

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

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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.....	Anthony Spencer
Commissioner of the Revenue	Marlon Savoy
Treasurer	Bonnie J. Dickson
Sheriff	Patrick McCranie
Superintendent of Schools.....	Dan Russell
Director of Social Services.....	Edna G. Davenport
County Administrator	Don G. Gill

COUNTY OF LANCASTER, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

Independent Auditors' Report		<u>Page</u> 1-3
Management's Discussion and Analysis		4-10
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	11
Statement of Activities	2	12-13
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	17
Statement of Net Position - Proprietary Fund	7	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8	19
Statement of Cash Flows - Proprietary Fund	9	20
Statement of Fiduciary Net Position - Fiduciary Fund	10	21
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	11	22
Notes to Financial Statements		23-91
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	12	92
County Special Revenue Fund	13	93
Schedule of Changes in Net Pension Liability and Related Ratios - Primary Government	14	94-95
Schedule of Changes in Net Pension Liability and Related Ratios - Component Unit School Board (nonprofessional)	15	96-97
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	16	98-99
Schedule of Employer Contributions - Pension Plans	17	100
Notes to Required Supplementary Information - Pension Plans	18	101

COUNTY OF LANCASTER, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

Required Supplementary Information: (Continued)	<u>Exhibit</u>	<u>Page</u>
Schedule of County's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan	19	102
Schedule of Employer Contributions - Group Life Insurance (GLI) Plan	20	103
Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan	21	104
Schedule of Changes in School Board's Net OPEB Liability and Related Ratios - Health Insurance Credit (HIC) Plan	22	105
Schedule of Employer Contributions -Health Insurance Credit (HIC) Plan	23	106
Notes to Required Supplementary Information -Health Insurance Credit (HIC) Plan	24	107
Schedule of County School Board's Share of Net OPEB Liability - Teacher Employee Health Insurance Credit (HIC) Plan	25	108
Schedule of Employer Contributions - Teacher Employee Health Insurance Credit (HIC) Plan	26	109
Notes to Required Supplementary Information - Teacher Employee Health Insurance Credit (HIC) Plan	27	110
Other Supplementary Information:		
Combining and Individual Fund Financial Statements and Schedules:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
County Capital Projects Fund	28	111
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet - Governmental Funds	29	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	30	113
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	31	114
Discretely Presented Component Unit - Industrial Development Authority:		
Statement of Net Position	32	115
Statement of Revenues, Expenses, and Changes in Net Position	33	116
Statement of Cash Flows	34	117
Discretely Presented Component Unit - Broadband Authority:		
Statement of Net Position	35	118
Statement of Revenues, Expenses, and Changes in Net Position	36	119
Statement of Cash Flows	37	120
Supporting Schedules:	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues - Budget and Actual - Governmental Funds	1	121-127
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	128-132

COUNTY OF LANCASTER, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS (CONTINUED)

	<u>Table</u>	<u>Page</u>
Statistical Information:		
Government-wide information:		
Government-Wide Expenses by Function	1	133-134
Government-Wide Revenues	2	135
Fund information:		
General Governmental Expenditures by Function	3	136-137
General Governmental Revenues by Source	4	138-139
Property Tax Levies and Collections	5	140
Assessed Value of Taxable Property	6	141
Property Tax Rates	7	142
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	143
Compliance:		<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		144-145
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance		146-147
Schedule of Expenditures of Federal Awards		148-149
Notes to Schedule of Expenditures of Federal Awards		150
Schedule of Findings and Questioned Costs		151
Summary Schedule of Prior Audit Findings		152



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, 2021, 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, 2021, 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 22 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 22 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84. 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, 92-93, and 94-110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Lancaster, Virginia's basic financial statements. The 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 (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, 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. F. Cox", followed by a long horizontal line.

Richmond, Virginia
December 6, 2021

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, 2021. 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 \$11,010,838 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources over expenditures and other financing uses by \$14,515,620 (Exhibit 5) after making contributions totaling \$10,924,840 to the School Board. This increase includes \$18,233,588 of debt proceeds.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$20,029,317, an increase of \$14,515,620 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,360,377, or 22% of total general fund expenditures and other uses.
- The combined long-term obligations increased \$13,252,413 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 like a private-sector business.

The statement of net position presents information on all County 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 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 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 public and use the accrual basis of accounting, like private sector businesses.

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 County 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 \$11,010,838 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 23,052,554	\$ 8,736,159	\$ 58,624	\$ 55,147	\$ 23,111,178	\$ 8,791,306
Capital assets	12,198,401	11,333,215	1,076,847	1,129,695	13,275,248	12,462,910
Total assets	\$ 35,250,955	\$ 20,069,374	\$ 1,135,471	\$ 1,184,842	\$ 36,386,426	\$ 21,254,216
Deferred outflows of resources	\$ 1,711,244	\$ 1,477,949	\$ -	\$ -	\$ 1,711,244	\$ 1,477,949
Current liabilities	\$ 2,552,736	\$ 2,443,540	\$ 1,270	\$ 61	\$ 2,554,006	\$ 2,443,601
Long-term liabilities outstanding	24,082,347	10,826,418	161,297	164,813	24,243,644	10,991,231
Total liabilities	\$ 26,635,083	\$ 13,269,958	\$ 162,567	\$ 164,874	\$ 26,797,650	\$ 13,434,832
Deferred inflows of resources	\$ 289,182	\$ 309,926	\$ -	\$ -	\$ 289,182	\$ 309,926
Net position:						
Net investment in capital assets	\$ 4,595,687	\$ 2,577,220	\$ 915,550	\$ 964,882	\$ 5,511,237	\$ 3,542,102
Restricted:						
Forfeited asset	11,144	10,271	-	-	11,144	10,271
Wetlands special project	10,366	10,362	-	-	10,366	10,362
Unrestricted	5,420,737	5,369,586	57,354	55,086	5,478,091	5,424,672
Total net position	\$ 10,037,934	\$ 7,967,439	\$ 972,904	\$ 1,019,968	\$ 11,010,838	\$ 8,987,407

Government-wide Financial Analysis (Continued)

The County's net position increased \$2,023,431 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	
	2021	2020	2021	2020	2021	2020
Charges for services	\$ 714,764	\$ 583,410	\$ 25,730	\$ 25,729	\$ 740,494	\$ 609,139
Operating grants and contributions	5,594,740	4,163,799	-	-	5,594,740	4,163,799
General property taxes	19,260,040	18,951,537	-	-	19,260,040	18,951,537
Other local taxes	2,931,188	2,377,456	-	-	2,931,188	2,377,456
Grants and other contributions not restricted	1,262,185	1,282,087	-	-	1,262,185	1,282,087
Other general revenues	353,362	316,226	11	36	353,373	316,262
Total revenues	\$ 30,116,279	\$ 27,674,515	\$ 25,741	\$ 25,765	\$ 30,142,020	\$ 27,700,280
General government administration	\$ 1,708,528	\$ 1,448,143	\$ -	\$ -	\$ 1,708,528	\$ 1,448,143
Judicial administration	1,022,474	986,683	-	-	1,022,474	986,683
Public safety	6,755,282	6,205,175	-	-	6,755,282	6,205,175
Public works	1,641,742	1,597,827	72,805	75,855	1,714,547	1,673,682
Health and welfare	3,046,528	3,120,376	-	-	3,046,528	3,120,376
Education	11,205,133	11,758,993	-	-	11,205,133	11,758,993
Parks, recreation, and cultural	210,068	210,112	-	-	210,068	210,112
Community development	1,641,608	386,699	-	-	1,641,608	386,699
Interest and other fiscal charges	814,421	246,681	-	-	814,421	246,681
Total expenses	\$ 28,045,784	\$ 25,960,689	\$ 72,805	\$ 75,855	\$ 28,118,589	\$ 26,036,544
Change in net position	\$ 2,070,495	\$ 1,713,826	\$ (47,064)	\$ (50,090)	\$ 2,023,431	\$ 1,663,736
Net position, beginning of year	7,967,439	6,253,613	1,019,968	1,070,058	8,987,407	7,323,671
Net position, end of year	\$ 10,037,934	\$ 7,967,439	\$ 972,904	\$ 1,019,968	\$ 11,010,838	\$ 8,987,407

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. 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 \$20,029,317, an increase of \$14,515,620 in comparison with the prior year. Approximately 37% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion. The increase was due to the issuance of debt totaling \$18,233,588.

The County Capital Projects Fund accounts for all major public improvements. At the end of the fiscal year, the fund balance was \$12,645,355, with \$11,717,351 of restricted unspent bond proceeds. The increase was due to the issuance of debt totaling \$18,233,588.

During the year, budgetary estimates were exceeded by actual revenues and other sources of the General Fund by \$1,957,673. Budgetary estimates exceeded actual expenditures and other uses by \$7,761. The combination of the two resulted in a positive variance of \$1,965,434.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2021, amounted to \$12,198,401 (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 \$17,827,333. Of this amount, \$13,275,000 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 \$10,893,004 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 these factors were considered in preparing the County's budget for the 2022 fiscal year.

The fiscal year 2022 budget increased by approximately 11%. All property tax rates remained the same.

Requests for Information

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

County of Lancaster, Virginia
Statement of Net Position
June 30, 2021

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Broadband Authority	IDA
ASSETS						
Cash and cash equivalents	\$ 9,533,275	\$ 57,094	\$ 9,590,369	\$ 867,312	\$ 8,246	\$ 94,234
Receivables (net of allowance for uncollectibles):						
Taxes receivable	773,262	-	773,262	-	-	-
Accounts receivable	134,450	1,530	135,980	10,405	-	-
Due from other governmental units	893,985	-	893,985	1,362,334	-	-
Prepaid expenses	231	-	231	-	-	-
Restricted assets:						
Cash and cash equivalents- unspent bond proce	11,717,351	-	11,717,351	-	-	-
Capital assets (net of accumulated depreciation):						
Land and land improvements	1,649,744	-	1,649,744	6,271	-	-
Buildings and improvements	5,214,991	1,076,847	6,291,838	5,533,207	-	-
Machinery and equipment	555,078	-	555,078	1,057,287	-	-
Infrastructure	1,951,317	-	1,951,317	-	-	-
Construction in progress	2,827,271	-	2,827,271	454,944	-	-
Total assets	\$ 35,250,955	\$ 1,135,471	\$ 36,386,426	\$ 9,291,760	\$ 8,246	\$ 94,234
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	\$ 1,618,406	\$ -	\$ 1,618,406	\$ 3,050,958	\$ -	\$ -
OPEB related items	92,838	-	92,838	267,070	-	-
Total deferred outflows of resources	\$ 1,711,244	\$ -	\$ 1,711,244	\$ 3,318,028	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 36,962,199	\$ 1,135,471	\$ 38,097,670	\$ 12,609,788	\$ 8,246	\$ 94,234
LIABILITIES						
Accounts payable	\$ 691,304	\$ 1,270	\$ 692,574	\$ 289,868	\$ -	\$ -
Accrued liabilities	-	-	-	1,145,494	-	-
Accrued interest payable	329,455	-	329,455	-	-	-
Due to other governmental units	768,001	-	768,001	-	-	-
Unearned revenue	763,976	-	763,976	-	-	-
Long-term liabilities:						
Due within one year	1,047,544	3,551	1,051,095	56,006	-	-
Due in more than one year	23,034,803	157,746	23,192,549	15,000,262	-	-
Total liabilities	\$ 26,635,083	\$ 162,567	\$ 26,797,650	\$ 16,491,630	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	\$ 76,339	\$ -	\$ 76,339	\$ -	\$ -	\$ -
Pension related items	187,441	-	187,441	1,992,977	-	-
OPEB related items	25,402	-	25,402	234,411	-	-
Total deferred inflows of resources	\$ 289,182	\$ -	\$ 289,182	\$ 2,227,388	\$ -	\$ -
NET POSITION						
Net investment in capital assets	\$ 4,595,687	\$ 915,550	\$ 5,511,237	\$ 7,051,709	\$ -	\$ -
Restricted:						
Forfeited assets	11,144	-	11,144	-	-	-
Wetlands special project	10,366	-	10,366	-	-	-
Unrestricted (deficit)	5,420,737	57,354	5,478,091	(13,160,939)	8,246	94,234
Total net position	\$ 10,037,934	\$ 972,904	\$ 11,010,838	\$ (6,109,230)	\$ 8,246	\$ 94,234
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 36,962,199	\$ 1,135,471	\$ 38,097,670	\$ 12,609,788	\$ 8,246	\$ 94,234

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, 2021

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,708,528	\$ -	\$ 264,890	\$ -
Judicial administration	1,022,474	20,257	516,440	-
Public safety	6,755,282	683,007	2,983,218	-
Public works	1,641,742	11,484	-	-
Health and welfare	3,046,528	-	1,790,192	-
Education	11,205,133	-	-	-
Parks, recreation, and cultural	210,068	-	-	-
Community development	1,641,608	16	40,000	-
Interest on long-term debt	814,421	-	-	-
Total governmental activities	\$ 28,045,784	\$ 714,764	\$ 5,594,740	\$ -
Business-type activities:				
Sewer	\$ 72,805	\$ 25,730	\$ -	\$ -
Total business-type activities	\$ 72,805	\$ 25,730	\$ -	\$ -
Total primary government	\$ 28,118,589	\$ 740,494	\$ 5,594,740	\$ -
COMPONENT UNITS:				
School Board	\$ 17,175,657	\$ 11,075	\$ 5,956,291	\$ -
Broadband Authority	1,762	-	-	-
IDA	115,966	25,998	76,000	-
Total component units	\$ 17,293,385	\$ 37,073	\$ 6,032,291	\$ -
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, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Units			
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>School Board</u>	<u>Broadband Authority</u>	<u>IDA</u>	
\$ (1,443,638)	\$ -	\$ (1,443,638)	\$ -	\$ -	\$ -	
(485,777)	-	(485,777)	-	-	-	
(3,089,057)	-	(3,089,057)	-	-	-	
(1,630,258)	-	(1,630,258)	-	-	-	
(1,256,336)	-	(1,256,336)	-	-	-	
(11,205,133)	-	(11,205,133)	-	-	-	
(210,068)	-	(210,068)	-	-	-	
(1,601,592)	-	(1,601,592)	-	-	-	
(814,421)	-	(814,421)	-	-	-	
<u>\$ (21,736,280)</u>	<u>\$ -</u>	<u>\$ (21,736,280)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (47,075)	\$ (47,075)	\$ -	\$ -	\$ -	
\$ -	\$ (47,075)	\$ (47,075)	\$ -	\$ -	\$ -	
<u>\$ (21,736,280)</u>	<u>\$ (47,075)</u>	<u>\$ (21,783,355)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (11,208,291)	\$ -	\$ -	
-	-	-	-	(1,762)	-	
-	-	-	-	-	(13,968)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,208,291)</u>	<u>\$ (1,762)</u>	<u>\$ (13,968)</u>	
\$ 19,260,040	\$ -	\$ 19,260,040	\$ -	\$ -	\$ -	
2,222,526	-	2,222,526	-	-	-	
206,389	-	206,389	-	-	-	
502,273	-	502,273	-	-	-	
279,773	11	279,784	104	-	3,675	
73,589	-	73,589	363,420	-	-	
-	-	-	11,002,160	-	-	
1,262,185	-	1,262,185	-	-	4,750	
<u>\$ 23,806,775</u>	<u>\$ 11</u>	<u>\$ 23,806,786</u>	<u>\$ 11,365,684</u>	<u>\$ -</u>	<u>\$ 8,425</u>	
\$ 2,070,495	\$ (47,064)	\$ 2,023,431	\$ 157,393	\$ (1,762)	\$ (5,543)	
7,967,439	1,019,968	8,987,407	(6,266,623)	10,008	99,777	
<u>\$ 10,037,934</u>	<u>\$ 972,904</u>	<u>\$ 11,010,838</u>	<u>\$ (6,109,230)</u>	<u>\$ 8,246</u>	<u>\$ 94,234</u>	

County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 8,580,171	\$ 25,100	\$ 928,004	\$ 9,533,275
Receivables (net of allowance for uncollectibles):				
Taxes receivable	773,262	-	-	773,262
Accounts receivable	134,450	-	-	134,450
Due from other governmental units	893,985	-	-	893,985
Prepaid items	231	-	-	231
Restricted assets:				
Cash and cash equivalents	-	-	11,717,351	11,717,351
Total assets	<u>\$ 10,382,099</u>	<u>\$ 25,100</u>	<u>\$ 12,645,355</u>	<u>\$ 23,052,554</u>
LIABILITIES				
Accounts payable	\$ 691,304	\$ -	\$ -	\$ 691,304
Due to other governmental units	768,001	-	-	768,001
Unearned revenue	762,230	1,746	-	763,976
Total liabilities	<u>\$ 2,221,535</u>	<u>\$ 1,746</u>	<u>\$ -</u>	<u>\$ 2,223,281</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 799,956	\$ -	\$ -	\$ 799,956
Total deferred inflows of resources	<u>\$ 799,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,956</u>
FUND BALANCES				
Nonspendable	\$ 231	\$ -	\$ -	\$ 231
Restricted	-	21,510	11,717,351	11,738,861
Committed	-	1,844	928,004	929,848
Unassigned	7,360,377	-	-	7,360,377
Total fund balances	<u>\$ 7,360,608</u>	<u>\$ 23,354</u>	<u>\$ 12,645,355</u>	<u>\$ 20,029,317</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,382,099</u>	<u>\$ 25,100</u>	<u>\$ 12,645,355</u>	<u>\$ 23,052,554</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, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 20,029,317

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	\$ 21,663,871	
Accumulated depreciation	<u>(9,465,470)</u>	12,198,401

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

Unavailable revenue - property taxes		723,617
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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	\$ 1,618,406	
OPEB related items	<u>92,838</u>	1,711,244

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	\$ (4,285,000)	
General obligations bond	(13,275,000)	
Accrued interest payable	(329,455)	
Capital leases	(106,036)	
Bond premium	(1,654,029)	
Net pension liability	(4,082,833)	
Net OPEB liability	(413,538)	
Compensated absences	<u>(265,911)</u>	(24,411,802)

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

Pension related items	\$ (187,441)	
OPEB related items	<u>(25,402)</u>	(212,843)

Net position of governmental activities		<u><u>\$ 10,037,934</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, 2021

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 19,335,694	\$ -	\$ -	\$ 19,335,694
Other local taxes	2,931,188	-	-	2,931,188
Permits, privilege fees, and regulatory licenses	230,628	-	-	230,628
Fines and forfeitures	23,756	-	-	23,756
Revenue from the use of money and property	268,820	10	10,943	279,773
Charges for services	460,380	-	-	460,380
Miscellaneous	73,589	-	-	73,589
Recovered costs	35,687	-	-	35,687
Intergovernmental:				
Commonwealth	4,317,431	868	-	4,318,299
Federal	2,538,626	-	-	2,538,626
Total revenues	<u>\$ 30,215,799</u>	<u>\$ 878</u>	<u>\$ 10,943</u>	<u>\$ 30,227,620</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,542,487	\$ -	\$ -	\$ 1,542,487
Judicial administration	839,373	-	-	839,373
Public safety	6,204,271	-	-	6,204,271
Public works	1,603,013	-	-	1,603,013
Health and welfare	2,935,319	-	-	2,935,319
Education	10,932,228	-	-	10,932,228
Parks, recreation, and cultural	188,003	-	-	188,003
Community development	1,656,325	-	-	1,656,325
Capital projects	1,727,911	-	-	1,727,911
Debt service:				
Principal retirement	5,749,304	-	-	5,749,304
Bond issuance costs	271,214	-	147,772	418,986
Interest and other fiscal charges	148,368	-	-	148,368
Total expenditures	<u>\$ 33,797,816</u>	<u>\$ -</u>	<u>\$ 147,772</u>	<u>\$ 33,945,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,582,017)</u>	<u>\$ 878</u>	<u>\$ (136,829)</u>	<u>\$ (3,717,968)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,442,245	\$ -	\$ 270,699	\$ 1,712,944
Transfers out	(270,699)	-	(1,442,245)	(1,712,944)
Issuance of general obligation bonds	-	-	12,345,000	12,345,000
Issuance of lease revenue bonds	4,285,000	-	-	4,285,000
Issuance of capital lease	15,824	-	-	15,824
Premium on bond issuances	635,710	-	952,054	1,587,764
Total other financing sources (uses)	<u>\$ 6,108,080</u>	<u>\$ -</u>	<u>\$ 12,125,508</u>	<u>\$ 18,233,588</u>
Net change in fund balances	\$ 2,526,063	\$ 878	\$ 11,988,679	\$ 14,515,620
Fund balances - beginning	4,834,545	22,476	656,676	5,513,697
Fund balances - ending	<u>\$ 7,360,608</u>	<u>\$ 23,354</u>	<u>\$ 12,645,355</u>	<u>\$ 20,029,317</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, 2021

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

Net change in fund balances - total governmental funds		\$ 14,515,620
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 expense and transfers in the current period. The following is a summary of items supporting this adjustment:		
Capital asset additions	\$ 1,575,447	
Depreciation expense	(632,941)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(77,320)</u>	865,186
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(75,654)
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	\$ 5,554,000	
Principal retirement of school general obligation bond	165,000	
Principal retirement of capital lease	30,304	
Issuance of school general obligation bonds	(12,345,000)	
Issuance of county revenue bonds	(4,285,000)	
Bond premiums	(1,587,764)	
Issuance of capital lease	<u>(15,824)</u>	(12,484,284)
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	\$ 13,253	
Change in compensated absences	(22,792)	
Pension expense	(494,284)	
OPEB expense	13,769	
Change in accrued interest payable	<u>(260,319)</u>	(750,373)
Change in net position of governmental activities		<u><u>\$ 2,070,495</u></u>

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, 2021

	Enterprise Fund
	<u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 57,094
Accounts receivables, net of allowance for uncollectibles	1,530
Total current assets	<u>\$ 58,624</u>
Noncurrent assets:	
Capital assets:	
Buildings and improvements	\$ 1,076,847
Total noncurrent assets	<u>\$ 1,076,847</u>
Total assets	<u>\$ 1,135,471</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,270
Bonds payable - current portion	3,551
Total current liabilities	<u>\$ 4,821</u>
Noncurrent liabilities:	
Bonds payable	\$ 157,746
Total noncurrent liabilities	<u>\$ 157,746</u>
Total liabilities	<u>\$ 162,567</u>
NET POSITION	
Net investment in capital assets	\$ 915,550
Unrestricted	57,354
Total net position	<u><u>\$ 972,904</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, 2021

	<u>Enterprise Fund</u>
	<u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Sewer fees	\$ 19,970
Other revenues	5,760
Total operating revenues	<u>\$ 25,730</u>
OPERATING EXPENSES	
Repairs and maintenance	\$ 14,961
Other charges	2,752
Depreciation	52,848
Total operating expenses	<u>\$ 70,561</u>
Operating income (loss)	<u>\$ (44,831)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (2,244)
Interest income	11
Total nonoperating revenues (expenses)	<u>\$ (2,233)</u>
Change in net position	\$ (47,064)
Net position - beginning	1,019,968
Net position - ending	<u><u>\$ 972,904</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, 2021

	Enterprise Fund
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 25,199
Payments for operating expenses	(16,504)
Net cash provided by (used for) operating activities	<u>\$ 8,695</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (3,516)
Interest payments	(2,244)
Net cash provided by (used for) capital and related financing activities	<u>\$ (5,760)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 11
Net cash provided by (used for) investing activities	<u>\$ 11</u>
Net increase (decrease) in cash and cash equivalents	\$ 2,946
Cash and cash equivalents - beginning	54,148
Cash and cash equivalents - ending	<u><u>\$ 57,094</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (44,831)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	52,848
(Increase) decrease in accounts receivable	(531)
Increase (decrease) in accounts payable	1,209
Total adjustments	<u>\$ 53,526</u>
Net cash provided by (used for) operating activities	<u><u>\$ 8,695</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, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 20,185
Total assets	<u>\$ 20,185</u>
NET POSITION	
Restricted for Individuals	\$ 20,185
Total net position	<u>\$ 20,185</u>

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

County of Lancaster, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2021

**Custodial
Funds**

ADDITIONS

Participant fees	\$ 23,753
Total additions	<u>\$ 23,753</u>

DEDUCTIONS

Recipient payments	\$ 18,833
Total deductions	<u>\$ 18,833</u>

Net increase (decrease) in fiduciary net position	\$ 4,920
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Net position - beginning - as restated	<u>15,265</u>
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Net position - ending	<u><u>\$ 20,185</u></u>
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The notes to the financial statements are an integral part of this statement.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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 government 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 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. 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 on June 30, 2021.

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 can 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, 2021.

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, 2021. The Industrial Development Authority does not issue a separate financial report.

The Broadband Authority is responsible for internet access development in the County. The Authority consists of five 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, 2021. The Broadband Authority does not issue a separate financial report.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

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

None

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the way these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are 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 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 principle and interest expenditures on general long-term debt 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 estate 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, 2021

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 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 based on 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, 2021

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 like 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 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 Fund - (Trust and Custodial Fund) - accounts for assets held by the County unit in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial Funds. Custodial Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's Custodial Funds include amounts held for others in a fiduciary capacity, which includes the following fund: Special Welfare.

4. Component Unit

Governmental Fund:

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

Special Revenue Funds:

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

School Textbook Fund - This fund accounts for all revenues and expenditures applicable to school textbooks. Revenues are derived primarily from County funding and state grants. The Textbook Fund is considered a major fund of the School Board for financial reporting purposes.

School Activity Fund - School activity funds include all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from all activities of the school involving personnel, students, or property. The School Activity Fund is considered a major fund of the School Board for financial reporting purposes.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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 uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$107,943 on June 30, 2021 is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

H. Capital Assets

Capital assets, which include property and 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 of more than 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 and plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for non-vesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's and School Board's Retirement Plan and the additions to/deductions from the County's and School Board's Retirement Plan's fiduciary net 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, HIC School (Nonprofessional), 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

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. 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 applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to 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/liabilities 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/liabilities are reported as deferred inflows of resources. For more detailed information on the pension item, reference the related notes.

O. 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation.
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

O. Fund Balance (Continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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	\$ 231	\$ -	\$ -	\$ 231
Total Nonspendable	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231</u>
Restricted:				
Forfeited asset	\$ -	\$ 11,144	\$ -	\$ 11,144
Capital improvements	-	-	11,717,351	11,717,351
Wetlands special project	-	10,366	-	10,366
Total Restricted	<u>\$ -</u>	<u>\$ 21,510</u>	<u>\$ 11,717,351</u>	<u>\$ 11,738,861</u>
Committed:				
Sheriff's K-9 Unit	\$ -	\$ 1,844	\$ -	\$ 1,844
Capital Improvements	-	-	928,004	928,004
Total Committed	<u>\$ -</u>	<u>\$ 1,844</u>	<u>\$ 928,004</u>	<u>\$ 929,848</u>
Unassigned	\$ 7,360,377	\$ -	\$ -	\$ 7,360,377
Total	<u>\$ 7,360,608</u>	<u>\$ 23,354</u>	<u>\$ 12,645,355</u>	<u>\$ 20,029,317</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

P. Long-term Obligations

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

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

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 did not exceed appropriations in any fund at June 30, 2021.

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 3—Deposits and Investments: (Continued)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2021 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	\$ 7,201
Virginia Investment Pool	500,368
State Non-Arbitrage Program	11,717,351
Total	<u>\$ 12,224,920</u>

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool (SNAP)) 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. There are no withdrawal limitations or restrictions imposed on participants.

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 3—Deposits and Investments: (Continued)

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	\$ 7,201	\$ 7,201
Virginia Investment Pool	500,368	500,368
State Non-Arbitrage Program	11,717,351	11,717,351
Total	<u>\$ 12,224,920</u>	<u>\$ 12,224,920</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 4—Due to/from Other Governments:

On June 30, 2021, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	\$ -	\$ 768,001
Commonwealth of Virginia:		
Local sales tax	423,986	196,745
Welfare	41,808	-
Local jails	15,412	-
VPSA technology	-	42,800
Constitutional officer reimbursements	162,460	-
Auto rental tax	2,529	-
Mobile home titling tax	3,419	-
Victim-witness grant	4,375	-
Children's services act	80,264	-
E-911 wireless	28,131	-
Communications tax	38,035	-
Games of skill	3,600	-
VHDA fees	2,783	-
Federal Government:		
School fund grants	-	354,788
Victim-witness grant	13,125	-
Welfare	74,058	-
Total due from other governments	<u>\$ 893,985</u>	<u>\$ 1,362,334</u>

At June 30, 2021, amounts due to other governmental units are as follows:

Other Local Governments:		
Lancaster County School Board	<u>\$ 768,001</u>	<u>\$ -</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

Primary Government:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,649,744	\$ -	\$ -	\$ 1,649,744
Construction in progress	1,409,298	1,417,973	-	2,827,271
Total capital assets not subject to depreciation	\$ 3,059,042	\$ 1,417,973	\$ -	\$ 4,477,015
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,284,841	\$ 32,700	\$ -	\$ 7,317,541
Infrastructure	2,597,988	-	-	2,597,988
Machinery and equipment	4,257,561	124,774	-	4,382,335
Jointly owned assets	3,129,182	-	240,190	2,888,992
Total capital assets subject to depreciation	\$ 17,269,572	\$ 157,474	\$ 240,190	\$ 17,186,856
Accumulated depreciation:				
Buildings and improvements	\$ 2,873,366	\$ 159,185	\$ -	\$ 3,032,551
Infrastructure	514,779	131,892	-	646,671
Machinery and equipment	3,573,073	254,184	-	3,827,257
Jointly owned assets	2,034,181	87,680	162,870	1,958,991
Total accumulated depreciation	\$ 8,995,399	\$ 632,941	\$ 162,870	\$ 9,465,470
Total capital assets subject to depreciation, net	\$ 8,274,173	\$ (475,467)	\$ 77,320	\$ 7,721,386
Governmental activities capital assets, net	\$ 11,333,215	\$ 942,506	\$ 77,320	\$ 12,198,401

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

A summary of proprietary fund capital assets on June 30, 2021 follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Business-type activities:</i>				
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,321,205	\$ -	\$ -	\$ 1,321,205
Accumulated depreciation:				
Buildings and improvements	\$ 191,510	\$ 52,848	\$ -	\$ 244,358
Total capital assets subject to depreciation, net	\$ 1,129,695	\$ (52,848)	\$ -	\$ 1,076,847
Business-type activities capital assets, net	\$ 1,129,695	\$ (52,848)	\$ -	\$ 1,076,847

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 6,271	\$ -	\$ -	\$ 6,271
Construction in progress	28,000	426,944	-	454,944
Total capital assets not subject to depreciation	\$ 34,271	\$ 426,944	\$ -	\$ 461,215
Capital assets subject to depreciation:				
Buildings and improvements	\$ 70,950	\$ -	\$ -	\$ 70,950
Machinery and equipment	4,417,381	367,686	-	4,785,067
Jointly owned assets	16,838,984	-	(240,190)	17,079,174
Total capital assets subject to depreciation	\$ 21,327,315	\$ 367,686	\$ (240,190)	\$ 21,935,191
Accumulated depreciation:				
Buildings and improvements	\$ 32,336	\$ 3,394	\$ -	\$ 35,730
Machinery and equipment	3,427,821	299,959	-	3,727,780
Jointly owned assets	10,946,487	471,830	(162,870)	11,581,187
Total accumulated depreciation	\$ 14,406,644	\$ 775,183	\$ (162,870)	\$ 15,344,697
Total capital assets subject to depreciation, net	\$ 6,920,671	\$ (407,497)	\$ (77,320)	\$ 6,590,494
Component unit school board capital assets, net	\$ 6,954,942	\$ 19,447	\$ (77,320)	\$ 7,051,709

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 25,942
Judicial administration	140,228
Public safety	321,295
Public works	8,681
Health and welfare	27,050
Education	87,680
Parks, recreation and cultural	22,065
	<u>632,941</u>
Total Governmental activities	\$ <u>632,941</u>
Business-type Activities	\$ <u>52,848</u>
Component Unit School Board	\$ <u>775,183</u>

Note 6—Interfund Transfers and Due To/Due From Other Funds:

Interfund transfers for the year ended June 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General fund	\$ 1,442,245	\$ 270,699
County capital projects fund	270,699	1,442,245
	<u>1,712,944</u>	<u>1,712,944</u>
Total	\$ <u>1,712,944</u>	\$ <u>1,712,944</u>

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

Amounts due to and from other funds consisted of the following:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Component Unit School Board:		
School operating fund	\$ -	\$ 19,763
School cafeteria fund	19,763	-
	<u>19,763</u>	<u>19,763</u>
Total	\$ <u>19,763</u>	\$ <u>19,763</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2021:

	Balance at July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 243,119	\$ 47,104	\$ 24,312	\$ 265,911	\$ 26,591
Net pension liability	3,328,099	2,284,683	1,529,949	4,082,833	-
Net OPEB liability	406,166	118,519	111,147	413,538	-
Direct borrowings and placements:					
Lease revenue bonds	5,554,000	4,285,000	5,554,000	4,285,000	810,000
Bond premium	-	635,710	-	635,710	-
Capital leases (Note 8)	120,516	15,824	30,304	106,036	35,953
Total incurred by County	<u>\$ 9,651,900</u>	<u>\$ 7,386,840</u>	<u>\$ 7,249,712</u>	<u>\$ 9,789,028</u>	<u>\$ 872,544</u>
Incurred by School Board:					
General obligation bonds	\$ 1,095,000	\$ 12,345,000	\$ 165,000	\$ 13,275,000	\$ 175,000
Bond premium	79,518	952,054	13,253	1,018,319	-
Total incurred by School Board	<u>\$ 1,174,518</u>	<u>\$ 13,297,054</u>	<u>\$ 178,253</u>	<u>\$ 14,293,319</u>	<u>\$ 175,000</u>
Total Governmental Activities Obligations	<u>\$ 10,826,418</u>	<u>\$ 20,683,894</u>	<u>\$ 7,427,965</u>	<u>\$ 24,082,347</u>	<u>\$ 1,047,544</u>
Business-type Activities Obligations:					
Direct borrowings and placements:					
Revenue bond	\$ 164,813	\$ -	\$ 3,516	\$ 161,297	\$ 3,551
Total Business-type Activities Obligations	<u>\$ 164,813</u>	<u>\$ -</u>	<u>\$ 3,516</u>	<u>\$ 161,297</u>	<u>\$ 3,551</u>
Total Primary Government Obligations	<u>\$ 10,991,231</u>	<u>\$ 20,683,894</u>	<u>\$ 7,431,481</u>	<u>\$ 24,243,644</u>	<u>\$ 1,051,095</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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 Bond	
	Principal	Interest
2022	\$ 810,000	\$ 198,850
2023	850,000	156,313
2024	895,000	111,597
2025	945,000	64,447
2026	180,000	35,619
2027	190,000	26,138
2028	200,000	16,144
2029	215,000	5,508
Total	<u>\$ 4,285,000</u>	<u>\$ 614,616</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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	
	Bonds	
	Principal	Interest
2022	\$ 175,000	\$ 527,575
2023	410,000	424,310
2024	430,000	403,169
2025	445,000	380,754
2026	470,000	357,003
2027-2031	1,580,000	1,532,343
2032-2036	1,995,000	1,117,149
2037-2041	2,275,000	828,669
2042-2046	2,570,000	539,963
2047-2051	2,925,000	190,293
Total	<u>\$ 13,275,000</u>	<u>\$ 6,301,228</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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
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	2,823	11
Total	<u>\$ 161,297</u>	<u>\$ 42,717</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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)					\$ 265,911	\$ 26,591
Net OPEB liability (payable from the General Fund)					\$ 413,538	\$ -
Net pension liability (payable from the General Fund)					\$ 4,082,833	\$ -
Total long-term obligations incurred by the County					\$ 4,762,282	\$ 26,591
Direct borrowings and placements:						
General Obligation Bonds:						
VPSA Bond outstanding \$1,255,000 plus unamortized premium of \$66,265.	0.586%- 5.438%	11/14/10	04/01/26	\$ 2,280,000	\$ 996,265	\$ 175,000
Lease Revenue Refunding Bond outstanding \$4,285,000 plus unamortized premium of \$635,710	5.125%	11/18/20	10/01/28	4,285,000	4,920,710	810,000
VPSA Bond outstanding \$12,345,000 plus unamortized premium of \$952,054.	2.05%-5.05%	11/10/20	07/15/50	12,345,000	13,297,054	-
Total General Obligation Bonds					\$ 19,214,029	\$ 985,000
Other Long-Term Obligations:						
Capital Lease - Equipment Purchase Agreement	6.70%	12/12/19	12/12/23	54,359	\$ 42,061	\$ 13,122
Capital Lease - Equipment Purchase Agreement	5.99%	10/16/20	10/16/24	15,824	15,824	3,618
Capital Lease - Equipment Purchase Agreement	6.70%	12/23/19	12/23/23	30,701	23,756	7,411
Capital Lease - Equipment Purchase Agreement	6.70%	10/12/18	10/12/22	45,823	24,395	11,802
Total Other Long-Term Obligations					\$ 106,036	\$ 35,953
Total long-term obligations incurred by the County					\$ 23,086,082	\$ 872,544
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 996,265	\$ 175,000
Total long-term obligations - governmental activities					\$ 24,082,347	\$ 1,047,544
	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
Direct borrowings and placements:						
Revenue Bonds:						
Series 2016 Sewer Revenue Bonds	1.38%	12/14/16	12/12/56	\$ 170,000	\$ 161,297	\$ 3,551
Total Revenue Bonds					\$ 161,297	\$ 3,551
Total Direct Borrowings and Placements					\$ 161,297	\$ 3,551
Total long-term obligations - business-type activities					\$ 161,297	\$ 3,551

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 526,292	\$ 86,398	\$ 52,629	\$ 560,061	\$ 56,006
Net OPEB liability	1,931,663	467,309	497,914	1,901,058	-
Net pension liability	12,283,847	4,734,047	4,422,745	12,595,149	-
Total Component Unit-School Board	<u>\$ 14,741,802</u>	<u>\$ 5,287,754</u>	<u>\$ 4,973,288</u>	<u>\$ 15,056,268</u>	<u>\$ 56,006</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	\$ 259,400
Less: accumulated depreciation	<u>(153,602)</u>
Total	<u>\$ 105,798</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2021, are as follows:

Year Ended June 30	Primary Government
2022	\$ 42,944
2023	42,944
2024	29,507
2025	4,566
Total minimum lease payments	\$ 119,961
Less: amount representing interest	(13,925)
Present value of minimum lease payments	\$ 106,036

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 \$723,617 on June 30, 2021.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2021 but paid in advance by the taxpayers totaled \$76,339 on June 30, 2021.

Unearned Revenue - Other unearned revenue items totaled \$763,976, of which \$11,367 was related to land sale funds, \$1,746 is unspent federal asset forfeiture funds, and \$750,863 is unspent CARES Act 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, 2021

Note 10—Contingent Liabilities: (Continued)

The County has entered into a contract for an Early Childhood Education building. The total contract is for \$1,500,355 with \$150,778 payable and \$1,183,748 remaining at year-end. The County has also entered into a contract for Middle School renovations in the amount of \$2,555,583 with \$188,819 payable and \$1,334,411 remaining at year-end.

Note 11—Litigation:

On June 30, 2021, 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

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 with a membership date 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 service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. 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 service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before 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 service credit or when the sum of their age plus service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date 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 service credit, or when the sum of their age plus service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. 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 service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% 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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

Average Final Compensation and Service Retirement Multiplier

retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% 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.

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 service credit 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 service credit 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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	67	27
Inactive members:		
Vested inactive members	8	3
Non-vested inactive members	22	13
Inactive members active elsewhere in VRS	52	7
Total inactive members	82	23
Active members	102	43
Total covered employees	251	93

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because 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, 2021 was 13.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$693,781 and \$595,846 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit School Board's contractually employer required contribution rate for Nonprofessional employees for the year ended June 30, 2021 was 9.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$77,298 and \$76,940 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that 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, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

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

Mortality rates:

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not consider 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan 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, 2020 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, 2019	\$ 24,457,508	\$ 21,129,409	\$ 3,328,099
Changes for the year:			
Service cost	\$ 658,310	\$ -	\$ 658,310
Interest	1,609,757	-	1,609,757
Differences between expected and actual experience	(288,216)	-	(288,216)
Contributions - employer	-	595,846	(595,846)
Contributions - employee	-	244,486	(244,486)
Net investment income	-	401,401	(401,401)
Benefit payments, including refunds	(1,218,512)	(1,218,512)	-
Administrative expenses	-	(13,763)	13,763
Other changes	-	(2,853)	2,853
Net changes	\$ 761,339	\$ 6,605	\$ 754,734
Balances at June 30, 2020	\$ 25,218,847	\$ 21,136,014	\$ 4,082,833

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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, 2019	\$ 3,772,608	\$ 3,443,821	\$ 328,787
Changes for the year:			
Service cost	\$ 93,728	\$ -	\$ 93,728
Interest	248,843	-	248,843
Differences between expected and actual experience	10,103	-	10,103
Contributions - employer	-	76,747	(76,747)
Contributions - employee	-	42,645	(42,645)
Net investment income	-	65,367	(65,367)
Benefit payments, including refunds	(172,095)	(172,095)	-
Administrative expenses	-	(2,226)	2,226
Other changes	-	(78)	78
Net changes	\$ 180,579	\$ 10,360	\$ 170,219
Balances at June 30, 2020	\$ 3,953,187	\$ 3,454,181	\$ 499,006

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's Net Pension Liability	\$ 6,914,864	\$ 4,082,833	\$ 1,696,043
Component Unit School Board's (Nonprofessional) Net Pension Liability	\$ 907,006	\$ 499,006	\$ 150,888

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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, 2021, the County and Component Unit School Board (Nonprofessional) recognized pension expense of \$1,188,065 and \$119,913, respectively. On June 30, 2021, 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	\$ 103,238	\$ 187,441	\$ 8,922	\$ -
Changes of assumptions	195,087	-	17,688	-
Net difference between projected and actual earnings on pension plan investments	626,300	-	104,143	-
Employer contributions subsequent to the measurement date	693,781	-	77,298	-
Total	<u>\$ 1,618,406</u>	<u>\$ 187,441</u>	<u>\$ 208,051</u>	<u>\$ -</u>

\$693,781 and \$77,298 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, 2022. 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)
2022	\$ 211,951	\$ 29,553
2023	109,707	33,468
2024	213,224	34,685
2025	202,302	33,047
2026	-	-
Thereafter	-	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 13—Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-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 because 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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 2019. 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 \$1,097,148 and \$1,104,482 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

On June 30, 2021, the school division reported a liability of \$12,096,143 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2020, the school division's proportion was 0.08310% as compared to 0.09084% on June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$979,141. 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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)

On June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 709,020
Changes of assumptions	825,713	-
Net difference between projected and actual earnings on pension plan investments	920,046	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,283,957
Employer contributions subsequent to the measurement date	<u>1,097,148</u>	<u>-</u>
Total	<u>\$ 2,842,907</u>	<u>\$ 1,992,977</u>

\$1,097,148 reported as deferred outflows of resources related to pensions resulting from the school division's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. 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:

<u>Year ended June 30</u>	
2022	\$ (351,730)
2023	(18,782)
2024	99,618
2025	80,124
2026	(56,448)

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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, 2021

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, 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	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.47%

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, 2021

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 17,747,758	\$ 12,096,143	\$ 7,421,542

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-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			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,618,406	\$ 187,441	\$ 4,082,833	\$ 1,188,065	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	208,051	-	499,006	119,913
School Board Professional	-	-	-	-	2,842,907	1,992,977	12,096,143	979,141
Totals	\$ 1,618,406	\$ 187,441	\$ 4,082,833	\$ 1,188,065	\$ 3,050,958	\$ 1,992,977	\$ 12,595,149	\$ 1,099,054

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

Plan Description

The Group Life Insurance (GLI) Plan 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 Plan 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 Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. 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 Plan 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 plan 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 service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

Contributions

The contribution requirements for the GLI Plan 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 Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Plan from the County were \$28,183 and \$26,517 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Plan from the Component Unit School Board Professional group were \$37,819 and \$38,982 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the GLI Plan from the Component Unit School Board Nonprofessional group were \$4,390 and \$4,657 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

On June 30, 2021, the County reported a liability of \$413,538 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board Professional and Nonprofessional groups reported liabilities of \$607,957 and \$72,594, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. 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 Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2020, the County's proportion was 0.02480% as compared to 0.02496% on June 30, 2019. On June 30, 2020, the Component Unit School Board Professional and Nonprofessional groups' proportion was 0.03640% and 0.00440%, respectively as compared to 0.03980% and 0.00450% respectively on June 30, 2019.

For the year ended June 30, 2021, the County recognized GLI OPEB expense of \$14,474. For the year ended June 30, 2021, the Component Unit School Board Professional group recognized GLI OPEB expense of \$11,640. For the year ended June 30, 2021, the Component Unit School Board Nonprofessional group recognized GLI OPEB expense of \$2,553. 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, 2021

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

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

On June 30, 2021, 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	\$ 26,525	\$ 3,714	\$ 38,995	\$ 5,461	\$ 4,656	\$ 652
Net difference between projected and actual earnings on GLI OPEB plan investments	12,422	-	18,262	-	2,181	-
Change in assumptions	20,682	8,635	30,405	12,694	3,631	1,516
Changes in proportionate share	5,026	13,053	3,304	63,500	326	1,914
Employer contributions subsequent to the measurement date	28,183	-	37,819	-	4,390	-
Total	\$ 92,838	\$ 25,402	\$ 128,785	\$ 81,655	\$ 15,184	\$ 4,082

\$28,183, \$37,819 and \$4,390, 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, 2022. 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)
2022	\$ 4,933	\$ (2,387)	\$ 878
2023	8,441	2,770	1,494
2024	12,012	6,737	2,056
2025	11,537	7,951	2,081
2026	2,197	(4,217)	245
Thereafter	133	(1,543)	(42)

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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, 2021

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action 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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan 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, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 14—Group Life Insurance (GLI) Plan (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not consider 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 7.11%, including expected inflation of 2.50%. On October 9, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

Discount Rate (Continued)

Through the fiscal year ended June 30, 2020, 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, 2020 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.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 543,627	\$ 413,538	\$ 307,893
Component School Board (Professional)'s proportionate share of the GLI Plan			
Net OPEB Liability	\$ 799,206	\$ 607,957	\$ 452,644
Component School Board (Nonprofessional)'s proportionate share of the GLI Plan			
Net OPEB Liability	\$ 95,431	\$ 72,594	\$ 54,049

GLI Plan Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan 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 employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent 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 about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Active members	<u>43</u>
Total covered employees	<u><u>43</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The School Board’s contractually required employer contribution rate for the year ended June 30, 2021 was 1.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Board to the HIC Plan were \$8,681 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The School Board’s net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 15—Health Insurance Credit (HIC) Plan (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)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. 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 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, 2020, the rate contributed by the entity for the HIC 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, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Benefit changes	\$ 108,146	\$ -	\$ 108,146
Net changes	\$ 108,146	\$ -	\$ 108,146
Balances at June 30, 2020	\$ 108,146	\$ -	\$ 108,146

Sensitivity of the School Board's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board's Net HIC OPEB Liability	\$ 118,997	\$ 108,146	\$ 98,737

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

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

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2021, the School Board's HIC Plan OPEB expense of \$108,146. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 8,861	\$ -
Total	\$ 8,861	\$ -

\$8,681 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022.

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan 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 Plan. 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description (Continued)

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

Eligible Employees

The Teacher Employee Retiree HIC Plan 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 Plan 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, 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 Plan 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.

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 because 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, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Plan were \$84,744 and \$89,700 for the years ended June 30, 2021 and June 30, 2020, respectively.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

On June 30, 2021, the school division reported a liability of \$1,112,361 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.08530% as compared to 0.09249% on June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC OPEB expense of \$70,846. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,855
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	4,930	-
Change of assumptions	21,990	6,078
Changes in proportionate share	2,576	127,741
Employer contributions subsequent to the measurement date	<u>84,744</u>	<u>-</u>
Total	<u>\$ 114,240</u>	<u>\$ 148,674</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

\$84,744 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, 2022. 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>		
2022	\$	(20,249)
2023		(19,761)
2024		(19,925)
2025		(19,698)
2026		(18,697)
Thereafter		(20,848)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2021

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee Net HIC OPEB Liability (Asset)	\$	1,304,516
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

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.

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not consider 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan 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, 2020 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate (Continued)

assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,245,172	\$ 1,112,361	\$ 999,481

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17—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 14):								
County	\$ 92,838	\$ 25,402	\$ 413,538	\$ 14,474	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	15,184	4,082	72,594	2,553
School Board Professional	-	-	-	-	128,785	81,655	607,957	11,640
Nonprofessional Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	8,861	-	108,146	108,146
Teacher Health Insurance Credit Program (Note 16)	-	-	-	-	114,240	148,674	1,112,361	70,846
Totals	\$ 92,838	\$ 25,402	\$ 413,538	\$ 14,474	\$ 267,070	\$ 234,411	\$ 1,901,058	\$ 193,185

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 18–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 19–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 \$42,224, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 20–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 on June 30, 2021 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 2021. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Note 21–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, 2021

Note 21—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, 2021 was \$43,706.

Note 22—Adoption of Accounting Principles:

The County implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement 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 implementation of this Statement resulted in the following restatement of net position:

	<u>Net Position</u>	<u>Fund Balance</u>	<u>Net Position</u>
			<u>Primary</u>
			<u>Government -</u>
	<u>Component</u>	<u>Component</u>	<u>Custodial Fund</u>
	<u>Unit</u>	<u>Unit</u>	
	<u>School</u>	<u>Special</u>	<u>Special</u>
	<u>Board</u>	<u>Revenue Fund-</u>	<u>Welfare</u>
		<u>School</u>	
		<u>Activity</u>	
Net Position/Fund Balance, June 30, 2020, as previously stated	\$ (6,611,724)	\$ -	\$ -
Restatement:			
Implementation of GASB 84	<u>345,101</u>	<u>345,101</u>	<u>15,265</u>
Net Position/Fund Balance, July 1, 2020, as restated	<u>\$ (6,266,623)</u>	<u>\$ 345,101</u>	<u>\$ 15,265</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 23-Upcoming Pronouncements:

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 June 15, 2021.

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, 2020.

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, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 23—Upcoming Pronouncements: (Continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Note 24—COVID-19 Pandemic Funding and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The County received total CRF funding of \$1,850,142. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$169,750. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$750,863 are reported as unearned revenue as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2021

Note 24-COVID-19 Pandemic Funding and Subsequent Events: (Continued)

ARPA Funding (Continued)

In fiscal year 2022, the County received its share of the first half of the CSLFRF funds in the amount of \$1,029,754. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. No amounts from the initial allocation are reported as unearned revenue as of June 30 because they were received after June 30, 2021.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

Note 25— Current Refunding:

On November 18, 2020, the County issued a \$4,285,000 Tax-exempt Lease Revenue Refunding Bond, Series 2020, through the Virginia Resources Authority to refund various long-term obligations to include: the County's 2014A Lease Revenue Bond and the County's 2019 Lease Revenue Bond, both issued through the Industrial Development Authority of Lancaster County. The net proceeds were used to pay off the remaining balance of the County's outstanding long-term obligations previously detailed, as well as the costs of issuance associated with the Series 2020 bonds. The current refunding will decrease its total debt service payments by \$121,349 and resulted in an economic gain of \$649,578.

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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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 18,943,974	\$ 18,943,974	\$ 19,335,694	\$ 391,720
Other local taxes	2,019,750	2,019,750	2,931,188	911,438
Permits, privilege fees, and regulatory licenses	135,606	135,606	230,628	95,022
Fines and forfeitures	28,800	28,800	23,756	(5,044)
Revenue from the use of money and property	150,000	150,000	268,820	118,820
Charges for services	374,950	374,950	460,380	85,430
Miscellaneous	40,000	43,200	73,589	30,389
Recovered costs	91,000	133,035	35,687	(97,348)
Intergovernmental:				
Commonwealth	4,521,881	4,521,881	4,317,431	(204,450)
Federal	1,045,407	2,558,464	2,538,626	(19,838)
Total revenues	\$ 27,351,368	\$ 28,909,660	\$ 30,215,799	\$ 1,306,139
EXPENDITURES				
Current:				
General government administration	\$ 1,485,932	\$ 1,552,192	\$ 1,542,487	\$ 9,705
Judicial administration	851,324	855,215	839,373	15,842
Public safety	5,761,928	6,732,625	6,204,271	528,354
Public works	1,423,118	1,565,535	1,603,013	(37,478)
Health and welfare	3,244,723	3,448,718	2,935,319	513,399
Education	11,731,444	11,731,444	10,932,228	799,216
Parks, recreation, and cultural	187,395	187,904	188,003	(99)
Community development	545,611	1,272,079	1,656,325	(384,246)
Capital projects	1,105,473	1,105,473	1,727,911	(622,438)
Debt service:				
Principal retirement	1,048,480	5,706,480	5,749,304	(42,824)
Interest and other fiscal charges	280,857	280,857	271,214	9,643
Bond issuance costs	-	-	148,368	(148,368)
Total expenditures	\$ 27,666,285	\$ 34,438,522	\$ 33,797,816	\$ 640,706
Excess (deficiency) of revenues over (under) expenditures	\$ (314,917)	\$ (5,528,862)	\$ (3,582,017)	\$ 1,946,845
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 1,442,245	\$ 1,442,245	\$ -
Transfers out	-	(270,699)	(270,699)	-
Issuance of lease revenue bonds	-	4,285,000	4,285,000	-
Premium on bond issuance	-	-	635,710	635,710
Issuance of capital lease	-	-	15,824	15,824
Total other financing sources (uses)	\$ -	\$ 5,456,546	\$ 6,108,080	\$ 651,534
Net change in fund balances	\$ (314,917)	\$ (72,316)	\$ 2,526,063	\$ 2,598,379
Fund balances - beginning	314,917	72,316	4,834,545	4,762,229
Fund balances - ending	\$ -	\$ -	\$ 7,360,608	\$ 7,360,608

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 10	\$ 10
Intergovernmental:				
Commonwealth	-	-	868	868
Total revenues	\$ -	\$ -	\$ 878	\$ 878
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 878	\$ 878
Net change in fund balances	\$ -	\$ -	\$ 878	\$ 878
Fund balances - beginning	-	-	22,476	22,476
Fund balances - ending	\$ -	\$ -	\$ 23,354	\$ 23,354

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, 2020

	2020	2019
Total pension liability		
Service cost	\$ 658,310	\$ 601,265
Interest	1,609,757	1,543,490
Changes of assumptions	-	638,465
Differences between expected and actual experience	(288,216)	228,160
Benefit payments	(1,218,512)	(1,207,462)
Net change in total pension liability	\$ 761,339	\$ 1,803,918
Total pension liability - beginning	24,457,508	22,653,590
Total pension liability - ending (a)	<u>\$ 25,218,847</u>	<u>\$ 24,457,508</u>
Plan fiduciary net position		
Contributions - employer	\$ 595,846	\$ 576,229
Contributions - employee	244,486	235,193
Net investment income	401,401	1,344,689
Benefit payments	(1,218,512)	(1,207,462)
Administrator charges	(13,763)	(13,412)
Other	(2,853)	(844)
Net change in plan fiduciary net position	\$ 6,605	\$ 934,393
Plan fiduciary net position - beginning	21,129,409	20,195,016
Plan fiduciary net position - ending (b)	<u>\$ 21,136,014</u>	<u>\$ 21,129,409</u>
County's net pension liability - ending (a) - (b)	\$ 4,082,833	\$ 3,328,099
Plan fiduciary net position as a percentage of the total pension liability	83.81%	86.39%
Covered payroll	\$ 5,099,502	\$ 4,893,552
County's net pension liability as a percentage of covered payroll	80.06%	68.01%

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

Exhibit 14

	2018	2017	2016	2015	2014
\$	561,124	\$ 531,038	\$ 531,291	\$ 504,777	\$ 513,722
	1,441,221	1,435,694	1,401,918	1,320,944	1,253,422
	-	(24,006)	-	-	-
	625,068	(717,360)	(388,741)	248,771	-
	(1,125,384)	(1,167,440)	(956,461)	(878,972)	(726,122)
\$	1,502,029	\$ 57,926	\$ 588,007	\$ 1,195,520	\$ 1,041,022
	21,151,561	21,093,635	20,505,628	19,310,108	18,269,086
\$	<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>
\$	499,673	\$ 476,163	\$ 581,264	\$ 573,585	\$ 562,794
	238,583	241,369	235,664	230,155	222,340
	1,413,013	2,120,458	300,518	767,978	2,278,553
	(1,125,384)	(1,167,440)	(956,461)	(878,972)	(726,122)
	(12,287)	(12,468)	(10,836)	(10,432)	(12,131)
	(1,253)	(1,875)	(129)	(160)	120
\$	1,012,345	\$ 1,656,207	\$ 150,020	\$ 682,154	\$ 2,325,554
	19,182,671	17,526,464	17,376,444	16,694,290	14,368,736
\$	<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>
\$	2,458,574	\$ 1,968,890	\$ 3,567,171	\$ 3,129,184	\$ 2,615,818
	89.15%	90.69%	83.09%	84.74%	86.45%
\$	4,899,898	\$ 4,640,146	\$ 4,553,321	\$ 4,471,202	\$ 4,304,657
	50.18%	42.43%	78.34%	69.99%	60.77%

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, 2020

	2020	2019
Total pension liability		
Service cost	\$ 93,728	\$ 91,562
Interest	248,843	237,309
Changes of assumptions	-	92,952
Differences between expected and actual experience	10,103	17,182
Benefit payments	(172,095)	(113,057)
Net change in total pension liability	\$ 180,579	\$ 325,948
Total pension liability - beginning	3,772,608	3,446,660
Total pension liability - ending (a)	\$ 3,953,187	\$ 3,772,608
 Plan fiduciary net position		
Contributions - employer	\$ 76,747	\$ 76,492
Contributions - employee	42,645	42,562
Net investment income	65,367	217,515
Benefit payments	(172,095)	(113,057)
Administrator charges	(2,226)	(2,082)
Other	(78)	(137)
Net change in plan fiduciary net position	\$ 10,360	\$ 221,293
Plan fiduciary net position - beginning	3,443,821	3,222,528
Plan fiduciary net position - ending (b)	\$ 3,454,181	\$ 3,443,821
 School Division's net pension liability - ending (a) - (b)	\$ 499,006	\$ 328,787
 Plan fiduciary net position as a percentage of the total pension liability	87.38%	91.28%
 Covered payroll	\$ 895,606	\$ 882,678
 School Division's net pension liability as a percentage of covered payroll	55.72%	37.25%

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

Exhibit 15

	2018	2017	2016	2015	2014
\$	97,277	\$ 89,641	\$ 91,102	\$ 88,092	\$ 94,669
	227,405	227,049	210,460	198,993	187,434
	-	(38,882)	-	-	-
	(71,087)	(155,676)	59,648	4,221	-
	(111,163)	(122,916)	(125,526)	(129,468)	(104,491)
\$	142,432	\$ (784)	\$ 235,684	\$ 161,838	\$ 177,612
	3,304,228	3,305,012	3,069,328	2,907,490	2,729,878
\$	<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>
\$	82,593	\$ 83,849	\$ 90,270	\$ 89,468	\$ 95,208
	41,118	41,507	41,274	41,189	38,144
	221,781	327,027	46,922	114,353	338,585
	(111,163)	(122,916)	(125,526)	(129,468)	(104,491)
	(1,868)	(1,849)	(1,602)	(1,541)	(1,785)
	(200)	(292)	(19)	(26)	18
\$	232,261	\$ 327,326	\$ 51,319	\$ 113,975	\$ 365,679
	2,990,267	2,662,941	2,611,622	2,497,647	2,131,968
\$	<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>
\$	224,132	\$ 313,961	\$ 642,071	\$ 457,706	\$ 409,843
	93.50%	90.50%	80.57%	85.09%	85.90%
\$	850,536	\$ 850,716	\$ 853,609	\$ 841,096	\$ 762,880
	26.35%	36.91%	75.22%	54.42%	53.72%

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, 2020

	2020	2019
Employer's Proportion of the Net Pension Liability (Asset)	0.08310%	0.09084%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,096,143	\$ 11,955,060
Employer's Covered Payroll	7,475,016	7,813,034
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	161.82%	153.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%

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

Exhibit 16

	2018	2017	2016	2015	2014
	0.09483%	0.09644%	0.09729%	0.09889%	0.09898%
\$	11,152,000	\$ 11,861,000	\$ 13,634,000	\$ 12,447,000	\$ 11,962,000
	7,774,073	7,718,889	7,438,235	7,358,567	7,245,215
	143.45%	153.66%	183.30%	169.15%	165.10%
	84.71%	72.92%	68.28%	70.68%	70.88%

County of Lancaster, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

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					
2021	\$ 693,781	\$ 693,781	\$ -	\$ 5,219,068	13.29%
2020	595,846	595,846	-	5,099,502	11.68%
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%
Component Unit School Board (nonprofessional)					
2021	\$ 77,298	\$ 77,298	\$ -	\$ 812,911	9.51%
2020	76,940	76,940	-	895,606	8.59%
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%
Component Unit School Board (professional)					
2021	\$ 1,097,148	\$ 1,097,148	\$ -	\$ 7,003,596	15.67%
2020	1,104,482	1,104,482	-	7,475,016	14.78%
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%

Contributions are from Virginia Retirement System records.

County of Lancaster, Virginia

Notes to Required Supplementary Information

Pension Plans

For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Lancaster, Virginia

Schedule of County's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2020	0.02480%	\$ 413,538	\$ 5,099,502	8.11%	52.64%
2019	0.02496%	406,166	4,893,552	8.30%	52.00%
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):					
2020	0.00440%	\$ 72,594	\$ 895,606	8.11%	52.64%
2019	0.00450%	73,227	882,678	8.30%	52.00%
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):					
2020	0.03640%	\$ 607,957	\$ 7,496,533	8.11%	52.64%
2019	0.03980%	647,652	7,802,088	8.30%	52.00%
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. However, additional years will be included as they become available.

County of Lancaster, Virginia

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2012 through June 30, 2021

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:					
2021	\$ 28,183	\$ 28,183	\$ -	\$ 5,219,068	0.54%
2020	26,517	26,517	-	5,099,502	0.52%
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%
Component Unit School Board (nonprofessional):					
2021	\$ 4,390	\$ 4,390	\$ -	\$ 812,911	0.54%
2020	4,657	4,657	-	895,606	0.52%
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%
Component Unit School Board (professional):					
2021	\$ 37,819	\$ 37,819	\$ -	\$ 7,003,596	0.54%
2020	38,982	38,982	-	7,496,533	0.52%
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%

County of Lancaster, Virginia

Notes to Required Supplementary Information

Group Life Insurance (GLI) Plan

For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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
Discount Rate	Decreased rate from 7.00% to 6.75%

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Lancaster, Virginia

Schedule of Changes in the School Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan - Nonprofessional Teachers
For the Measurement Date of June 30, 2020

	<u>2020</u>
Total HIC OPEB Liability	
Changes in benefit terms	\$ 108,146
Net change in total HIC OPEB liability	\$ 108,146
Total HIC OPEB Liability - beginning	-
Total HIC OPEB Liability - ending (a)	<u>\$ 108,146</u>
 Plan fiduciary net position	
Net change in plan fiduciary net position	\$ -
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>
 School Board's net HIC OPEB liability - ending (a) - (b)	 \$ 108,146
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	 0.00%
 Covered payroll	 \$ -
 School Board's net HIC OPEB liability as a percentage of covered payroll	 0.00%

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

County of Lancaster, Virginia

Schedule of Employer Contributions

Health Insurance Credit (HIC) Plan - Nonprofessional Teachers

For the Year Ended June 30, 2021

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2021 \$	8,861 \$	8,861 \$	- \$	812,911	1.09%

Schedule is intended to show information for 10 years. 2021 was the initial year of plan participation.

County of Lancaster, Virginia

Notes to Required Supplementary Information

Health Insurance Credit (HIC) Plan - Nonprofessional Teachers

For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Lancaster, Virginia

Schedule of County School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through 2020

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)
2020	0.08530%	\$ 1,112,361	\$ 7,475,016	14.88%	9.95%
2019	0.09249%	1,210,784	7,757,454	15.61%	8.97%
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) Plan
For the Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$ 84,744	\$ 84,744	\$ -	\$ 7,003,596	1.21%
2020	89,700	89,700	-	7,475,016	1.20%
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%

County of Lancaster, Virginia

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 16,000	\$ 16,000	\$ 10,943	\$ (5,057)
Total revenues	\$ 16,000	\$ 16,000	\$ 10,943	\$ (5,057)
EXPENDITURES				
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 147,772	\$ (147,772)
Total expenditures	\$ -	\$ -	\$ 147,772	\$ (147,772)
Excess (deficiency) of revenues over (under) expenditures	\$ 16,000	\$ 16,000	\$ (136,829)	\$ (152,829)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 270,699	\$ 270,699
Transfers out	-	-	(1,442,245)	(1,442,245)
Issuance of general obligation bonds	-	-	12,345,000	12,345,000
Premium on bond issuance	-	-	952,054	952,054
Total other financing sources (uses)	\$ -	\$ -	\$ 12,125,508	\$ 12,125,508
Net change in fund balances	\$ 16,000	\$ 16,000	\$ 11,988,679	\$ 11,972,679
Fund balances - beginning	(16,000)	(16,000)	656,676	672,676
Fund balances - ending	\$ -	\$ -	\$ 12,645,355	\$ 12,645,355

County of Lancaster, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2021

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Textbook <u>Fund</u>	School Activity <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 77,701	\$ 453,008	\$ 336,603	\$ 867,312
Receivables (net of allowance for uncollectibles):					
Accounts receivable	10,405	-	-	-	10,405
Due from other funds	19,763	-	-	-	19,763
Due from other governmental units	1,362,334	-	-	-	1,362,334
Total assets	<u>\$ 1,392,502</u>	<u>\$ 77,701</u>	<u>\$ 453,008</u>	<u>\$ 336,603</u>	<u>\$ 2,259,814</u>
LIABILITIES					
Accounts payable	\$ 289,456	\$ 412	\$ -	\$ -	\$ 289,868
Accrued liabilities	1,103,046	42,448	-	-	1,145,494
Due to other funds	-	19,763	-	-	19,763
Total liabilities	<u>\$ 1,392,502</u>	<u>\$ 62,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,455,125</u>
FUND BALANCES					
Committed	\$ -	\$ 15,078	\$ 453,008	\$ 336,603	\$ 804,689
Total fund balances	<u>\$ -</u>	<u>\$ 15,078</u>	<u>\$ 453,008</u>	<u>\$ 336,603</u>	<u>\$ 804,689</u>
Total liabilities and fund balances	<u>\$ 1,392,502</u>	<u>\$ 77,701</u>	<u>\$ 453,008</u>	<u>\$ 336,603</u>	<u>\$ 2,259,814</u>

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

Total fund balances per above	\$ 804,689
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, cost	\$ 22,396,406
Accumulated depreciation	<u>(15,344,697)</u>
	7,051,709
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 3,050,958
OPEB related items	<u>267,070</u>
	3,318,028
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	\$ (560,061)
Net OPEB liability	(1,901,058)
Net pension liability	<u>(12,595,149)</u>
	(15,056,268)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (1,992,977)
OPEB related items	<u>(234,411)</u>
	(2,227,388)
Net position of governmental activities	<u>\$ (6,109,230)</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, 2021

	School Operating Fund	School Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ -	\$ 104	\$ -	\$ -	\$ 104
Charges for services	9,788	1,287	-	-	11,075
Miscellaneous	302,962	1,099	-	59,359	363,420
Recovered costs	76,054	-	-	-	76,054
Intergovernmental:					
Local government	10,842,658	-	82,182	-	10,924,840
Commonwealth	3,855,126	9,282	22,442	-	3,886,850
Federal	1,613,707	455,734	-	-	2,069,441
Total revenues	\$ 16,700,295	\$ 467,506	\$ 104,624	\$ 59,359	\$ 17,331,784
EXPENDITURES					
Current:					
Education	\$ 16,700,295	\$ 468,233	\$ 18,105	\$ 67,857	\$ 17,254,490
Total expenditures	\$ 16,700,295	\$ 468,233	\$ 18,105	\$ 67,857	\$ 17,254,490
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (727)	\$ 86,519	\$ (8,498)	\$ 77,294
Net change in fund balances	\$ -	\$ (727)	\$ 86,519	\$ (8,498)	\$ 77,294
Fund balances - beginning, as restated	-	15,805	366,489	345,101	727,395
Fund balances - ending	\$ -	\$ 15,078	\$ 453,008	\$ 336,603	\$ 804,689

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 \$ 77,294

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	\$ 794,630	
Depreciation expense	(775,183)	
Transfer of joint tenancy assets to Component Unit from Primary Government	77,320	96,767

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	\$ (33,769)	
Pension expense	74,361	
OPEB expense	(57,260)	(16,668)

Change in net position of governmental activities \$ 157,393

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, 2021

	School Operating Fund				School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts		Variance with Final Budget		Budgeted Amounts		Variance with Final Budget		Budgeted Amounts		Variance with Final Budget	
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES												
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)	\$ 250	\$ 250	\$ 104	\$ (146)	\$ -	\$ -	\$ -	\$ -
Charges for services	4,500	4,500	9,788	5,288	89,265	89,265	1,287	(87,978)	-	-	-	-
Miscellaneous	26,750	26,750	302,962	276,212	-	-	1,099	1,099	-	-	-	-
Recovered costs	105,000	105,000	76,054	(28,946)	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	11,641,875	11,641,875	10,842,658	(799,217)	-	-	-	-	82,182	82,182	82,182	-
Commonwealth	3,675,846	3,729,186	3,855,126	125,940	16,270	16,270	9,282	(6,988)	22,779	22,779	22,442	(337)
Federal	852,080	1,671,830	1,613,707	(58,123)	473,287	473,287	455,734	(17,553)	-	-	-	-
Total revenues	\$ 16,308,551	\$ 17,181,641	\$ 16,700,295	\$ (481,346)	\$ 579,072	\$ 579,072	\$ 467,506	\$ (111,566)	\$ 104,961	\$ 104,961	\$ 104,624	\$ (337)
EXPENDITURES												
Current:												
Education	\$ 16,308,551	\$ 17,181,641	\$ 16,700,295	\$ 481,346	\$ 579,072	\$ 579,072	\$ 468,233	\$ 110,839	\$ 104,961	\$ 104,961	\$ 18,105	\$ 86,856
Total expenditures	\$ 16,308,551	\$ 17,181,641	\$ 16,700,295	\$ 481,346	\$ 579,072	\$ 579,072	\$ 468,233	\$ 110,839	\$ 104,961	\$ 104,961	\$ 18,105	\$ 86,856
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (727)	\$ (727)	\$ -	\$ -	\$ 86,519	\$ 86,519
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (727)	\$ (727)	\$ -	\$ -	\$ 86,519	\$ 86,519
Fund balances - beginning	-	-	-	-	-	-	15,805	15,805	-	-	366,489	366,489
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,078	\$ 15,078	\$ -	\$ -	\$ 453,008	\$ 453,008

County of Lancaster, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2021

ASSETS

Cash and cash equivalents	\$ 94,234
Total assets	<u>\$ 94,234</u>

NET POSITION

Unrestricted	\$ 94,234
Total net position	<u><u>\$ 94,234</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, 2021

OPERATING REVENUES

Charges for services:

Bond fees	\$ 25,998
Total operating revenues	<u>\$ 25,998</u>

OPERATING EXPENSES

Professional fees	\$ 8,500
Other expenses	466
Total operating expenses	<u>\$ 8,966</u>
Operating income (loss)	<u>\$ 17,032</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 3,675
CARES act contributions from other governments	76,000
CARES act grants to small businesses	(76,000)
Grants to small businesses	(31,000)
Donations	4,750
Total nonoperating revenues (expenses)	<u>\$ (22,575)</u>
Change in net position	\$ (5,543)

Net position - beginning	99,777
Net position - ending	<u><u>\$ 94,234</u></u>

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 25,998
Payments for operating activities	(8,966)
Net cash provided by (used for) operating activities	<u>\$ 17,032</u>

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES**

Donations received	\$ 4,750
Grants to small businesses	(31,000)
CARES act funds received	76,000
CARES act funds disbursed	<u>(76,000)</u>
Net cash provided (used) by noncapital financing activities	<u>\$ (26,250)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>\$ 3,675</u>
Net cash provided by (used for) investing activities	<u>\$ 3,675</u>

Net increase (decrease) in cash and cash equivalents	\$ (5,543)
Cash and cash equivalents - beginning	<u>99,777</u>
Cash and cash equivalents - ending	<u><u>\$ 94,234</u></u>

**Reconciliation of operating income (loss) to net cash
provided by operating activities:**

Operating income (loss)	\$ 17,032
Net cash provided (used) by operating activities	<u><u>\$ 17,032</u></u>

County of Lancaster, Virginia
Statement of Net Position
Discretely Presented Component Unit - Broadband Authority
June 30, 2021

ASSETS

Cash and cash equivalents	\$ 8,246
Total assets	<u>\$ 8,246</u>

NET POSITION

Unrestricted	\$ 8,246
Total net position	<u><u>\$ 8,246</u></u>

County of Lancaster, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Broadband Authority
For the Year Ended June 30, 2021

OPERATING EXPENSES

Other expenses	\$ 1,762
Total operating expenses	<u>\$ 1,762</u>
Operating income (loss)	<u>\$ (1,762)</u>
Change in net position	\$ (1,762)
Net position - beginning	<u>10,008</u>
Net position - ending	<u><u>\$ 8,246</u></u>

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Broadband Authority
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for operating activities	\$ (1,762)
Net cash provided by (used for) operating activities	<u>\$ (1,762)</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,762)
Cash and cash equivalents - beginning	10,008
Cash and cash equivalents - ending	<u><u>\$ 8,246</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (1,762)
Net cash provided (used) by operating activities	<u><u>\$ (1,762)</u></u>

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

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 1 of 7

<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	\$ 16,787,474	\$ 16,787,474	\$ 16,682,428	\$ (105,046)
Real and personal public service corporation taxes	360,000	360,000	493,711	133,711
Personal property taxes	1,400,000	1,400,000	1,622,718	222,718
Mobile home taxes	28,500	28,500	27,864	(636)
Machinery and tools taxes	8,000	8,000	6,868	(1,132)
Merchant's capital taxes	115,000	115,000	129,191	14,191
Penalties	190,000	190,000	252,037	62,037
Interest	55,000	55,000	120,877	65,877
Total general property taxes	\$ 18,943,974	\$ 18,943,974	\$ 19,335,694	\$ 391,720
Other local taxes:				
Local sales and use taxes	\$ 1,600,000	\$ 1,600,000	\$ 2,222,526	\$ 622,526
Consumption tax	45,000	45,000	45,247	247
Motor vehicle licenses	190,000	190,000	206,389	16,389
Bank stock taxes	29,000	29,000	50,365	21,365
Taxes on recordation and wills	155,000	155,000	391,436	236,436
Hotel and motel room taxes	750	750	15,225	14,475
Total other local taxes	\$ 2,019,750	\$ 2,019,750	\$ 2,931,188	\$ 911,438
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,000	\$ 6,000	\$ 4,869	\$ (1,131)
Land use application fees	500	500	1,000	500
Transfer fees	600	600	1,016	416
Permits and other licenses	128,506	128,506	223,743	95,237
Total permits, privilege fees, and regulatory licenses	\$ 135,606	\$ 135,606	\$ 230,628	\$ 95,022
Fines and forfeitures:				
Court fines and forfeitures	\$ 28,800	\$ 28,800	\$ 23,756	\$ (5,044)
Revenue from use of money and property:				
Revenue from use of money	\$ 80,000	\$ 80,000	\$ 184,059	\$ 104,059
Revenue from use of property	70,000	70,000	84,761	14,761
Total revenue from use of money and property	\$ 150,000	\$ 150,000	\$ 268,820	\$ 118,820
Charges for services:				
Courthouses maintenance fees	\$ 2,500	\$ 2,500	\$ 2,166	\$ (334)
Charges for Commonwealth's Attorney	1,000	1,000	511	(489)
Charges for correction and detention	2,500	2,500	806	(1,694)
Charges for other protection	3,500	3,500	4,189	689
Sheriff's fees	2,000	2,000	1,385	(615)
Charges for sanitation and waste removal	10,000	10,000	11,484	1,484
Charges for planning and community development	50	50	16	(34)
Charges for ambulance and rescue services	330,000	330,000	422,243	92,243
Charges for health and welfare	10,000	10,000	-	(10,000)
Court fees	13,400	13,400	17,580	4,180
Total charges for services	\$ 374,950	\$ 374,950	\$ 460,380	\$ 85,430

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 2 of 7

<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	\$ 40,000	\$ 43,200	\$ 73,589	\$ 30,389
Recovered costs:				
Tri-county landfill	\$ 500	\$ 500	\$ -	\$ (500)
VHDA	30,000	72,035	33,966	(38,069)
Other recovered costs	60,500	60,500	1,721	(58,779)
Total recovered costs	\$ 91,000	\$ 133,035	\$ 35,687	\$ (97,348)
Total revenue from local sources	\$ 21,784,080	\$ 21,829,315	\$ 23,359,742	\$ 1,530,427
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 300,000	\$ 300,000	\$ 243,854	\$ (56,146)
Motor vehicle carriers' tax	4,000	4,000	10,490	6,490
Mobile home titling tax	12,000	12,000	15,300	3,300
Additional tax on deeds	57,000	57,000	121,524	64,524
State recordation tax	45,000	45,000	-	(45,000)
Personal property tax relief funds	875,000	875,000	871,017	(3,983)
Total noncategorical aid	\$ 1,293,000	\$ 1,293,000	\$ 1,262,185	\$ (30,815)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 276,490	\$ 276,490	\$ 261,978	\$ (14,512)
Sheriff	1,302,053	1,302,053	1,297,395	(4,658)
Commissioner of revenue	96,392	96,392	87,979	(8,413)
Treasurer	103,957	103,957	94,794	(9,163)
Registrar/electoral board	40,665	40,665	40,098	(567)
Clerk of the Circuit Court	218,248	218,248	201,962	(16,286)
Local jails	45,000	45,000	51,916	6,916
Total shared expenses	\$ 2,082,805	\$ 2,082,805	\$ 2,036,122	\$ (46,683)
Other categorical aid:				
Public assistance and welfare administration	\$ 702,951	\$ 702,951	\$ 429,379	\$ (273,572)
Emergency medical services	-	-	700	700
Children's services act	200,000	200,000	426,873	226,873
DMV - animal tags	125	125	237	112
Victim-witness grant	66,000	66,000	17,500	(48,500)
Fire programs fund	60,000	60,000	34,756	(25,244)
Rescue squad assistance	12,000	12,000	-	(12,000)

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 3 of 7

<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	\$ 100,000	\$ 100,000	\$ 47,836	\$ (52,164)
Games of skill tax	-	-	28,224	28,224
Communication grant	-	-	20,061	20,061
Clerk records grant	5,000	5,000	13,558	8,558
Total other categorical aid	<u>\$ 1,146,076</u>	<u>\$ 1,146,076</u>	<u>\$ 1,019,124</u>	<u>\$ (126,952)</u>
Total categorical aid	<u>\$ 3,228,881</u>	<u>\$ 3,228,881</u>	<u>\$ 3,055,246</u>	<u>\$ (173,635)</u>
Total revenue from the Commonwealth	<u>\$ 4,521,881</u>	<u>\$ 4,521,881</u>	<u>\$ 4,317,431</u>	<u>\$ (204,450)</u>
Revenue from the federal government:				
Noncategorical aid:				
CARES Act	<u>\$ -</u>	<u>\$ 1,473,057</u>	<u>\$ 1,470,305</u>	<u>\$ (2,752)</u>
Categorical aid:				
Public assistance and welfare administration	\$ 1,037,907	\$ 1,037,907	\$ 921,906	\$ (116,001)
Children's services act	-	-	12,034	12,034
BABs subsidy	-	-	15,100	15,100
Sheriff transportation safety	-	-	5,988	5,988
Violence against women	-	-	14,543	14,543
Community development block grant	-	40,000	40,000	-
Emergency management	7,500	7,500	6,250	(1,250)
Victim-witness grant	-	-	52,500	52,500
Total categorical aid	<u>\$ 1,045,407</u>	<u>\$ 1,085,407</u>	<u>\$ 1,068,321</u>	<u>\$ (17,086)</u>
Total revenue from the federal government	<u>\$ 1,045,407</u>	<u>\$ 2,558,464</u>	<u>\$ 2,538,626</u>	<u>\$ (19,838)</u>
Total General Fund	<u><u>\$ 27,351,368</u></u>	<u><u>\$ 28,909,660</u></u>	<u><u>\$ 30,215,799</u></u>	<u><u>\$ 1,306,139</u></u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 4 of 7

<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 Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture proceeds	\$ -	\$ -	\$ 868	\$ 868
Total categorical aid	\$ -	\$ -	\$ 868	\$ 868
Total revenue from the Commonwealth	\$ -	\$ -	\$ 868	\$ 868
Total County Special Revenue Fund	\$ -	\$ -	\$ 878	\$ 878
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 16,000	\$ 16,000	\$ 10,943	\$ (5,057)
Total revenue from use of money and property	\$ 16,000	\$ 16,000	\$ 10,943	\$ (5,057)
Total County Capital Projects Fund	\$ 16,000	\$ 16,000	\$ 10,943	\$ (5,057)
Total Primary Government	\$ 27,367,368	\$ 28,925,660	\$ 30,227,620	\$ 1,301,960
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Charges for services:				
Charges for education	\$ 4,500	\$ 4,500	\$ 9,788	\$ 5,288
Miscellaneous:				
Miscellaneous	\$ 26,750	\$ 26,750	\$ 302,962	\$ 276,212

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 5 of 7

<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	\$ 105,000	\$ 105,000	\$ 76,054	\$ (28,946)
Total revenue from local sources	\$ 138,750	\$ 138,750	\$ 388,804	\$ 250,054
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 11,641,875	\$ 11,641,875	\$ 10,842,658	\$ (799,217)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,426,871	\$ 1,426,871	\$ 1,530,254	\$ 103,383
Basic school aid	1,101,748	1,101,748	1,085,923	(15,825)
Security equipment grant	-	53,340	41,620	(11,720)
Remedial summer education	10,147	10,147	-	(10,147)
Vocational education	50,713	50,713	50,117	(596)
Special education foster care	114	114	-	(114)
Gifted and talented	10,988	10,988	10,859	(129)
Remedial education	67,195	67,195	66,405	(790)
Enrollment loss	-	-	54,078	54,078
School fringes	249,973	249,973	245,782	(4,191)
Early reading intervention	8,466	8,466	8,466	-
Class size reduction	75,836	75,836	77,018	1,182
Lottery	65,336	65,336	200,000	134,664
Homebound	240	240	372	132
Vocational education - equipment	3,165	3,165	-	(3,165)
Special education	203,552	203,552	199,984	(3,568)
GED preparation assistance	8,386	8,386	8,387	1
At risk payments	232,632	232,632	178,292	(54,340)
ESL	311	311	621	310
Project graduation	3,282	3,282	3,282	-
Mentor teacher program	2,107	2,107	2,801	694
Technology grant	128,000	128,000	67,554	(60,446)
SOL algebra readiness	6,979	6,979	7,015	36
Games of skill	14,805	14,805	-	(14,805)
Early childhood	5,000	5,000	-	(5,000)
Race to GED	-	-	16,296	16,296
Total categorical aid	\$ 3,675,846	\$ 3,729,186	\$ 3,855,126	\$ 125,940
Total revenue from the Commonwealth	\$ 3,675,846	\$ 3,729,186	\$ 3,855,126	\$ 125,940

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 6 of 7

<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	\$ 260,551	\$ 260,551	\$ 237,510	\$ (23,041)
Title I	400,000	400,000	404,882	4,882
Vocational education	25,000	25,000	42,321	17,321
Title II, Part A - Improving teacher quality	50,325	50,325	48,054	(2,271)
Title VI - Rural education	21,821	21,821	18,537	(3,284)
Title IV Part A	32,019	32,019	-	(32,019)
School improvement	-	-	67,924	67,924
CARES Act	-	169,750	169,750	-
ESSER	-	650,000	536,381	(113,619)
Education for independence	-	-	19,371	19,371
JROTC grant	62,364	62,364	68,977	6,613
Total categorical aid	<u>\$ 852,080</u>	<u>\$ 1,671,830</u>	<u>\$ 1,613,707</u>	<u>\$ (58,123)</u>
 Total revenue from the federal government	 <u>\$ 852,080</u>	 <u>\$ 1,671,830</u>	 <u>\$ 1,613,707</u>	 <u>\$ (58,123)</u>
 Total School Operating Fund	 <u><u>\$ 16,308,551</u></u>	 <u><u>\$ 17,181,641</u></u>	 <u><u>\$ 16,700,295</u></u>	 <u><u>\$ (481,346)</u></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>\$ 104</u>	<u>\$ (146)</u>
 Charges for services:				
Cafeteria sales	<u>\$ 89,265</u>	<u>\$ 89,265</u>	<u>\$ 1,287</u>	<u>\$ (87,978)</u>
 Miscellaneous:				
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 1,099</u>
 Total revenue from local sources	 <u>\$ 89,515</u>	 <u>\$ 89,515</u>	 <u>\$ 2,490</u>	 <u>\$ (87,025)</u>
 Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 16,270</u>	<u>\$ 16,270</u>	<u>\$ 9,282</u>	<u>\$ (6,988)</u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 7 of 7

<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:				
Noncategorical aid:				
CARES Act federal school nutrition	\$ -	\$ -	\$ 34,679	\$ 34,679
Categorical aid:				
School food program grant - lunch	\$ 425,000	\$ 425,000	\$ -	\$ (425,000)
Summer food	4,000	4,000	377,498	373,498
Commodities	44,287	44,287	43,557	(730)
Total categorical aid	\$ 473,287	\$ 473,287	\$ 421,055	\$ (52,232)
Total revenue from the federal government	\$ 473,287	\$ 473,287	\$ 455,734	\$ (17,553)
Total School Cafeteria Fund	\$ 579,072	\$ 579,072	\$ 467,506	\$ (111,566)
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 82,182	\$ 82,182	\$ 82,182	\$ -
Total revenues from local governments	\$ 82,182	\$ 82,182	\$ 82,182	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 22,779	\$ 22,779	\$ 22,442	\$ (337)
Total revenue from the Commonwealth	\$ 22,779	\$ 22,779	\$ 22,442	\$ (337)
Total Textbook Fund	\$ 104,961	\$ 104,961	\$ 104,624	\$ (337)
School Activity Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 59,359	\$ 59,359
Total School Activity Fund	\$ -	\$ -	\$ 59,359	\$ 59,359
Total Discretely Presented Component Unit - School Board	\$ 16,992,584	\$ 17,865,674	\$ 17,331,784	\$ (533,890)

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 50,456	\$ 50,456	\$ 40,568	\$ 9,888
General and financial administration:				
County administrator	\$ 400,226	\$ 414,707	\$ 409,460	\$ 5,247
Information Technology	137,003	137,503	120,055	17,448
Legal services	25,000	25,000	17,888	7,112
Commissioner of revenue	277,770	279,770	274,220	5,550
Independent Auditor	45,300	45,300	45,300	-
Treasurer	325,295	327,295	306,122	21,173
Total general and financial administration	\$ 1,210,594	\$ 1,229,575	\$ 1,173,045	\$ 56,530
Board of elections:				
Electoral board and officials	\$ 75,649	\$ 75,649	\$ 65,005	\$ 10,644
Registrar	149,233	196,512	263,869	(67,357)
Total board of elections	\$ 224,882	\$ 272,161	\$ 328,874	\$ (56,713)
Total general government administration	\$ 1,485,932	\$ 1,552,192	\$ 1,542,487	\$ 9,705
Judicial administration:				
Courts:				
Circuit court	\$ 27,538	\$ 27,655	\$ 27,670	\$ (15)
General district court	3,400	3,674	3,777	(103)
Adult drug court	6,000	6,000	6,000	-
Juvenile and domestic relations court	2,675	2,675	1,979	696
Victim/witness assistance	84,957	84,957	85,145	(188)
Court appointed special advocates	5,000	5,000	5,000	-
Library of VA grant	-	-	23,804	(23,804)
Clerk of the circuit court	348,637	350,637	340,529	10,108
Total courts	\$ 478,207	\$ 480,598	\$ 493,904	\$ (13,306)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 373,117	\$ 374,617	\$ 345,469	\$ 29,148
Total judicial administration	\$ 851,324	\$ 855,215	\$ 839,373	\$ 15,842
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,208,912	\$ 2,990,486	\$ 2,520,273	\$ 470,213
School resource officer	130,351	131,351	123,612	7,739
DCJS grant	-	-	21,925	(21,925)
Total law enforcement and traffic control	\$ 2,339,263	\$ 3,121,837	\$ 2,665,810	\$ 456,027

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 341,567	\$ 424,567	\$ 427,965	\$ (3,398)
Ambulance and rescue services	1,419,297	1,499,544	1,495,800	3,744
Forestry service	4,000	4,000	3,975	25
Public safety radio	155,147	155,147	52,650	102,497
Local emergency services	37,500	37,500	65,928	(28,428)
Total fire and rescue services	<u>\$ 1,957,511</u>	<u>\$ 2,120,758</u>	<u>\$ 2,046,318</u>	<u>\$ 74,440</u>
Correction and detention:				
Sheriff	\$ 1,084,669	\$ 1,107,545	\$ 1,138,811	\$ (31,266)
Probation office	67,091	67,091	61,227	5,864
Total correction and detention	<u>\$ 1,151,760</u>	<u>\$ 1,174,636</u>	<u>\$ 1,200,038</u>	<u>\$ (25,402)</u>
Inspections:				
Building	\$ 161,448	\$ 162,448	\$ 153,777	\$ 8,671
Other protection:				
Animal control	\$ 151,746	\$ 152,746	\$ 138,128	\$ 14,618
Medical examiner	200	200	200	-
Total other protection	<u>\$ 151,946</u>	<u>\$ 152,946</u>	<u>\$ 138,328</u>	<u>\$ 14,618</u>
Total public safety	<u>\$ 5,761,928</u>	<u>\$ 6,732,625</u>	<u>\$ 6,204,271</u>	<u>\$ 528,354</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 1,115,383	\$ 1,257,300	\$ 1,325,062	\$ (67,762)
Maintenance of general buildings and grounds:				
General properties	\$ 307,735	\$ 308,235	\$ 277,951	\$ 30,284
Total public works	<u>\$ 1,423,118</u>	<u>\$ 1,565,535</u>	<u>\$ 1,603,013</u>	<u>\$ (37,478)</u>
Health and welfare:				
Health:				
Local health department	\$ 215,928	\$ 215,928	\$ 215,928	\$ -
Free health clinic	100,477	100,477	100,452	25
Total health	<u>\$ 316,405</u>	<u>\$ 316,405</u>	<u>\$ 316,380</u>	<u>\$ 25</u>
Mental health and mental retardation:				
Community services board	\$ 42,223	\$ 42,223	\$ 42,224	\$ (1)
Welfare:				
Public assistance and welfare administration	\$ 2,170,495	\$ 2,170,495	\$ 1,645,507	\$ 524,988
Area agency on aging	75,600	75,600	35,600	40,000

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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)				
Children's services act	\$ 600,000	\$ 803,995	\$ 855,608	\$ (51,613)
The Haven crisis shelter	4,000	4,000	4,000	-
Food bank	1,000	1,000	1,000	-
Boys and girls club of America	35,000	35,000	35,000	-
Total welfare	<u>\$ 2,886,095</u>	<u>\$ 3,090,090</u>	<u>\$ 2,576,715</u>	<u>\$ 513,375</u>
Total health and welfare	<u>\$ 3,244,723</u>	<u>\$ 3,448,718</u>	<u>\$ 2,935,319</u>	<u>\$ 513,399</u>
Education:				
Contributions to Community College	\$ 7,387	\$ 7,387	\$ 7,388	\$ (1)
Contribution to County School Board	11,724,057	11,724,057	10,924,840	799,217
Total education	<u>\$ 11,731,444</u>	<u>\$ 11,731,444</u>	<u>\$ 10,932,228</u>	<u>\$ 799,216</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	\$ 4,909	\$ 4,999	\$ (90)
Total cultural enrichment	<u>\$ 4,400</u>	<u>\$ 4,909</u>	<u>\$ 4,999</u>	<u>\$ (90)</u>
Library:				
Library	\$ 132,995	\$ 132,995	\$ 133,000	\$ (5)
Total parks, recreation, and cultural	<u>\$ 187,395</u>	<u>\$ 187,904</u>	<u>\$ 188,003</u>	<u>\$ (99)</u>
Community development:				
Planning and community development:				
Land use administration	\$ 306,127	\$ 307,627	\$ 265,623	\$ 42,004
Section 8 housing	78,173	83,708	84,114	(406)
CARES expenses	-	719,433	719,433	-
Planning district commission	26,536	26,536	24,894	1,642
Broadband authority	52,500	52,500	485,270	(432,770)
Zoning board	2,170	2,170	1,080	1,090

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Total planning and community development	\$ 466,506	\$ 1,192,974	\$ 1,581,414	\$ (388,440)
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands board	10,005	10,005	7,876	2,129
Total environmental management	\$ 20,005	\$ 20,005	\$ 17,876	\$ 2,129
Cooperative extension program:				
Extension office	\$ 34,100	\$ 34,100	\$ 32,035	\$ 2,065
Rebranding initiative	25,000	25,000	25,000	-
Total cooperative extension program	\$ 59,100	\$ 59,100	\$ 57,035	\$ 2,065
Total community development	\$ 545,611	\$ 1,272,079	\$ 1,656,325	\$ (384,246)
Capital projects:				
Landfill closure	\$ 7,000	\$ 7,000	\$ 7,526	\$ (526)
Enhanced emergency telephone system	71,925	71,925	37,306	34,619
School projects	692,500	692,500	1,525,878	(833,378)
Other capital projects	334,048	334,048	157,201	176,847
Total capital projects	\$ 1,105,473	\$ 1,105,473	\$ 1,727,911	\$ (622,438)
Debt service:				
Principal retirement	\$ 1,048,480	\$ 5,706,480	\$ 5,749,304	\$ (42,824)
Interest and other fiscal charges	280,857	280,857	271,214	9,643
Bond issuance costs	-	-	148,368	(148,368)
Total debt service	\$ 1,329,337	\$ 5,987,337	\$ 6,168,886	\$ (181,549)
Total General Fund	\$ 27,666,285	\$ 34,438,522	\$ 33,797,816	\$ 640,706
Capital Projects Fund:				
County Capital Projects Fund:				
Bond issuance costs	\$ -	\$ -	\$ 147,772	\$ (147,772)
Total debt service	\$ -	\$ -	\$ 147,772	\$ (147,772)
Total County Capital Projects Fund	\$ -	\$ -	\$ 147,772	\$ (147,772)
Total Primary Government	\$ 27,666,285	\$ 34,438,522	\$ 33,945,588	\$ 492,934

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 1,080,773	\$ 1,080,773	\$ 1,055,453	\$ 25,320
Instruction costs	12,208,098	12,077,848	11,374,804	703,044
Pupil transportation	1,251,287	1,154,627	1,009,559	145,068
Operation and maintenance of school plant	1,768,393	2,868,393	3,260,479	(392,086)
Total education	\$ 16,308,551	\$ 17,181,641	\$ 16,700,295	\$ 481,346
Total School Operating Fund	\$ 16,308,551	\$ 17,181,641	\$ 16,700,295	\$ 481,346
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 534,785	\$ 534,785	\$ 423,946	\$ 110,839
Commodities	44,287	44,287	44,287	-
Total school food services	\$ 579,072	\$ 579,072	\$ 468,233	\$ 110,839
Total education	\$ 579,072	\$ 579,072	\$ 468,233	\$ 110,839
Total School Cafeteria Fund	\$ 579,072	\$ 579,072	\$ 468,233	\$ 110,839
Textbook Fund				
Education:				
Purchase of textbooks	\$ 104,961	\$ 104,961	\$ 18,105	\$ 86,856
Total Textbook Fund	\$ 104,961	\$ 104,961	\$ 18,105	\$ 86,856
School Activity Fund:				
Education:				
Elementary and secondary schools	\$ -	\$ -	\$ 67,857	\$ (67,857)
Total education	\$ -	\$ -	\$ 67,857	\$ (67,857)
Total School Activity Fund	\$ -	\$ -	\$ 67,857	\$ (67,857)
Total Discretely Presented Component Unit - School Board	\$ 16,992,584	\$ 17,865,674	\$ 17,254,490	\$ 611,184

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
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
2020	1,448,143	986,683	6,205,175	1,597,827	3,120,376	11,758,993
2021	1,708,528	1,022,474	6,755,282	1,641,742	3,046,528	11,205,133

Table 1

	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Sewer Fund	Total
\$	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
	210,112	386,699	246,681	75,855	26,036,544
	210,068	1,641,608	814,421	72,805	28,118,590

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	
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
2020	609,139	4,163,799	-	18,951,537	2,377,456	242,362	73,900	1,282,087	27,700,280
2021	740,494	5,594,740	-	19,260,040	2,931,188	279,784	73,589	1,262,185	30,142,020

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)
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
2020	1,400,802	819,124	5,880,302	1,564,346	3,043,429	16,767,103
2021	1,542,487	839,373	6,204,271	1,603,013	2,935,319	17,261,878

(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
\$	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
	188,047	456,405	1,339,015	31,458,573
	188,003	1,656,325	5,897,672	38,128,341

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
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
2020	18,851,409	2,377,456	158,117	27,601	226,629	458,791
2021	19,335,694	2,931,188	230,628	23,756	268,934	471,455

(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
\$ 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
303,609	312,366	10,331,857	33,047,835
437,009	111,741	12,813,216	36,623,621

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
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%
2020	19,674,230	18,955,025	96.34%	474,289	19,429,314	98.76%	933,692	4.75%
2021	19,771,587	19,287,374	97.55%	546,423	19,833,797	100.31%	808,535	4.09%

(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
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
2020	2,654,801,825	125,789,911	435,750	11,372,483	67,710,661	2,860,110,630
2021	2,645,661,552	130,162,943	451,850	12,194,971	78,250,287	2,866,721,603

(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
2012	\$	0.40	\$	2.04	\$	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
2020		0.63		2.04	1.00	1.52
2021		0.63		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)			
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
2020	11,391	2,860,110,630	1,255,000	-	-	1,255,000	0.04%	110
2021	10,808	2,866,721,603	13,275,000	-	-	13,275,000	0.46%	1,228

(1) Weldon Cooper Center 2010 Census and 2020 Estimate.

(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.



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, 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, 2021, and the related notes to the financial statements which collectively comprise the County of Lancaster, Virginia's basic financial statements and have issued our report thereon dated December 6, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Richmond, Virginia
December 6, 2021



**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, 2021. 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, 2021.

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.

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

Richmond, Virginia
December 6, 2021

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Health and Human Services:				
Direct Payments:				
Provider Relief Fund	93.498	N/A	\$ 18,205	\$ -
Pass Through Payments:				
Virginia Department of Education:				
Temporary Assistance for Needy Families - School Board	93.558	Unknown	19,371	-
Virginia Department of Social Services:				
Temporary Assistance for Needy Families	93.558	0400120/0400121	149,251	-
Total FALN 93.558			\$ 168,622	\$ -
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950120/0950121	10,222	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	0500120/0500121	350	-
Low-Income Home Energy Assistance	93.568	0600420/0600421	24,762	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760120/0760121	31,512	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900120/0900121	78	-
Foster Care - Title IV-E	93.658	1100120/1100121	121,956	-
Adoption Assistance	93.659	1130120/11301121	27,703	-
Social Services Block Grant	93.667	1000120/1000121	128,271	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120/9150121	5,535	-
Children's Health Insurance Program	93.767	0540120/0540121	2,265	-
Medical Assistance Program (Medicaid Cluster)	93.778	1200120/1200121	184,378	-
Total Department of Health and Human Services			\$ 723,859	\$ -
Department of Homeland Security:				
Pass Through Payments:				
Virginia Department of Emergency Assistance:				
Emergency Management Performance Grants	97.042	77501-52743	\$ 6,250	\$ -
Total Department of Homeland Security			\$ 6,250	\$ -
Department of Agriculture:				
Pass Through Payments:				
Virginia Department of Agriculture:				
Summer Food Service Program for Children Food Distribution (Child Nutrition Cluster)	10.559	Unknown	\$ 730	\$ -
Virginia Department of Health:				
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	17901-45707	376,769	-
Total FALN 10.559			\$ 377,499	\$ -
Virginia Department of Agriculture:				
National School Lunch Program Food Distribution (Child Nutrition Cluster)	10.555	17901-45707	\$ 43,557	\$ -
Virginia Department of Education:				
COVID-19 - National School Lunch Program (Child Nutrition Cluster)	10.555	17901-40623	21,298	-
Total FALN 10.555			\$ 64,855	\$ -
COVID-19 - School Breakfast Program (Child Nutrition Cluster)	10.553	17901-40591	13,380	-
Child Nutrition Cluster Total			\$ 455,734	\$ -
Virginia Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010120/0010121	247,657	-
Total Department of Agriculture			\$ 703,391	\$ -

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Transportation:				
Pass Through Payments:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety (Highway Safety Cluster)	20.600	60507-5015	\$ 5,988	\$ -
Total Department of Transportation			\$ 5,988	\$ -
Department of Housing and Urban Development:				
Pass Through Payments:				
Virginia Department of Housing and Community Development:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50790	\$ 40,000	\$ -
Total Department of Housing and Urban Development			\$ 40,000	\$ -
U.S. Election Assistance Commission				
Pass Through Payments:				
Virginia State Board of Elections:				
COVID-19 - HAVA Election Security Grants	90.404	Unknown	\$ 48,414	\$ -
Department of Justice:				
Pass Through Payments:				
Virginia Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	39001-86000	\$ 52,500	\$ -
Violence Against Women Formula Grants	16.588	7651601/5651701	14,543	-
Total Department of Justice			\$ 67,043	\$ -
Department of Treasury:				
Pass Through Payments:				
Virginia Department of Accounts:				
COVID-19 - Coronavirus Relief Fund	21.019	10110-728021	\$ 1,421,891	\$ 269,887
Virginia Department of Education:				
COVID-19 - Coronavirus Relief Fund - School Board	21.019	Unknown	169,750	-
Total FALN 21.019			\$ 1,591,641	\$ 269,887
Total Department of Treasury			\$ 1,591,641	\$ 269,887
Department of Defense:				
Direct Payments:				
ROTC	12.xxx	N/A	\$ 68,977	\$ -
Total Department of Defense			\$ 68,977	\$ -
Department of Education:				
Pass Through Payments:				
Virginia Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 404,882	\$ -
Special Education - Grants to States (Special Education Cluster)	84.027	17901-43071	237,511	-
Career and Technical Education - Basic Grants to States	84.048	17901-61095	42,321	-
Rural Education	84.358	17901-43481	18,537	-
Supporting Effective Instruction State Grants	84.367	17901-61480	48,053	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	Unknown	527,645	-
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	Unknown	8,736	-
Total FALN 10.553			\$ 536,381	\$ -
School Improvement Grants	84.377	17901-43040	67,924	-
Total Department of Education			\$ 1,355,609	\$ -
Total Expenditures of Federal Awards			\$ 4,611,172	\$ 269,887

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, 2021

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, 2021. 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	\$ 2,538,626
Total primary government	<u>\$ 2,538,626</u>

Component Unit School Board:

School Operating Fund	\$ 1,613,707
School Cafeteria Fund	455,734
Total Component Unit School Board	<u>\$ 2,069,441</u>

Total expenditures of federal awards per basic financial statements	<u>\$ 4,608,067</u>
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Fiscal year 2020 Provider Relief Fund reported in 2021	<u>\$ 18,205</u>
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BABs subsidy	<u>\$ (15,100)</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 4,611,172</u></u>
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Note 5 - De Minimis Cost Rate

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

Note 6 - Loan Balances

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

Note 7 - Provider Relief Fund

For fiscal years ended (FYE) on or before June 29, 2021, no Provider Relief Fund (PRF) expenditures (including lost revenue) should have been reported on the SEFA. Due to guidance available when the FYE 2020 report was issued, the entity reported \$18,205 of PRF expenditures on the FYE 2020 SEFA with no significant impact on the SEFA. Based on current guidance from the Department of Health and Human Services (HHS), PRF expenditures (including lost revenue) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2021 SEFA is based upon the PRF reporting portal guidelines for Period 1, as specified by HHS.

County of Lancaster, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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:

Assistance Listing Number(s)
21.019

Name of Federal Program or Cluster
Coronavirus Relief Fund

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, 2021**

There were no prior year findings.