,899,898	10.19%
2017	476,163	476,163	-	4,640,146	10.26%
2016	581,264	581,264	-	4,553,321	12.77%
2015	573,585	573,585	-	4,471,202	12.83%
2014	563,049	563,049	-	4,304,657	13.08%
2013	531,602	531,602	-	4,064,234	13.08%
2012	431,242	431,242	-	3,796,146	11.36%
2011	468,069	468,069	-	4,120,328	11.36%
2010	367,116	367,116	-	3,780,806	9.71%
Component Unit School Board (nonprofessional)					
2019	\$ 76,594	\$ 76,594	\$ -	\$ 882,678	8.68%
2018	82,760	82,760	-	850,536	9.73%
2017	83,849	83,849	-	850,716	9.86%
2016	90,270	90,270	-	853,609	10.58%
2015	89,468	89,468	-	841,096	10.64%
2014	95,207	95,207	-	762,880	12.48%
2013	100,762	100,762	-	807,389	12.48%
2012	83,208	83,208	-	769,734	10.81%
2011	84,780	84,780	-	784,278	10.81%
2010	94,226	94,226	-	781,962	12.05%
Component Unit School Board (professional)					
2019	\$ 1,162,061	\$ 1,162,061	\$ -	\$ 7,813,034	14.87%
2018	1,224,853	1,224,853	-	7,774,073	15.76%
2017	1,097,411	1,097,411	-	7,718,889	14.22%
2016	1,155,374	1,155,374	-	7,438,235	15.53%
2015	1,066,056	1,066,056	-	7,358,567	14.49%
2014	842,406	842,406	-	7,245,215	11.63%
2013	811,193	811,193	-	7,141,207	11.36%
2012	463,563	463,563	-	7,355,964	6.30%
2011	279,119	279,119	-	7,054,765	3.96%
2010	617,285	617,285	-	7,002,493	8.82%

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

County of Lancaster, Virginia
Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

County of Lancaster, Virginia
 Schedule of County's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government:					
2018	0.02580%	\$ 392,000	\$ 4,905,271	7.99%	51.22%
2017	0.02518%	379,000	4,645,089	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.00447%	\$ 68,000	\$ 850,536	7.99%	51.22%
2017	0.00461%	70,000	850,716	8.23%	48.86%
Component Unit School Board (professional):					
2018	0.04088%	\$ 621,000	\$ 7,774,073	7.99%	51.22%
2017	0.04185%	629,000	7,718,889	8.15%	48.86%

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

County of Lancaster, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2019	\$ 25,446	\$ 25,446	\$ -	\$ 4,893,552	0.52%
2018	25,507	25,507	-	4,905,271	0.52%
2017	24,154	24,154	-	4,645,089	0.52%
2016	21,963	21,963	-	4,575,564	0.48%
2015	21,476	21,476	-	4,474,101	0.48%
2014	20,690	20,690	-	4,310,370	0.48%
2013	19,508	19,508	-	4,064,234	0.48%
2012	10,629	10,629	-	3,796,146	0.28%
2011	10,818	10,818	-	3,863,509	0.28%
2010	7,669	7,669	-	3,863,509	0.20%
Component Unit School Board (nonprofessional):					
2019	\$ 4,590	\$ 4,590	\$ -	\$ 882,678	0.52%
2018	4,423	4,423	-	850,536	0.52%
2017	4,424	4,424	-	850,716	0.52%
2016	4,140	4,140	-	862,531	0.48%
2015	4,037	4,037	-	841,096	0.48%
2014	3,703	3,703	-	771,512	0.48%
2013	3,875	3,875	-	807,389	0.48%
2012	2,155	2,155	-	769,734	0.28%
2011	2,196	2,196	-	784,278	0.28%
2010	1,596	1,596	-	591,180	0.27%
Component Unit School Board (professional):					
2019	\$ 40,571	\$ 40,571	\$ -	\$ 7,802,088	0.52%
2018	40,704	40,704	-	7,774,073	0.52%
2017	40,138	40,138	-	7,718,889	0.52%
2016	35,704	35,704	-	7,438,235	0.48%
2015	35,321	35,321	-	7,358,567	0.48%
2014	34,777	34,777	-	7,245,215	0.48%
2013	34,278	34,278	-	7,141,207	0.48%
2012	20,597	20,597	-	7,355,964	0.28%
2011	19,753	19,753	-	7,054,765	0.28%
2010	13,564	13,564	-	7,002,493	0.19%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Lancaster, Virginia
 Schedule of County School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.09613%	\$ 1,221,000	\$ 7,774,073	15.71%	8.08%
2017	0.09775%	1,240,000	7,714,656	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Lancaster, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 93,089	\$ 93,089	\$ -	\$ 7,757,454	1.20%
2018	95,543	95,543	-	7,774,073	1.23%
2017	85,633	85,633	-	7,714,656	1.11%
2016	78,634	78,634	-	7,418,330	1.06%
2015	77,932	77,932	-	7,352,112	1.06%
2014	80,343	80,343	-	7,238,082	1.11%
2013	78,293	78,293	-	7,053,394	1.11%
2012	44,417	44,417	-	7,402,865	0.60%
2011	42,278	42,278	-	8,046,263	0.53%
2010	52,248	52,248	-	5,023,839	1.04%

County of Lancaster , Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
Group Life Insurance Program

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

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

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Revenue from the use of money and property	\$ 13,000	\$ 13,000	\$ 16,074	\$ 3,074
Total revenues	\$ 13,000	\$ 13,000	\$ 16,074	\$ 3,074
EXPENDITURES				
Current:				
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 99,060	\$ (99,060)
Total expenditures	\$ -	\$ -	\$ 99,060	\$ (99,060)
Excess (deficiency) of revenues over (under) expenditures	\$ 13,000	\$ 13,000	\$ (82,986)	\$ (95,986)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 111,326	\$ 111,326
Transfers out	-	-	(944,455)	(944,455)
Issuance of general obligation bonds	-	-	2,000,000	2,000,000
Total other financing sources (uses)	\$ -	\$ -	\$ 1,166,871	\$ 1,166,871
Net change in fund balances	\$ 13,000	\$ 13,000	\$ 1,083,885	\$ 1,070,885
Fund balances - beginning	(13,000)	(13,000)	1,255,569	1,268,569
Fund balances - ending	\$ -	\$ -	\$ 2,339,454	\$ 2,339,454

County of Lancaster, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

	<u>Agency Fund</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 14,585
Total assets	<u>\$ 14,585</u>
LIABILITIES	
Accounts payable	\$ 4,877
Amounts held for social services clients	9,708
Total liabilities	<u>\$ 14,585</u>

County of Lancaster, Virginia
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 15,686	\$ 1,802	\$ 2,903	\$ 14,585
Liabilities:				
Accounts payable	\$ 4,877	\$ -	\$ -	\$ 4,877
Amounts held for social services clients	10,809	1,802	2,903	9,708
Total liabilities	\$ 15,686	\$ 1,802	\$ 2,903	\$ 14,585

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Lancaster, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2019

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Textbook <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 129,759	\$ 286,937	\$ 416,696
Receivables (net of allowance for uncollectibles):				
Due from other funds	19,763	-	-	19,763
Due from other governmental units	1,356,961	-	-	1,356,961
Total assets	<u>\$ 1,376,724</u>	<u>\$ 129,759</u>	<u>\$ 286,937</u>	<u>\$ 1,793,420</u>
LIABILITIES				
Accounts payable	\$ 208,525	\$ 237	\$ -	\$ 208,762
Accrued liabilities	1,168,199	41,483	-	1,209,682
Due to other funds	-	19,763	-	19,763
Total liabilities	<u>\$ 1,376,724</u>	<u>\$ 61,483</u>	<u>\$ -</u>	<u>\$ 1,438,207</u>
FUND BALANCES				
Committed	\$ -	\$ 68,276	\$ 286,937	\$ 355,213
Total fund balances	<u>\$ -</u>	<u>\$ 68,276</u>	<u>\$ 286,937</u>	<u>\$ 355,213</u>
Total liabilities and fund balances	<u>\$ 1,376,724</u>	<u>\$ 129,759</u>	<u>\$ 286,937</u>	<u>\$ 1,793,420</u>

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

Total fund balances per above	\$ 355,213
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, cost	\$ 21,570,854
Accumulated depreciation	<u>(14,338,216)</u>
	7,232,638
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 1,375,731
OPEB related items	<u>181,250</u>
	1,556,981
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	\$ (564,280)
Net OPEB liability	(1,910,000)
Net pension liability	<u>(11,376,132)</u>
	(13,850,412)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (1,693,197)
OPEB related items	<u>(112,000)</u>
	(1,805,197)
Net position of governmental activities	<u><u>\$ (6,510,777)</u></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, 2019

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Textbook <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES				
Revenue from the use of money and property	\$ 2,481	\$ 269	\$ -	\$ 2,750
Charges for services	5,750	82,700	-	88,450
Miscellaneous	129,627	10,533	-	140,160
Recovered costs	203,429	-	-	203,429
Intergovernmental:				
Local government	10,992,969	-	96,172	11,089,141
Commonwealth	3,844,725	13,817	23,854	3,882,396
Federal	833,145	461,210	-	1,294,355
Total revenues	<u>\$ 16,012,126</u>	<u>\$ 568,529</u>	<u>\$ 120,026</u>	<u>\$ 16,700,681</u>
EXPENDITURES				
Current:				
Education	\$ 16,012,126	\$ 570,810	\$ 38,036	\$ 16,620,972
Total expenditures	<u>\$ 16,012,126</u>	<u>\$ 570,810</u>	<u>\$ 38,036</u>	<u>\$ 16,620,972</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (2,281)</u>	<u>\$ 81,990</u>	<u>\$ 79,709</u>
Net change in fund balances	\$ -	\$ (2,281)	\$ 81,990	\$ 79,709
Fund balances - beginning	-	70,557	204,947	275,504
Fund balances - ending	<u>\$ -</u>	<u>\$ 68,276</u>	<u>\$ 286,937</u>	<u>\$ 355,213</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 \$ 79,709

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

Capital asset additions	\$ 89,439	
Depreciation expense	(747,039)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>331,883</u>	(325,717)

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

Change in compensated absences	\$ 7,153	
Pension expense	682,639	
OPEB expense	<u>38,580</u>	728,372

Change in net position of governmental activities \$ 482,364

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, 2019

	School Operating Fund				School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts		Variance with		Budgeted Amounts		Variance with		Budgeted Amounts		Variance with	
	Original	Final	Actual	Final Budget Positive (Negative)	Original	Final	Actual	Final Budget Positive (Negative)	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES												
Revenue from the use of money and property	\$ 1,900	\$ 1,900	\$ 2,481	\$ 581	\$ 250	\$ 250	\$ 269	\$ 19	\$ -	\$ -	\$ -	\$ -
Charges for services	4,386	4,386	5,750	1,364	108,943	108,943	82,700	(26,243)	-	-	-	-
Miscellaneous	13,000	13,000	129,627	116,627	5,814	5,814	10,533	4,719	-	-	-	-
Recovered costs	25,000	25,000	203,429	178,429	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	11,085,772	11,300,772	10,992,969	(307,803)	-	-	-	-	96,172	96,172	96,172	-
Commonwealth	3,963,630	4,063,630	3,844,725	(218,905)	11,313	11,313	13,817	2,504	24,816	24,816	23,854	(962)
Federal	904,153	904,153	833,145	(71,008)	422,000	460,759	461,210	451	-	-	-	-
Total revenues	\$ 15,997,841	\$ 16,312,841	\$ 16,012,126	\$ (300,715)	\$ 548,320	\$ 587,079	\$ 568,529	\$ (18,550)	\$ 120,988	\$ 120,988	\$ 120,026	\$ (962)
EXPENDITURES												
Current:												
Education	\$ 15,997,841	\$ 16,312,841	\$ 16,012,126	\$ 300,715	\$ 548,320	\$ 587,079	\$ 570,810	\$ 16,269	\$ 120,988	\$ 120,988	\$ 38,036	\$ 82,952
Total expenditures	\$ 15,997,841	\$ 16,312,841	\$ 16,012,126	\$ 300,715	\$ 548,320	\$ 587,079	\$ 570,810	\$ 16,269	\$ 120,988	\$ 120,988	\$ 38,036	\$ 82,952
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,281)	\$ (2,281)	\$ -	\$ -	\$ 81,990	\$ 81,990
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,281)	\$ (2,281)	\$ -	\$ -	\$ 81,990	\$ 81,990
Fund balances - beginning	-	-	-	-	-	-	70,557	70,557	-	-	204,947	204,947
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,276	\$ 68,276	\$ -	\$ -	\$ 286,937	\$ 286,937

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*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of Lancaster, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2019

ASSETS

Cash and cash equivalents	\$ 78,668
Total assets	<u>\$ 78,668</u>

NET POSITION

Unrestricted	\$ 78,668
Total net position	<u><u>\$ 78,668</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, 2019

OPERATING REVENUES

Charges for services:

Bond fees	\$ 40,354
Total operating revenues	<u>\$ 40,354</u>

OPERATING EXPENSES

Other expenses	\$ 67,100
Total operating expenses	<u>\$ 67,100</u>

Operating income (loss)	<u>\$ (26,746)</u>
-------------------------	--------------------

NONOPERATING REVENUES (EXPENSES)

Interest income	<u>\$ 47</u>
-----------------	--------------

Total nonoperating revenues (expenses)	<u>\$ 47</u>
--	--------------

Change in net position	\$ (26,699)
------------------------	-------------

Total net position - beginning	105,367
--------------------------------	---------

Total net position - ending	<u><u>\$ 78,668</u></u>
-----------------------------	-------------------------

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 40,354
Payments for operating activities	(67,100)
Net cash provided by (used for) operating activities	<u>\$ (26,746)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>\$ 47</u>
Net cash provided by (used for) investing activities	<u>\$ 47</u>

Net increase (decrease) in cash and cash equivalents	\$ (26,699)
--	-------------

Cash and cash equivalents - beginning	<u>105,367</u>
Cash and cash equivalents - ending	<u><u>\$ 78,668</u></u>

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SUPPORTING SCHEDULES

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County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<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	\$ 15,185,000	\$ 15,185,000	\$ 14,937,912	\$ (247,088)
Real and personal public service corporation taxes	360,000	360,000	378,250	18,250
Personal property taxes	1,300,000	1,300,000	1,478,810	178,810
Mobile home taxes	27,500	27,500	30,521	3,021
Machinery and tools taxes	8,000	8,000	6,823	(1,177)
Merchant's capital taxes	115,000	115,000	117,277	2,277
Penalties	200,000	200,000	201,654	1,654
Interest	55,000	55,000	54,236	(764)
Total general property taxes	\$ 17,250,500	\$ 17,250,500	\$ 17,205,483	\$ (45,017)
Other local taxes:				
Local sales and use taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,652,781	\$ 52,781
Consumption tax	45,000	45,000	44,838	(162)
Motor vehicle licenses	190,000	190,000	201,036	11,036
Bank stock taxes	27,000	27,000	32,901	5,901
Taxes on recordation and wills	145,000	145,000	158,424	13,424
Total other local taxes	\$ 2,007,000	\$ 2,007,000	\$ 2,089,980	\$ 82,980
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,750	\$ 5,750	\$ 6,397	\$ 647
Land use application fees	500	500	325	(175)
Transfer fees	600	600	698	98
Permits and other licenses	119,506	119,506	129,014	9,508
Total permits, privilege fees, and regulatory licenses	\$ 126,356	\$ 126,356	\$ 136,434	\$ 10,078
Fines and forfeitures:				
Court fines and forfeitures	\$ 22,000	\$ 22,000	\$ 27,322	\$ 5,322
Revenue from use of money and property:				
Revenue from use of money	\$ 40,000	\$ 40,000	\$ 137,636	\$ 97,636
Revenue from use of property	60,000	60,000	74,343	14,343
Total revenue from use of money and property	\$ 100,000	\$ 100,000	\$ 211,979	\$ 111,979
Charges for services:				
Courthouses maintenance fees	\$ 2,500	\$ 2,500	\$ 2,050	\$ (450)
Charges for Commonwealth's Attorney	1,000	1,000	806	(194)
Charges for correction and detention	2,000	2,000	3,339	1,339
Charges for other protection	3,000	3,000	2,675	(325)
Sheriff's fees	2,000	2,000	1,048	(952)
Charges for sanitation and waste removal	14,000	14,000	5,741	(8,259)
Charges for planning and community development	50	2,044	24	(2,020)
Charges for ambulance and rescue services	330,000	330,000	307,204	(22,796)
Court fees	13,200	13,200	11,870	(1,330)
Total charges for services	\$ 367,750	\$ 369,744	\$ 334,757	\$ (34,987)

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<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)				
Miscellaneous:				
Miscellaneous	\$ 18,500	\$ 46,939	\$ 58,950	\$ 12,011
Recovered costs:				
Tri-county landfill	\$ 500	\$ 500	\$ 667	\$ 167
VHDA	25,000	25,000	34,695	9,695
Other recovered costs	100	100	8,806	8,706
Total recovered costs	\$ 25,600	\$ 25,600	\$ 44,168	\$ 18,568
Total revenue from local sources	\$ 19,917,706	\$ 19,948,139	\$ 20,109,073	\$ 160,934
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 300,000	\$ 300,000	\$ 280,947	\$ (19,053)
Motor vehicle carriers' tax	4,000	4,000	6,100	2,100
Mobile home titling tax	7,000	7,000	12,875	5,875
Rolling stock tax	-	-	3	3
Additional tax on deeds	52,000	52,000	54,020	2,020
State recordation tax	50,000	50,000	53,626	3,626
Personal property tax relief funds	890,000	890,000	871,017	(18,983)
Total noncategorical aid	\$ 1,303,000	\$ 1,303,000	\$ 1,278,588	\$ (24,412)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 265,274	\$ 265,274	\$ 260,795	\$ (4,479)
Sheriff	1,219,244	1,219,244	1,239,269	20,025
Commissioner of revenue	91,796	91,796	85,204	(6,592)
Treasurer	90,000	90,000	90,489	489
Registrar/electoral board	40,665	40,665	37,500	(3,165)
Clerk of the Circuit Court	177,736	177,736	200,176	22,440
Local jails	45,000	45,000	37,256	(7,744)
Total shared expenses	\$ 1,929,715	\$ 1,929,715	\$ 1,950,689	\$ 20,974
Other categorical aid:				
Public assistance and welfare administration	\$ 601,046	\$ 601,046	\$ 409,943	\$ (191,103)
Emergency medical services	-	700	700	-
Comprehensive services act	200,000	243,519	356,320	112,801
DMV - animal tags	-	-	205	205
Victim-witness grant	64,243	64,243	17,500	(46,743)
Fire programs fund	60,000	60,000	31,567	(28,433)
RSAF grant	-	-	116,390	116,390
Rescue squad assistance	-	-	26,946	26,946

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<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	\$ 40,000	\$ 40,000	\$ 44,240	\$ 4,240
Clerk records grant	-	11,904	11,904	-
Total other categorical aid	\$ 965,289	\$ 1,021,412	\$ 1,015,715	\$ (5,697)
Total categorical aid	\$ 2,895,004	\$ 2,951,127	\$ 2,966,404	\$ 15,277
Total revenue from the Commonwealth	\$ 4,198,004	\$ 4,254,127	\$ 4,244,992	\$ (9,135)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 894,802	\$ 894,802	\$ 914,404	\$ 19,602
Homeland security	-	6,172	93,242	87,070
BABs subsidy	-	-	14,956	14,956
Violence against women	-	19,931	41,798	21,867
Emergency management	-	7,500	7,500	-
Victim-witness grant	-	-	52,500	52,500
Total categorical aid	\$ 894,802	\$ 928,405	\$ 1,124,400	\$ 195,995
Total revenue from the federal government	\$ 894,802	\$ 928,405	\$ 1,124,400	\$ 195,995
Total General Fund	\$ 25,010,512	\$ 25,130,671	\$ 25,478,465	\$ 347,794
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 34	\$ 34

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Total County Special Revenue Fund	\$ -	\$ -	\$ 34	\$ 34
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 13,000	\$ 13,000	\$ 16,074	\$ 3,074
Total revenue from use of money and property	\$ 13,000	\$ 13,000	\$ 16,074	\$ 3,074
Total County Capital Projects Fund	\$ 13,000	\$ 13,000	\$ 16,074	\$ 3,074
Total Primary Government	\$ 25,023,512	\$ 25,143,671	\$ 25,494,573	\$ 350,902
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,900	\$ 1,900	\$ 2,481	\$ 581
Charges for services:				
Charges for education	\$ 4,386	\$ 4,386	\$ 5,750	\$ 1,364
Miscellaneous:				
Miscellaneous	\$ 13,000	\$ 13,000	\$ 129,627	\$ 116,627

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<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)				
Revenue from local sources: (Continued)				
Recovered costs:				
Other recovered costs	\$ 25,000	\$ 25,000	\$ 203,429	\$ 178,429
Total revenue from local sources	\$ 44,286	\$ 44,286	\$ 341,287	\$ 297,001
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 11,085,772	\$ 11,300,772	\$ 10,992,969	\$ (307,803)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,295,244	\$ 1,295,244	\$ 1,308,804	\$ 13,560
Basic school aid	1,263,506	1,263,506	1,200,843	(62,663)
Security equipment grant	-	100,000	100,000	-
Remedial summer education	10,302	10,302	12,409	2,107
Vocational education	41,405	41,405	39,801	(1,604)
Regular foster care	-	-	9,432	9,432
Special education foster care	-	-	7,307	7,307
Gifted and talented	12,323	12,323	11,845	(478)
Remedial education	82,070	82,070	78,890	(3,180)
Enrollment loss	317,833	317,833	75,000	(242,833)
School fringes	263,215	263,215	253,018	(10,197)
Early reading intervention	9,153	9,153	9,916	763
Class size reduction	76,515	76,515	77,796	1,281
Lottery	61,821	61,821	86,270	24,449
Homebound	1,197	1,197	2,955	1,758
Vocational education - equipment	3,437	3,437	7,664	4,227
Special education	184,842	184,842	250,705	65,863
GED preparation assistance	7,859	7,859	8,355	496
At risk payments	189,380	189,380	199,030	9,650
ESL	1,382	1,382	1,382	-
Project graduation	3,276	3,276	3,276	-
Mentor teacher program	3,930	3,930	2,889	(1,041)
Technology grant	128,000	128,000	71,769	(56,231)
SOL algebra readiness	6,940	6,940	6,940	-
Race to GED	-	-	18,429	18,429
Total categorical aid	\$ 3,963,630	\$ 4,063,630	\$ 3,844,725	\$ (218,905)
Total revenue from the Commonwealth	\$ 3,963,630	\$ 4,063,630	\$ 3,844,725	\$ (218,905)

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<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:				
Categorical aid:				
Title VI-B	\$ 270,188	\$ 270,188	\$ 266,681	\$ (3,507)
Title I	357,838	357,838	384,261	26,423
Vocational education	24,381	24,381	-	(24,381)
Title II, Part A - Improving teacher quality	49,778	49,778	65,444	15,666
Title VI - Rural education	19,604	19,604	20,127	523
Title IV Part A	-	-	32,203	32,203
JROTC grant	62,364	62,364	64,429	2,065
VA medical assistance	120,000	120,000	-	(120,000)
Total categorical aid	<u>\$ 904,153</u>	<u>\$ 904,153</u>	<u>\$ 833,145</u>	<u>\$ (71,008)</u>
Total revenue from the federal government	<u>\$ 904,153</u>	<u>\$ 904,153</u>	<u>\$ 833,145</u>	<u>\$ (71,008)</u>
Total School Operating Fund	<u>\$ 15,997,841</u>	<u>\$ 16,312,841</u>	<u>\$ 16,012,126</u>	<u>\$ (300,715)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 269</u>	<u>\$ 19</u>
Charges for services:				
Cafeteria sales	<u>\$ 108,943</u>	<u>\$ 108,943</u>	<u>\$ 82,700</u>	<u>\$ (26,243)</u>
Miscellaneous:				
Miscellaneous	<u>\$ 5,814</u>	<u>\$ 5,814</u>	<u>\$ 10,533</u>	<u>\$ 4,719</u>
Total revenue from local sources	<u>\$ 115,007</u>	<u>\$ 115,007</u>	<u>\$ 93,502</u>	<u>\$ (21,505)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 11,313</u>	<u>\$ 11,313</u>	<u>\$ 13,817</u>	<u>\$ 2,504</u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<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>
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 418,000	\$ 418,000	\$ 422,451	\$ 4,451
Summer food	4,000	4,000	-	(4,000)
Commodities	-	38,759	38,759	-
Total categorical aid	<u>\$ 422,000</u>	<u>\$ 460,759</u>	<u>\$ 461,210</u>	<u>\$ 451</u>
Total revenue from the federal government	<u>\$ 422,000</u>	<u>\$ 460,759</u>	<u>\$ 461,210</u>	<u>\$ 451</u>
Total School Cafeteria Fund	<u>\$ 548,320</u>	<u>\$ 587,079</u>	<u>\$ 568,529</u>	<u>\$ (18,550)</u>
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 96,172	\$ 96,172	\$ 96,172	\$ -
Total revenues from local governments	<u>\$ 96,172</u>	<u>\$ 96,172</u>	<u>\$ 96,172</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 24,816	\$ 24,816	\$ 23,854	\$ (962)
Total revenue from the Commonwealth	<u>\$ 24,816</u>	<u>\$ 24,816</u>	<u>\$ 23,854</u>	<u>\$ (962)</u>
Total Textbook Fund	<u>\$ 120,988</u>	<u>\$ 120,988</u>	<u>\$ 120,026</u>	<u>\$ (962)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,667,149</u>	<u>\$ 17,020,908</u>	<u>\$ 16,700,681</u>	<u>\$ (320,227)</u>

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County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 43,084	\$ 49,948	\$ 75,087	\$ (25,139)
General and financial administration:				
County administrator	\$ 442,150	\$ 442,150	\$ 387,707	\$ 54,443
Information Technology	113,409	113,409	112,584	825
Legal services	75,000	75,000	39,132	35,868
Commissioner of revenue	263,457	263,457	265,843	(2,386)
Independent Auditor	45,000	45,000	40,350	4,650
Treasurer	310,534	310,534	303,121	7,413
Board of equalization	-	5,000	4,457	543
Real estate assessor	106,000	106,000	113,164	(7,164)
Total general and financial administration	\$ 1,355,550	\$ 1,360,550	\$ 1,266,358	\$ 94,192
Board of elections:				
Electoral board and officials	\$ 48,898	\$ 48,898	\$ 30,512	\$ 18,386
Registrar	104,272	104,272	105,886	(1,614)
Total board of elections	\$ 153,170	\$ 153,170	\$ 136,398	\$ 16,772
Total general government administration	\$ 1,551,804	\$ 1,563,668	\$ 1,477,843	\$ 85,825
Judicial administration:				
Courts:				
Circuit court	\$ 24,178	\$ 24,178	\$ 36,675	\$ (12,497)
General district court	3,400	3,400	2,839	561
Special Magistrates	200	200	-	200
Adult drug court	6,000	6,000	6,000	-
Juvenile and domestic relations court	2,675	2,675	1,883	792
Victim/witness assistance	83,211	83,211	82,978	233
Court appointed special advocates	5,000	5,000	5,000	-
Library of VA grant	-	11,904	11,904	-
Clerk of the circuit court	327,778	327,778	324,969	2,809
Total courts	\$ 452,442	\$ 464,346	\$ 472,248	\$ (7,902)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 357,782	\$ 357,782	\$ 347,795	\$ 9,987
Total judicial administration	\$ 810,224	\$ 822,128	\$ 820,043	\$ 2,085
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,057,705	\$ 2,057,725	\$ 2,084,035	\$ (26,310)
School resource officer	121,254	122,165	124,078	(1,913)
DCJS grant	-	19,931	24,525	(4,594)
Total law enforcement and traffic control	\$ 2,178,959	\$ 2,199,821	\$ 2,232,638	\$ (32,817)

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 319,239	\$ 319,239	\$ 320,335	\$ (1,096)
Ambulance and rescue services	1,254,783	1,281,979	1,269,249	12,730
Forestry service	4,000	4,000	3,975	25
Public safety radio	145,147	145,147	49,041	96,106
Local emergency services	34,500	84,500	50,287	34,213
Total fire and rescue services	<u>\$ 1,757,669</u>	<u>\$ 1,834,865</u>	<u>\$ 1,692,887</u>	<u>\$ 141,978</u>
Correction and detention:				
Sheriff	\$ 1,025,405	\$ 1,028,098	\$ 1,044,837	\$ (16,739)
Probation office	64,889	64,889	71,407	(6,518)
Total correction and detention	<u>\$ 1,090,294</u>	<u>\$ 1,092,987</u>	<u>\$ 1,116,244</u>	<u>\$ (23,257)</u>
Inspections:				
Building	\$ 176,573	\$ 176,573	\$ 151,993	\$ 24,580
Other protection:				
Animal control	\$ 143,547	\$ 143,547	\$ 142,101	\$ 1,446
Medical examiner	200	200	1,380	(1,180)
Total other protection	<u>\$ 143,747</u>	<u>\$ 143,747</u>	<u>\$ 143,481</u>	<u>\$ 266</u>
Total public safety	<u>\$ 5,347,242</u>	<u>\$ 5,447,993</u>	<u>\$ 5,337,243</u>	<u>\$ 110,750</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 979,018	\$ 979,018	\$ 1,060,436	\$ (81,418)
Maintenance of general buildings and grounds:				
General properties	\$ 308,208	\$ 310,528	\$ 291,453	\$ 19,075
Total public works	<u>\$ 1,287,226</u>	<u>\$ 1,289,546</u>	<u>\$ 1,351,889</u>	<u>\$ (62,343)</u>
Health and welfare:				
Health:				
Local health department	\$ 215,936	\$ 215,936	\$ 215,939	\$ (3)
Free health clinic	100,477	100,477	100,476	1
Total health	<u>\$ 316,413</u>	<u>\$ 316,413</u>	<u>\$ 316,415</u>	<u>\$ (2)</u>
Mental health and mental retardation:				
Community services board	\$ 42,231	\$ 42,231	\$ 42,231	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,009,301	\$ 2,009,301	\$ 1,705,881	\$ 303,420
Area agency on aging	64,949	64,949	64,949	-

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 677,587	\$ 808,790	\$ (131,203)
The Haven crisis shelter	4,000	4,000	4,000	-
Boys and girls club of America	35,000	35,000	35,000	-
Total welfare	<u>\$ 2,713,250</u>	<u>\$ 2,790,837</u>	<u>\$ 2,618,620</u>	<u>\$ 172,217</u>
Total health and welfare	<u>\$ 3,071,894</u>	<u>\$ 3,149,481</u>	<u>\$ 2,977,266</u>	<u>\$ 172,215</u>
Education:				
Contributions to Community College	\$ 7,242	\$ 7,242	\$ 7,242	\$ -
Contribution to County School Board	11,181,944	11,396,944	11,089,141	307,803
Total education	<u>\$ 11,189,186</u>	<u>\$ 11,404,186</u>	<u>\$ 11,096,383</u>	<u>\$ 307,803</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 50,000	\$ 50,000	\$ 50,004	\$ (4)
Total parks and recreation	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,004</u>	<u>\$ (4)</u>
Cultural enrichment:				
Museum	\$ 4,400	\$ 4,400	\$ 4,985	\$ (585)
Historic resources commission	2,000	2,000	-	2,000
Total cultural enrichment	<u>\$ 6,400</u>	<u>\$ 6,400</u>	<u>\$ 4,985</u>	<u>\$ 1,415</u>
Library:				
Library	<u>\$ 122,995</u>	<u>\$ 122,995</u>	<u>\$ 123,003</u>	<u>\$ (8)</u>
Total parks, recreation, and cultural	<u>\$ 179,395</u>	<u>\$ 179,395</u>	<u>\$ 177,992</u>	<u>\$ 1,403</u>
Community development:				
Planning and community development:				
Land use administration	\$ 259,759	\$ 259,759	\$ 247,465	\$ 12,294
Section 8 housing	62,722	64,716	71,943	(7,227)
Indoor plumbing	16,250	16,250	8,247	8,003
Planning district commission	31,530	31,530	28,952	2,578
Zoning board	2,169	2,169	441	1,728
Greentown/Gaskins Rd - CDBG	-	-	240	(240)

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 5,500	\$ 5,500	\$ 5,500	\$ -
Total planning and community development	\$ 377,930	\$ 379,924	\$ 362,788	\$ 17,136
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands board	10,002	10,002	8,007	1,995
Total environmental management	\$ 20,002	\$ 20,002	\$ 18,007	\$ 1,995
Cooperative extension program:				
Extension office	\$ 34,100	\$ 34,100	\$ 29,753	\$ 4,347
Rebranding initiative	25,000	25,000	18,750	6,250
Pamunkey net	3,767	3,767	3,767	-
Total cooperative extension program	\$ 62,867	\$ 62,867	\$ 52,270	\$ 10,597
Total community development	\$ 460,799	\$ 462,793	\$ 433,065	\$ 29,728
Capital projects:				
Landfill closure	\$ 7,000	\$ 7,000	\$ 11,122	\$ (4,122)
Enhanced emergency telephone system	30,925	30,925	20,638	10,287
School projects	-	2,349,300	1,853,396	495,904
Other capital projects	-	424,334	442,460	(18,126)
Total capital projects	\$ 37,925	\$ 2,811,559	\$ 2,327,616	\$ 483,943
Debt service:				
Principal retirement	\$ 1,462,000	\$ 1,475,460	\$ 1,475,460	\$ -
Interest and other fiscal charges	331,464	334,012	213,919	120,093
Total debt service	\$ 1,793,464	\$ 1,809,472	\$ 1,689,379	\$ 120,093
Total General Fund	\$ 25,729,159	\$ 28,940,221	\$ 27,688,719	\$ 1,251,502
Capital Projects Fund:				
County Capital Projects Fund:				
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 99,060	\$ (99,060)
Total debt service	\$ -	\$ -	\$ 99,060	\$ (99,060)
Total County Capital Projects Fund	\$ -	\$ -	\$ 99,060	\$ (99,060)
Total Primary Government	\$ 25,729,159	\$ 28,940,221	\$ 27,787,779	\$ 1,152,442

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 930,559	\$ 947,559	\$ 951,843	\$ (4,284)
Instruction costs	12,193,888	12,176,888	12,012,632	164,256
Pupil transportation	1,215,734	1,405,734	1,346,328	59,406
Operation and maintenance of school plant	1,657,660	1,782,660	1,701,323	81,337
Total education	\$ 15,997,841	\$ 16,312,841	\$ 16,012,126	\$ 300,715
Total School Operating Fund	\$ 15,997,841	\$ 16,312,841	\$ 16,012,126	\$ 300,715
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 548,320	\$ 548,320	\$ 532,051	\$ 16,269
Commodities	-	38,759	38,759	-
Total school food services	\$ 548,320	\$ 587,079	\$ 570,810	\$ 16,269
Total education	\$ 548,320	\$ 587,079	\$ 570,810	\$ 16,269
Total School Cafeteria Fund	\$ 548,320	\$ 587,079	\$ 570,810	\$ 16,269
Textbook Fund				
Education:				
Purchase of textbooks	\$ 120,988	\$ 120,988	\$ 38,036	\$ 82,952
Total Textbook Fund	\$ 120,988	\$ 120,988	\$ 38,036	\$ 82,952
Total Discretely Presented Component Unit - School Board	\$ 16,667,149	\$ 17,020,908	\$ 16,620,972	\$ 399,936

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STATISTICAL INFORMATION

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
2010	\$ 1,204,355	\$ 616,607	\$ 3,872,862	\$ 1,048,830	\$ 2,332,650	\$ 10,188,939
2011	1,427,317	761,709	4,064,428	1,132,419	2,391,444	10,318,017
2012	1,582,525	807,167	3,845,479	1,110,981	2,517,020	10,768,097
2013	1,331,834	779,749	4,617,309	1,167,822	2,740,633	10,485,368
2014	1,345,631	804,040	4,889,888	827,480	2,603,743	10,495,867
2015	1,611,832	807,803	4,613,799	1,238,203	2,511,962	10,403,350
2016	1,908,331	799,809	4,952,988	1,310,981	2,586,611	11,439,147
2017	1,699,686	838,473	5,424,432	1,917,013	2,647,115	10,916,368
2018	1,449,191	821,911	5,516,169	1,501,261	2,614,466	10,994,217
2019	1,476,693	911,383	5,408,627	1,336,789	2,885,295	11,164,059

Table 1

	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Sewer Fund	Total
\$	160,179	\$ 1,711,279	\$ 398,847	\$ -	\$ 21,534,548
	172,801	1,453,260	444,034	-	22,165,429
	172,895	1,119,775	426,296	-	22,350,235
	176,275	633,659	228,599	-	22,161,248
	182,973	1,244,682	194,525	-	22,588,829
	172,119	661,086	378,089	-	22,398,243
	31,285	605,475	255,179	16,483	23,906,289
	210,063	456,267	274,329	17,443	24,401,189
	204,327	659,828	188,793	72,496	24,022,659
	196,072	368,805	252,744	64,389	24,064,856

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Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Misc- ellaneous	Grants and Contributions Not Restricted to Specific Programs	
2010	\$ 492,903	\$ 3,975,191	\$ 668,227	\$ 15,284,455	\$ 1,865,960	\$ 205,834	\$ 47,921	\$ 980,269	\$ 23,520,760
2011	477,621	4,738,390	-	14,656,899	1,892,761	161,276	41,957	1,000,772	22,969,676
2012	526,885	4,019,711	50,000	14,923,610	1,950,576	135,618	43,915	1,337,343	22,987,658
2013	639,082	3,720,366	18,000	14,403,558	1,930,588	120,500	49,012	1,330,494	22,211,600
2014	519,542	3,261,746	644,332	14,722,918	1,892,069	118,016	83,414	1,323,904	22,565,941
2015	600,783	3,340,098	212,096	15,827,037	1,936,429	153,280	142,360	1,317,854	23,529,937
2016	508,057	3,637,999	163,998	15,693,176	1,973,114	145,471	114,978	1,302,796	23,539,589
2017	496,767	3,318,227	912,601	15,493,614	2,052,020	130,432	589,649	1,314,001	24,307,311
2018	619,374	3,774,048	139,212	17,228,176	2,068,049	139,878	25,129	1,318,972	25,312,838
2019	529,623	4,090,804	-	17,155,371	2,089,980	228,132	58,950	1,278,588	25,431,448

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)
2010	\$ 1,235,687	\$ 607,641	\$ 3,749,601	\$ 1,072,457	\$ 2,288,465	\$ 15,389,267
2011	1,341,422	618,495	4,141,836	1,120,296	2,366,967	15,707,417
2012	1,501,800	625,449	3,779,509	1,116,041	2,482,024	15,285,122
2013	1,323,619	637,902	4,323,772	1,148,111	2,713,142	15,101,887
2014	1,310,767	663,850	4,694,193	1,254,976	2,596,948	14,752,836
2015	1,539,813	694,752	4,622,133	1,203,081	2,565,290	15,377,552
2016	1,520,697	683,614	4,992,280	1,320,139	2,583,793	15,300,394
2017	1,586,908	701,180	5,165,831	1,445,692	2,628,153	16,151,982
2018	1,428,951	721,735	5,459,268	1,437,942	2,649,502	16,286,153
2019	1,477,843	820,043	5,337,243	1,351,889	2,977,266	16,628,214

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

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

(3) Excludes Capital Projects funds.

Table 3

	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
\$	160,179	\$ 1,743,331	\$ 1,453,989	\$ 27,700,617
	172,801	1,486,288	1,498,206	28,453,728
	172,895	1,152,343	7,003,073	33,118,256
	176,275	555,165	1,209,686	27,189,559
	182,973	656,245	1,206,455	27,319,243
	183,454	476,841	2,350,142	29,013,058
	192,866	522,018	1,999,846	29,115,647
	192,816	482,994	1,985,164	30,340,720
	202,898	447,070	1,955,746	30,589,265
	177,992	433,065	1,689,379	30,892,934

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services
2010	\$ 15,208,025	\$ 1,865,960	\$ 149,757	\$ 20,168	\$ 169,681	\$ 512,438
2011	14,595,997	1,892,761	142,764	16,314	137,139	488,592
2012	14,742,887	1,950,576	149,016	16,626	129,677	531,002
2013	14,497,683	1,930,588	119,007	25,797	117,827	631,065
2014	14,722,314	1,892,069	100,564	14,759	118,770	524,268
2015	15,927,308	1,936,429	101,185	21,134	121,975	583,249
2016	15,836,307	1,973,114	108,799	10,833	116,102	499,186
2017	15,593,585	2,052,020	137,953	24,333	114,374	450,878
2018	16,986,495	2,068,049	131,233	30,713	131,014	499,581
2019	17,205,483	2,089,980	136,434	27,322	214,763	423,207

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

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

(3) Excludes Capital Projects funds.

Table 4

Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$ 319,456	\$ 50,812	\$ 10,651,224	\$ 28,947,521
70,775	269,465	11,073,878	28,687,685
77,737	284,593	10,072,348	27,954,462
173,133	187,047	9,615,225	27,297,372
180,383	115,017	9,065,976	26,734,120
347,465	196,456	9,454,840	28,690,041
223,117	69,887	9,976,488	28,813,833
109,288	188,360	9,937,141	28,607,932
115,970	158,505	10,336,901	30,458,461
199,110	247,597	10,546,143	31,090,039

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		Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	
2010	\$ 15,031,753	\$ 14,629,582	97.32%	\$ 331,663	\$ 14,961,245	99.53%	\$ 835,636	5.56%
2011	14,472,243	13,993,953	96.70%	357,927	14,351,880	99.17%	941,217	6.50%
2012	15,470,572	14,963,025	96.72%	400,496	15,363,521	99.31%	1,000,012	6.46%
2013	15,151,601	14,727,353	97.20%	396,680	15,124,033	99.82%	958,038	6.32%
2014	15,317,462	14,841,839	96.89%	465,359	15,307,198	99.93%	959,942	6.27%
2015	16,471,200	16,022,956	97.28%	487,835	16,510,791	100.24%	857,726	5.21%
2016	16,395,196	15,993,536	97.55%	443,482	16,437,018	100.26%	797,241	4.86%
2017	16,223,560	15,813,002	97.47%	379,351	16,192,353	99.81%	794,978	4.90%
2018	17,629,525	17,185,267	97.48%	407,930	17,593,197	99.79%	856,569	4.86%
2019	18,066,621	17,431,376	96.48%	389,234	17,820,610	98.64%	851,654	4.71%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2010	\$ 3,084,145,548	\$ 147,216,942	\$ 248,650	\$ 11,959,791	\$ 42,470,454	\$ 3,286,041,385
2011	3,109,524,980	144,199,002	199,250	11,191,102	44,516,230	3,309,630,564
2012	3,130,960,535	144,354,545	181,750	12,081,091	44,173,669	3,331,751,590
2013	3,149,202,900	140,487,618	742,450	9,884,665	44,806,003	3,345,123,636
2014	2,493,664,800	136,569,120	433,350	10,992,013	44,789,060	2,686,448,343
2015	2,502,707,773	138,593,352	327,250	11,044,308	57,257,295	2,709,929,978
2016	2,508,388,693	131,126,404	276,500	11,576,166	57,321,237	2,708,689,000
2017	2,514,523,163	114,663,537	256,150	11,405,489	59,378,306	2,700,226,645
2018	2,524,855,368	119,572,026	556,950	10,972,495	60,647,781	2,716,604,620
2019	2,539,716,958	124,892,138	448,850	11,394,021	63,956,272	2,740,408,239

(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
2010	\$ 0.42	\$ 2.04	\$ 1.00	\$ 1.52
2011	0.40	2.04	1.00	1.52
2012	0.40	2.04	1.00	1.52
2013	0.39	2.04	1.00	1.52
2014	0.50	2.04	1.00	1.52
2015	0.54	2.04	1.00	1.52
2016	0.54	2.04	1.00	1.52
2017	0.54	2.04	1.00	1.52
2018	0.59	2.04	1.00	1.52
2019	0.59	2.04	1.00	1.52

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
2010	11,391	\$ 3,286,041,385	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2011	11,391	3,309,630,564	2,280,000	-	-	2,280,000	0.07%	200
2012	11,391	3,331,751,590	2,170,000	-	-	2,170,000	0.07%	191
2013	11,391	3,345,123,636	2,055,000	-	-	2,055,000	0.06%	180
2014	11,391	2,686,448,343	1,935,000	-	-	1,935,000	0.07%	170
2015	11,391	2,709,929,978	1,810,000	-	-	1,810,000	0.07%	159
2016	11,391	2,708,689,000	1,680,000	-	-	1,680,000	0.06%	147
2017	11,391	2,700,226,645	1,545,000	-	-	1,545,000	0.06%	136
2018	11,391	2,716,604,620	1,405,000	-	-	1,405,000	0.05%	123
2019	11,391	2,740,408,239	1,255,000	-	-	1,255,000	0.05%	110

(1) Weldon Cooper Center 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.

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COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the County of Lancaster, Virginia's basic financial statements and have issued our report thereon dated November 11, 2019.

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 "R. F. Cox", followed by a long horizontal line extending to the right.

Richmond, Virginia
November 11, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited County of Lancaster, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Lancaster, Virginia's major federal programs for the year ended June 30, 2019. County of Lancaster, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Lancaster, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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



Richmond, Virginia
November 11, 2019

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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	0950118/0950119	\$ 6,573
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400118/0400119	140,277
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119	73
Low-Income Home Energy Assistance	93.568	0600418/00600419	23,913
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760118/0760119	26,226
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118/090119	168
Foster Care - Title IV-E	93.658	1100118/1100119	114,108
Adoption Assistance	93.659	1130118/1130119	31,614
Social Services Block Grant	93.667	1000118/1000119	130,382
Chafee Foster Care Independence Program	93.674	9150118/9150119	2,005
Children's Health Insurance Program	93.767	0540118/0540119	4,825
Medical Assistance Program (Medicaid Cluster)	93.778	1200118/1200119	229,242
Total Department of Health and Human Services			\$ 709,406
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Assistance:			
Emergency Management Performance Grants	97.042	77501-52743	\$ 7,500
Homeland Security Grant Program	97.067	77501-62704	93,242
Total Department of Homeland Security			\$ 100,742
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Summer Food Service Program for Children Food Distribution	10.559	Unknown	\$ 209
Department of Agriculture:			
National School Lunch Food Distribution	10.555	17901-45707	\$ 38,551
Department of Education:			
National School Lunch Program	10.555	17901-40623	290,032
Total CFDA 10.555			\$ 328,583
School Breakfast Program	10.553	17901-40591	\$ 119,310
Child Nutrition Cluster Total			\$ 448,102
Child and Adult Care Food Program	10.558	17901-70027	\$ 13,108
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010118/0010119	204,998
Total Department of Agriculture			\$ 666,208

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-86000	\$ 52,500
Violence Against Women Formula Grants	16.588	7651601/5651701	41,798
			<u>94,298</u>
Total Department of Justice			<u>\$ 94,298</u>
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 64,429
			<u>64,429</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 384,261
Special Education - Grants to States (Special Education Cluster)	84.027	17901-43071	266,681
Student Support and Academic Enrichment Program	84.424	S424A170048/S424A180048	32,203
Rural Education	84.358	17901-43481	20,127
Supporting Effective Instruction State Grants	84.367	17901-61480	65,444
			<u>768,716</u>
Total Department of Education			<u>\$ 768,716</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,403,799</u></u>

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, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Lancaster, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Lancaster, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Lancaster, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,124,400
Total primary government	<u>\$ 1,124,400</u>

Component Unit School Board:

School Operating Fund	\$ 833,145
School Cafeteria Fund	461,210
Total Component Unit School Board	<u>\$ 1,294,355</u>

Total expenditures of federal awards per basic financial statements	<u>\$ 2,418,755</u>
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BABs subsidy	<u>\$ (14,956)</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,403,799</u></u>
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Lancaster, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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
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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 2 CFR section 200.516(a)?

<u> </u> yes	<u> ✓ </u> no
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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 Cluster (IDEA)

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee?

<u> ✓ </u> yes	<u> </u> no
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Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Lancaster, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

There were no prior year findings.