

COUNTY OF LANCASTER, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

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F. W. Jenkins, Jr.

B. Wally Beauchamp, Chair
Jason D. Bellows, Vice Chair

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Judge of the Circuit Court..... Harry T. Taliaferro, III
Clerk of the Circuit Court Diane H. Mumford
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Judge of the Juvenile and Domestic Relations Court R. Michael McKenney
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Commissioner of the Revenue George E. Thomas, Jr.
Treasurer Bonnie J. D. Haynie
Sheriff..... Ronald D. Crockett
Superintendent of Schools Steve Parker
Director of Social Services Edna G. Davenport
County Administrator Frank A. Pleva

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COUNTY OF LANCASTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of June 30, 2014, 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.

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 schedule of pension funding progress on pages 4-10, 54-55, and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Lancaster, Virginia's basic financial statements. The other supplementary information, supporting schedules and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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.

Other Information (continued)

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 January 21, 2015, on our consideration of County of Lancaster, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Lancaster, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
January 21, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The administrative management staff of the County of Lancaster, Virginia offers the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,325,030 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$954,849 (Exhibit 5) after making contributions totaling \$9,934,107 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$4,865,477, a decrease of \$954,849 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,405,474, or 19% of total general fund expenditures and other uses.
- The combined long-term obligations decreased \$982,867 during the current fiscal year.

Overview of the Financial Statements

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

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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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 exceeded liabilities and deferred inflows of resources by \$8,325,030 at the close of the most recent fiscal year. The following table summarizes the County’s Statement of Net Position:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 7,632,936	\$ 8,510,042
Capital assets	<u>9,220,756</u>	<u>9,285,884</u>
Total assets	<u>\$ 16,853,692</u>	<u>\$ 17,795,926</u>
Current liabilities	\$ 1,944,721	\$ 1,894,766
Long-term liabilities outstanding	<u>6,540,007</u>	<u>7,522,874</u>
Total liabilities	<u>\$ 8,484,728</u>	<u>\$ 9,417,640</u>
Deferred inflows of resources		
Deferred revenue - property taxes	<u>\$ 43,934</u>	<u>\$ 30,368</u>
Net position:		
Net investment in capital assets	\$ 2,863,014	\$ 2,060,321
Restricted:		
Forfeited asset	14,472	14,456
Wetlands special project	15,288	14,272
Unrestricted	<u>5,432,256</u>	<u>6,258,869</u>
Total net position	<u>\$ 8,325,030</u>	<u>\$ 8,347,918</u>

Government-wide Financial Analysis (Continued)

The County's net position decreased \$22,888 during the current fiscal year. The following table summarizes the County's Statement of Activities:

<u>County of Lancaster, Virginia's Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Charges for services	\$ 519,542	\$ 639,082
Operating grants and contributions	3,261,746	3,720,366
Capital grants and contributions	644,332	18,000
General property taxes	14,722,918	14,403,558
Other local taxes	1,892,069	1,930,588
Grants and other contributions not restricted	1,323,904	1,330,494
Other general revenues	<u>201,430</u>	<u>169,512</u>
Total revenues	<u>\$ 22,565,941</u>	<u>\$ 22,211,600</u>
General government administration	\$ 1,345,631	\$ 1,331,834
Judicial administration	804,040	779,749
Public safety	4,889,888	4,617,309
Public works	827,480	1,167,822
Health and welfare	2,603,743	2,740,633
Education	10,495,867	10,485,368
Parks, recreation, and cultural	182,973	176,275
Community development	1,244,682	633,659
Interest and other fiscal charges	<u>194,525</u>	<u>228,599</u>
Total expenses	<u>\$ 22,588,829</u>	<u>\$ 22,161,248</u>
Change in net position	\$ (22,888)	\$ 50,352
Net position, beginning of year	<u>8,347,918</u>	<u>8,297,566</u>
Net position, end of year	<u>\$ 8,325,030</u>	<u>\$ 8,347,918</u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$4,865,477, a decrease of \$954,849 in comparison with the prior year. Approximately 91% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion. The decrease was largely due to the completion of a capital project.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$428,744.

During the year, actual revenues and other sources of the General Fund exceeded budgetary estimates by \$78,134. Actual expenditures and other uses exceeded budgetary estimates by \$97,419. The combination of the two resulted in a negative variance of \$19,285.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2014 amounts to \$9,220,756 (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 \$5,771,000. Of this amount, \$1,935,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. lease revenue bonds).

The County's total debt decreased \$846,000 during the current fiscal year.

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

Economic Factors and Future Years' Budgets and Rates

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

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

The fiscal year 2015 budget did not substantially change from 2014. All tax rates remained the same.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Lancaster, Virginia
Statement of Net Position
June 30, 2014

	Primary Government		Component Units	
	Governmental Activities	School Board	IDA	
ASSETS				
Cash and cash equivalents	\$ 5,797,908	\$ 147,912	\$	121,857
Receivables (net of allowance for uncollectibles):				
Taxes receivable	970,341	-	-	-
Accounts receivable	109,627	-	-	-
Notes receivable	52,738	-	-	-
Due from other governmental units	702,322	1,562,393	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	883,755	6,271	-	-
Buildings and improvements	7,785,230	6,674,194	-	-
Machinery and equipment	551,771	1,523,966	-	-
Total assets	<u>\$ 16,853,692</u>	<u>\$ 9,914,736</u>	<u>\$</u>	<u>121,857</u>
LIABILITIES				
Accounts payable	\$ 641,321	\$ 323,340	\$	-
Accrued liabilities	-	1,290,855	-	-
Accrued interest payable	72,143	-	-	-
Due to other governmental units	1,225,844	-	-	-
Unearned revenue	5,413	-	-	-
Long-term liabilities:				
Due within one year	983,175	33,689	-	-
Due in more than one year	5,556,832	303,200	-	-
Total liabilities	<u>\$ 8,484,728</u>	<u>\$ 1,951,084</u>	<u>\$</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 43,934	\$	-	\$ -
Total deferred inflows of resources	<u>\$ 43,934</u>	<u>\$</u>	<u>-</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 2,863,014	\$ 8,204,431	\$	-
Restricted:				
Forfeited asset	14,472	-	-	-
Wetlands special project	15,288	-	-	-
Unrestricted (deficit)	5,432,256	(240,779)	121,857	-
Total net position	<u>\$ 8,325,030</u>	<u>\$ 7,963,652</u>	<u>\$</u>	<u>121,857</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 16,853,692</u>	<u>\$ 9,914,736</u>	<u>\$</u>	<u>121,857</u>

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

County of Lancaster, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental	Component Units	
					Activities	School Board	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,345,631	\$ -	\$ 213,662	\$ -	\$ (1,131,969)		
Judicial administration	804,040	17,916	420,572	-	(365,552)		
Public safety	4,889,888	489,779	1,372,546	-	(3,027,563)		
Public works	827,480	11,740	-	-	(815,740)		
Health and welfare	2,603,743	-	1,209,622	-	(1,394,121)		
Education	10,495,867	-	-	-	(10,495,867)		
Parks, recreation, and cultural	182,973	-	-	-	(182,973)		
Community development	1,244,682	107	30,516	644,332	(569,727)		
Interest on long-term debt	194,525	-	14,828	-	(179,697)		
Total governmental activities	\$ 22,588,829	\$ 519,542	\$ 3,261,746	\$ 644,332	\$ (18,163,209)		
Total primary government	\$ 22,588,829	\$ 519,542	\$ 3,261,746	\$ 644,332	\$ (18,163,209)		
COMPONENT UNITS:							
School Board	\$ 15,174,094	\$ 120,049	\$ 4,480,326	\$ -	\$ (10,573,719)	\$ -	
IDA	2,647	5,790	-	-	-	-	3,143
Total component units	\$ 15,176,741	\$ 125,839	\$ 4,480,326	\$ -	\$ (10,573,719)	\$ -	3,143
General revenues:							
General property taxes				\$ 14,722,918	\$ -	\$ -	
Other local taxes:							
Local sales and use taxes				1,485,254	-	-	
Motor vehicle licenses				196,326	-	-	
Other local taxes				210,489	-	-	
Unrestricted revenues from use of money and property				118,016	6,231	60	
Miscellaneous				83,414	96,969	-	
Payments from Lancaster County				-	10,133,475	-	
Grants and contributions not restricted to specific programs				1,323,904	-	-	
Total general revenues				\$ 18,140,321	\$ 10,236,675	\$ 60	
Change in net position				\$ (22,888)	\$ (337,044)	\$ 3,203	
Net position - beginning				8,347,918	8,300,696	118,654	
Net position - ending				\$ 8,325,030	\$ 7,963,652	\$ 121,857	

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

FUND FINANCIAL STATEMENTS

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County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,111,717	\$ 36,672	\$ 649,519	\$ 5,797,908
Receivables (net of allowance for uncollectibles):				
Taxes receivable	970,341	-	-	970,341
Accounts receivable	109,627	-	-	109,627
Notes receivable	52,738	-	-	52,738
Due from other funds	220,000	-	-	220,000
Due from other governmental units	702,322	-	-	702,322
Total assets	<u>\$ 7,166,745</u>	<u>\$ 36,672</u>	<u>\$ 649,519</u>	<u>\$ 7,852,936</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 640,546	\$ -	\$ 775	\$ 641,321
Due to other funds	-	-	220,000	220,000
Due to other governmental units	1,225,844	-	-	1,225,844
Unearned revenue	-	5,413	-	5,413
Total liabilities	<u>\$ 1,866,390</u>	<u>\$ 5,413</u>	<u>\$ 220,775</u>	<u>\$ 2,092,578</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 894,881	\$ -	\$ -	\$ 894,881
Total deferred inflows of resources	<u>\$ 894,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894,881</u>
Fund balances:				
Restricted	\$ -	\$ 29,760	\$ -	\$ 29,760
Committed	-	1,499	428,744	430,243
Unassigned	4,405,474	-	-	4,405,474
Total fund balances	<u>\$ 4,405,474</u>	<u>\$ 31,259</u>	<u>\$ 428,744</u>	<u>\$ 4,865,477</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,166,745</u>	<u>\$ 36,672</u>	<u>\$ 649,519</u>	<u>\$ 7,852,936</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, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	4,865,477
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$	15,792,687
Accumulated depreciation		<u>(6,571,931)</u>
		9,220,756
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
		850,947
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	\$	(3,836,000)
General obligations bond		(1,935,000)
Capital lease		(166,560)
Accrued interest payable		(72,143)
Bond premium		(420,182)
Compensated absences		<u>(182,265)</u>
		(6,612,150)
Net position of governmental activities	\$	<u><u>8,325,030</u></u>

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

County of Lancaster, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 14,722,314	\$ -	\$ -	\$ 14,722,314
Other local taxes	1,892,069	-	-	1,892,069
Permits, privilege fees, and regulatory licenses	100,564	-	-	100,564
Fines and forfeitures	14,759	-	-	14,759
Revenue from the use of money and property	112,505	34	5,477	118,016
Charges for services	404,219	-	-	404,219
Miscellaneous	81,214	2,200	-	83,414
Recovered costs	24,705	-	-	24,705
Intergovernmental:				
Commonwealth	3,861,944	-	-	3,861,944
Federal	723,706	-	644,332	1,368,038
Total revenues	<u>\$ 21,937,999</u>	<u>\$ 2,234</u>	<u>\$ 649,809</u>	<u>\$ 22,590,042</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,310,767	\$ -	\$ -	\$ 1,310,767
Judicial administration	663,850	-	-	663,850
Public safety	4,694,193	-	-	4,694,193
Public works	1,254,976	-	-	1,254,976
Health and welfare	2,596,948	-	-	2,596,948
Education	9,940,643	-	-	9,940,643
Parks, recreation, and cultural	182,973	-	-	182,973
Community development	656,245	-	-	656,245
Capital projects	426,247	-	611,594	1,037,841
Debt service:				
Principal retirement	925,369	-	-	925,369
Interest and other fiscal charges	281,086	-	-	281,086
Total expenditures	<u>\$ 22,933,297</u>	<u>\$ -</u>	<u>\$ 611,594</u>	<u>\$ 23,544,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (995,298)</u>	<u>\$ 2,234</u>	<u>\$ 38,215</u>	<u>\$ (954,849)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,436	\$ -	\$ -	\$ 1,436
Transfers out	-	(1,436)	-	(1,436)
Total other financing sources (uses)	<u>\$ 1,436</u>	<u>\$ (1,436)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (993,862)	\$ 798	\$ 38,215	\$ (954,849)
Fund balances - beginning	5,399,336	30,461	390,529	5,820,326
Fund balances - ending	<u>\$ 4,405,474</u>	<u>\$ 31,259</u>	<u>\$ 428,744</u>	<u>\$ 4,865,477</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, 2014

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

Net change in fund balances - total governmental funds	\$	(954,849)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 591,513	
Depreciation expense	(457,273)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(199,368)</u>	(65,128)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		604
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retirement of county lease revenue bonds	\$ 726,000	
Principal retirement of school general obligation bond	120,000	
Principal retirement of capital lease	79,369	
Amortization of bond premium	<u>72,943</u>	998,312

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:

(Increase) decrease in compensated absences	\$ (15,445)	
(Increase) decrease in accrued interest payable	<u>13,618</u>	(1,827)

Change in net position of governmental activities	<u>\$</u>	<u>(22,888)</u>
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The notes to the financial statements are an integral part of this statement.

County of Lancaster, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2014

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 17,609
Receivables:	
Accounts receivable	4,757
Total assets	<u>\$ 22,366</u>
 LIABILITIES	
Amounts held for social services clients	<u>\$ 22,366</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2014

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

A. Financial Reporting Entity (Continued)

primary government should be included in its reporting entity. These financial statements present the County of Lancaster (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2014.

Discretely Presented Component Units. The School Board members are elected by the citizens of Lancaster County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund 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, 2014.

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, 2014. The Industrial Development Authority does not issue a separate financial report.

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

None

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

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

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

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

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

1. Governmental Funds

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$233,472 at June 30, 2014 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, 2014

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The County’s policy is to fund pension cost as it accrues.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

K. Use of Estimates

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

L. Net Position

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

M. Net Position Flow Assumption

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

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 only one type of item that qualifies 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 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis the amounts prepaid are reported as deferred inflows of resources.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

O. Fund Equity

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

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

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

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).

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

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

O. Fund Equity (Continued)

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

	General Fund	Major Special Revenue Fund County Special Revenue Fund	Major Capital Projects Fund County Capital Projects Fund	Total
Fund Balances:				
Restricted:				
Forfeited asset	\$ -	\$ 14,472	\$ -	\$ 14,472
Wetlands special project	-	15,288	-	15,288
Total Restricted Fund Balance	\$ -	\$ 29,760	\$ -	\$ 29,760
Committed:				
Sheriff's K-9 Unit	\$ -	\$ 1,499	\$ -	\$ 1,499
Capital Improvements	-	-	428,744	428,744
Total Committed Fund Balance	\$ -	\$ 1,499	\$ 428,744	\$ 430,243
Unassigned Fund Balance	\$ 4,405,474	\$ -	\$ -	\$ 4,405,474
Total Fund Balances	\$ 4,405,474	\$ 31,259	\$ 428,744	\$ 4,865,477

P. Long-term Obligations

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds:

General Fund	\$97,419
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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 6,726
State Non-Arbitrage Pool	<u>131,016</u>
Total	<u>\$ 137,742</u>

External Investment Pools

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 4—Due to/from Other Governments:

At June 30, 2014, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	\$ -	\$ 1,225,844
Town of Kilmarnock	34,718	-
Commonwealth of Virginia:		
Local sales tax	285,789	-
Welfare	32,574	-
Rolling stock tax	100	-
Local jails	14,728	-
State sales tax	-	217,261
Constitutional officer reimbursements	156,115	-
Recordation tax	13,158	-
Auto rental tax	957	-
Mobile home titling tax	2,093	-
Fire programs	4,331	-
Forestry	20,070	-
Comprehensive services act	16,038	-
E-911 wireless	1,434	-
Communications tax	56,143	-
VHDA fees	2,052	-
Federal Government:		
School fund grants	-	119,288
Law enforcement block grant	3,614	-
Welfare	58,408	-
	<u>\$ 702,322</u>	<u>\$ 1,562,393</u>
Total due from other governments	<u>\$ 702,322</u>	<u>\$ 1,562,393</u>

At June 30, 2014, amounts due to other local governments are as follows:

Other Local Governments:		
Lancaster County School Board	\$ <u>1,225,844</u>	\$ <u>-</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 883,755	\$ -	\$ -	\$ 883,755
Total capital assets not subject to depreciation	\$ 883,755	\$ -	\$ -	\$ 883,755
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,135,867	\$ 475,463	\$ -	\$ 7,611,330
Machinery and equipment	2,778,743	116,051	-	2,894,794
Jointly owned assets	4,531,173	-	128,365	4,402,808
Total capital assets subject to depreciation	\$ 14,445,783	\$ 591,514	\$ 128,365	\$ 14,908,932
Accumulated depreciation:				
Buildings and improvements	\$ 1,650,079	\$ 277,582	\$ -	\$ 1,927,661
Machinery and equipment	2,163,331	179,692	-	2,343,023
Jointly owned assets	2,230,244	138,098	67,095	2,301,247
Total accumulated depreciation	\$ 6,043,654	\$ 595,372	\$ 67,095	\$ 6,571,931
Total capital assets subject to depreciation, net	\$ 8,402,129	\$ (3,858)	\$ 61,270	\$ 8,337,001
Governmental activities capital assets, net	\$ 9,285,884	\$ (3,858)	\$ 61,270	\$ 9,220,756

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 6,271	\$ -	\$ -	\$ 6,271
Total capital assets not subject to depreciation	<u>\$ 6,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,271</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 51,100	\$ -	\$ -	\$ 51,100
Machinery and equipment	3,923,384	355,856	-	4,279,240
Jointly owned assets	13,772,218	-	(128,365)	13,900,583
Total capital assets subject to depreciation	<u>\$ 17,746,702</u>	<u>\$ 355,856</u>	<u>\$ (128,365)</u>	<u>\$ 18,230,923</u>
Accumulated depreciation:				
Buildings and improvements	\$ 8,576	\$ 3,394	\$ -	\$ 11,970
Machinery and equipment	2,449,399	305,875	-	2,755,274
Jointly owned assets	6,778,685	419,739	(67,095)	7,265,519
Total accumulated depreciation	<u>\$ 9,236,660</u>	<u>\$ 729,008</u>	<u>\$ (67,095)</u>	<u>\$ 10,032,763</u>
Total capital assets subject to depreciation, net	<u>\$ 8,510,042</u>	<u>\$ (373,152)</u>	<u>\$ (61,270)</u>	<u>\$ 8,198,160</u>
Component unit school board capital assets, net	<u>\$ 8,516,313</u>	<u>\$ (373,152)</u>	<u>\$ (61,270)</u>	<u>\$ 8,204,431</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 8,876
Judicial administration	140,190
Public safety	260,755
Public works	34,437
Health and welfare	13,015
Education	<u>138,099</u>
Total Governmental activities	<u>\$ 595,372</u>
Component Unit School Board	<u>\$ 729,008</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 1,436	\$ -
County special revenue fund	-	1,436
Total	\$ 1,436	\$ 1,436

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2014:

	Balance at July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 166,820	\$ 32,127	\$ 16,682	\$ 182,265	\$ 18,227
Lease revenue bonds	4,562,000	-	726,000	3,836,000	758,000
Total incurred by County	\$ 4,728,820	\$ 32,127	\$ 742,682	\$ 4,018,265	\$ 776,227
Incurred by School Board:					
General obligation bond	\$ 2,055,000	\$ -	\$ 120,000	\$ 1,935,000	\$ 125,000
Bond premium	493,125	-	72,943	420,182	-
Capital lease (Note 8)	245,929	-	79,369	166,560	81,948
Total incurred by School Board	\$ 2,794,054	\$ -	\$ 272,312	\$ 2,521,742	\$ 206,948
Total Governmental Activities Obligations	\$ 7,522,874	\$ 32,127	\$ 1,014,994	\$ 6,540,007	\$ 983,175

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease	
	Revenue Bonds	
	Principal	Interest
2015	\$ 758,000	\$ 144,158
2016	786,000	114,059
2017	814,000	80,986
2018	853,000	46,435
2019	625,000	11,666
Total	<u>\$ 3,836,000</u>	<u>\$ 397,304</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations	
	General Obligation Bond	
	Principal	Interest
2015	\$ 125,000	\$ 94,599
2016	130,000	88,769
2017	135,000	82,529
2018	140,000	75,854
2019	150,000	68,314
2020	160,000	60,254
2021	165,000	51,804
2022	175,000	43,397
2023	180,000	34,870
2024	185,000	25,723
2025	190,000	15,933
2026	200,000	5,438
Total	<u>\$ 1,935,000</u>	<u>\$ 647,484</u>

Details of long-term indebtedness:

	Total Amount
<i><u>Incurred by County:</u></i>	
<u>Lease Revenue Bonds:</u>	
\$2,870,000 lease revenue bond issued August 28, 2003 due in annual installments of varying amounts through January 15, 2018, interest at 3.41%	\$ 961,000
\$3,870,000 lease revenue bond issued November 16, 2011 due in annual installments of varying amounts through October 1, 2018, with varying interest rates	<u>2,875,000</u>
Total Revenue Bonds	<u>\$ 3,836,000</u>
Compensated absences (payable from General Fund)	<u>\$ 182,265</u>
Total incurred by County	<u>\$ 4,018,265</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>
<i>Incurring by School Board:</i>	
<u>General Obligation Bond:</u>	
\$2,280,000 General Obligation bond issued November 14, 2010, due in annual installments of varying amounts through April 2026, interest at .586% to 5.438%.	\$ 1,935,000
Bond premium	\$ 420,182
Capital Lease (Note 8)	\$ 166,560
Total incurred by School Board	\$ 2,521,742
Total Long-Term Obligations, Primary Government	<u>\$ 6,540,007</u>

Component Unit - School Board:

	<u>Balance at July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2014</u>	<u>Amounts Due Within One Year</u>
<u>Component Unit-School Board:</u>					
Compensated absences	\$ 330,033	\$ 39,859	\$ 33,003	\$ 336,889	\$ 33,689
Total Component Unit-School Board	<u>\$ 330,033</u>	<u>\$ 39,859</u>	<u>\$ 33,003</u>	<u>\$ 336,889</u>	<u>\$ 33,689</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 8—Capital Lease:

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

The asset acquired through capital lease is as follows:

	Primary Government (Incurred by School Board)
Asset:	
Buildings and improvements	\$ 1,079,090
Less: accumulated depreciation	<u>(953,219)</u>
 Total	 <u><u>\$ 125,871</u></u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, are as follows:

Year Ended June 30	Primary Government (Incurred by School Board)
2015	\$ 87,395
2016	<u>87,395</u>
Total minimum lease payments	\$ 174,790
Less: amount representing interest	<u>(8,230)</u>
 Present value of minimum lease payments	 <u><u>\$ 166,560</u></u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 9—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$894,881 and deferred revenue totaling \$43,934 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$850,947 at June 30, 2014.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$43,934 at June 30, 2014.

Deferred Revenue - Deferred revenue representing prepaid taxes due subsequent to June 30, 2014 totaled \$43,934.

Note 10—Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2014, 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.

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 12 –Risk Management:

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

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

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

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

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 13—Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

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

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

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

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. Eligible Members - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. *Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. Retirement Contributions - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. **Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. **Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

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

10. **Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. **Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. **Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-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, 2014

Note 13—Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional’s contribution rate for the fiscal year ended 2014 were 13.08% and 12.48% of annual covered payroll, respectively.

The School Board’s professional employees contributed \$842,406, \$811,193, and \$463,563, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012 respectively and these contributions represented 11.66%, 11.66%, and 6.33%, respectively, of current covered payroll.

C. Annual Pension Cost

For the fiscal year 2014, the County’s annual pension cost of \$563,181 was equal to the County’s required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2014	\$ 563,181	100%	\$ -
June 30, 2013	534,948	100%	-
June 30, 2012	430,987	100%	-

(1) Employer portion only

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 13—Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

For the fiscal year 2014, the School Board’s annual pension cost of \$95,681 was equal to the School Board’s required and actual contributions.

Three Year Trend Information - School Board Non-Professional			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
School Board:			
Non-Professional:			
June 30, 2014	\$ 95,681	100%	\$ -
June 30, 2013	97,694	100%	-
June 30, 2012	89,295	100%	-

(1) Employer portion only

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 13—Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County’s plan was 74.78% funded. The actuarial accrued liability for benefits was \$18,269,086, and the actuarial value of assets was \$13,661,525, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,607,561. The covered payroll (annual payroll of active employees covered by the plan) was \$4,099,508, and ratio of the UAAL to the covered payroll was 112.39%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board’s plan was 74.25% funded. The actuarial accrued liability for benefits was \$2,729,878 and the actuarial value of assets was \$2,027,035, resulting in an unfunded actuarial accrued liability (UAAL) of \$702,843. The covered payroll (annual payroll of active employees covered by the plan) was \$807,219 and ratio of the UAAL to the covered payroll was 87.07%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 14—Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Diane H. Mumford, Clerk of the Circuit Court	\$ 110,000
Bonnie J. D. Haynie, Treasurer	400,000
George E. Thomas, Jr., Commissioner of the Revenue	3,000
Ronald D. Crockett, Sheriff	30,000
Fidelity and Deposit Company of Maryland-Surety:	
All School Board Employees-blanket bond	25,000
VA Risk Pool-Surety:	
All Department of Social Services Employees-blanket bond	1,000,000

Note 15—Jointly Governed Organizations:

The County in conjunction with other localities has created the Middle Peninsula/Northern Neck Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year the County contributed \$36,744, for operations to the Middle Peninsula/Northern Neck Community Services Board.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2014

Note 16-Other Postemployment Benefits - Health Insurance Credit:

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$80,195, \$77,223, and \$43,940, respectively and equaled the required contributions for each year.

Note 17-Upcoming Pronouncements:

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No.27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County believes the implementation of Statement No. 68 will significantly impact the County's net position; however, no formal study or estimate of the impact of this standard has been performed.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive <u>(Negative)</u>
REVENUES				
General property taxes	\$ 14,719,000	\$ 14,719,000	\$ 14,722,314	\$ 3,314
Other local taxes	1,833,000	1,833,000	1,892,069	59,069
Permits, privilege fees, and regulatory licenses	127,700	127,700	100,564	(27,136)
Fines and forfeitures	20,000	20,000	14,759	(5,241)
Revenue from the use of money and property	95,000	95,000	112,505	17,505
Charges for services	396,900	396,900	404,219	7,319
Miscellaneous	30,000	30,000	81,214	51,214
Recovered costs	28,100	28,100	24,705	(3,395)
Intergovernmental:				
Commonwealth	4,064,894	4,064,894	3,861,944	(202,950)
Federal	546,707	546,707	723,706	176,999
Total revenues	<u>\$ 21,861,301</u>	<u>\$ 21,861,301</u>	<u>\$ 21,937,999</u>	<u>\$ 76,698</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,290,571	\$ 1,290,571	\$ 1,310,767	\$ (20,196)
Judicial administration	695,592	695,592	663,850	31,742
Public safety	4,296,821	4,296,821	4,694,193	(397,372)
Public works	1,124,106	1,124,106	1,254,976	(130,870)
Health and welfare	2,547,820	2,547,820	2,596,948	(49,128)
Education	10,344,625	10,403,825	9,940,643	463,182
Parks, recreation, and cultural	182,595	182,595	182,973	(378)
Community development	447,247	447,247	656,245	(208,998)
Capital projects	653,825	653,825	426,247	227,578
Debt service:				
Principal retirement	917,991	925,369	925,369	-
Interest and other fiscal charges	275,485	268,107	281,086	(12,979)
Total expenditures	<u>\$ 22,776,678</u>	<u>\$ 22,835,878</u>	<u>\$ 22,933,297</u>	<u>\$ (97,419)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (915,377)</u>	<u>\$ (974,577)</u>	<u>\$ (995,298)</u>	<u>\$ (20,721)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,436	\$ 1,436
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,436</u>	<u>\$ 1,436</u>
Net change in fund balances	\$ (915,377)	\$ (974,577)	\$ (993,862)	\$ (19,285)
Fund balances - beginning	5,030,882	5,090,082	5,399,336	309,254
Fund balances - ending	<u>\$ 4,115,505</u>	<u>\$ 4,115,505</u>	<u>\$ 4,405,474</u>	<u>\$ 289,969</u>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 34	\$ 34
Miscellaneous	-	-	2,200	2,200
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,234</u>	<u>\$ 2,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,234</u>	<u>\$ 2,234</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (1,436)	\$ (1,436)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,436)</u>	<u>\$ (1,436)</u>
Net change in fund balances	\$ -	\$ -	\$ 798	\$ 798
Fund balances - beginning	-	-	30,461	30,461
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,259</u>	<u>\$ 31,259</u>

County of Lancaster, Virginia
 Schedule of Pension Funding Progress - Virginia Retirement System
 As of June 30, 2014

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/29/2013	\$ 13,661,525	\$ 18,269,086	\$ 4,607,561	74.78%	\$ 4,099,508	112.39%
6/30/2012	12,988,259	17,958,466	4,970,207	72.32%	3,761,996	132.12%
6/30/2011	12,853,016	17,155,440	4,302,424	74.92%	3,855,607	111.59%
6/30/2010	12,256,193	16,300,955	4,044,762	75.19%	3,749,519	107.87%
6/30/2009	12,051,012	14,788,859	2,737,847	81.49%	3,776,010	72.51%
6/30/2008	11,736,177	13,666,901	1,930,724	85.87%	3,513,367	54.95%
6/30/2007	10,435,325	12,117,913	1,682,588	86.11%	3,158,443	53.27%
6/30/2006	9,079,706	11,329,434	2,249,728	80.14%	3,126,347	71.96%
6/30/2005	8,300,560	9,697,207	1,396,647	85.60%	2,952,585	47.30%
6/30/2004	8,073,927	8,228,119	154,192	98.13%	2,734,961	5.64%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2013	\$ 2,027,035	\$ 2,729,878	\$ 702,843	74.25%	\$ 807,219	87.07%
6/30/2012	1,897,408	2,574,174	676,766	73.71%	774,266	87.41%
6/30/2011	1,853,586	2,650,685	797,099	69.93%	792,896	100.53%
6/30/2010	1,781,110	2,523,566	742,456	70.58%	798,136	93.02%
6/30/2009	1,700,472	2,248,920	548,448	75.61%	777,199	70.57%
6/30/2008	1,569,229	2,161,545	592,316	72.60%	765,826	77.34%
6/30/2007	1,380,363	1,976,112	595,749	69.85%	744,362	80.03%
6/30/2006	1,190,420	1,741,914	551,494	68.34%	703,740	78.37%
6/30/2005	1,063,398	1,591,473	528,075	66.82%	671,388	78.65%
6/30/2004	980,383	1,567,219	586,836	62.56%	689,400	85.12%

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OTHER SUPPLEMENTARY INFORMATION

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INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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County of Lancaster, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 5,477	\$ 477
Intergovernmental:				
Federal	-	1,011,320	644,332	(366,988)
Total revenues	<u>\$ 5,000</u>	<u>\$ 1,016,320</u>	<u>\$ 649,809</u>	<u>\$ (366,511)</u>
EXPENDITURES				
Capital projects	\$ -	\$ 926,404	\$ 611,594	\$ 314,810
Total expenditures	<u>\$ -</u>	<u>\$ 926,404</u>	<u>\$ 611,594</u>	<u>\$ 314,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,000</u>	<u>\$ 89,916</u>	<u>\$ 38,215</u>	<u>\$ (51,701)</u>
Net change in fund balances	\$ 5,000	\$ 89,916	\$ 38,215	\$ (51,701)
Fund balances - beginning	-	-	390,529	390,529
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 89,916</u>	<u>\$ 428,744</u>	<u>\$ 338,828</u>

County of Lancaster, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2014

	<u>Agency Fund</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 17,609
Receivables:	
Accounts receivable	4,757
Total assets	\$ 22,366
LIABILITIES	
Amounts held for social services clients	\$ 22,366
Total liabilities	\$ 22,366

County of Lancaster, Virginia
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 19,119	\$ 10,703	\$ 12,213	\$ 17,609
Accounts receivable	257	4,500	-	4,757
Total assets	<u>\$ 19,376</u>	<u>\$ 15,203</u>	<u>\$ 12,213</u>	<u>\$ 22,366</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 19,376</u>	<u>\$ 15,203</u>	<u>\$ 12,213</u>	<u>\$ 22,366</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Lancaster, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2014

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 147,912	\$ 147,912
Due from other funds	19,763	-	19,763
Due from other governmental units	1,562,393	-	1,562,393
Total assets	<u>\$ 1,582,156</u>	<u>\$ 147,912</u>	<u>\$ 1,730,068</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 318,203	\$ 5,137	\$ 323,340
Accrued liabilities	1,263,953	26,902	1,290,855
Due to other funds	-	19,763	19,763
Total liabilities	<u>\$ 1,582,156</u>	<u>\$ 51,802</u>	<u>\$ 1,633,958</u>
Fund balances:			
Committed	\$ -	\$ 96,110	\$ 96,110
Total fund balances	<u>\$ -</u>	<u>\$ 96,110</u>	<u>\$ 96,110</u>
Total liabilities and fund balances	<u>\$ 1,582,156</u>	<u>\$ 147,912</u>	<u>\$ 1,730,068</u>

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

Total fund balances per above	\$ 96,110
-------------------------------	-----------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 18,237,194	
Accumulated depreciation	<u>(10,032,763)</u>	8,204,431

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	<u>\$ (336,889)</u>	(336,889)
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Net position of governmental activities		<u>\$ 7,963,652</u>
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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, 2014

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 5,771	\$ 460	\$ 6,231
Charges for services	6,600	113,449	120,049
Miscellaneous	96,895	74	96,969
Recovered costs	90,312	-	90,312
Intergovernmental:			
Local government	9,934,107	-	9,934,107
Commonwealth	3,157,739	8,689	3,166,428
Federal	873,292	440,606	1,313,898
Total revenues	<u>\$ 14,164,716</u>	<u>\$ 563,278</u>	<u>\$ 14,727,994</u>
EXPENDITURES			
Current:			
Education	\$ 14,164,716	\$ 581,584	\$ 14,746,300
Total expenditures	<u>\$ 14,164,716</u>	<u>\$ 581,584</u>	<u>\$ 14,746,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (18,306)</u>	<u>\$ (18,306)</u>
Net change in fund balances	\$ -	\$ (18,306)	\$ (18,306)
Fund balances - beginning	-	114,416	114,416
Fund balances - ending	<u>\$ -</u>	<u>\$ 96,110</u>	<u>\$ 96,110</u>

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

Net change in fund balances - total governmental funds - per above \$ (18,306)

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

Capital asset additions	\$ 355,856	
Depreciation expense	(867,106)	
Transfer of joint tenancy assets to Component Unit from Primary Government	199,368	(311,882)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This adjustment represents the net change in compensated absences.

(Increase) decreased in compensated absences (6,856)

Change in net position of governmental activities \$ (337,044)

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, 2014

	School Operating Fund				School Cafeteria Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Final	Actual	
	Original	Final			Original	Final			
REVENUES									
Revenue from the use of money and property	\$ 2,000	\$ 2,000	\$ 5,771	\$ 3,771	\$ -	\$ -	\$ 460	\$ 460	\$ 460
Charges for services	3,000	3,000	6,600	3,600	164,500	164,500	113,449	113,449	(51,051)
Miscellaneous	87,500	99,100	96,895	(2,205)	-	-	74	74	74
Recovered costs	100,000	100,000	90,312	(9,688)	-	-	-	-	-
Intergovernmental:									
Local government	10,338,089	10,397,289	9,934,107	(463,182)	-	-	-	-	-
Commonwealth	3,356,256	3,356,256	3,157,739	(198,517)	8,500	8,500	8,689	8,689	189
Federal	859,878	1,322,942	873,292	(449,650)	412,000	446,262	440,606	440,606	(5,656)
Total revenues	\$ 14,746,723	\$ 15,280,587	\$ 14,164,716	\$ (1,115,871)	\$ 585,000	\$ 619,262	\$ 563,278	\$ 563,278	\$ (55,984)
EXPENDITURES									
Current:									
Education	\$ 14,746,723	\$ 15,280,587	\$ 14,164,716	\$ 1,115,871	\$ 585,000	\$ 619,262	\$ 581,584	\$ 581,584	\$ 37,678
Total expenditures	\$ 14,746,723	\$ 15,280,587	\$ 14,164,716	\$ 1,115,871	\$ 585,000	\$ 619,262	\$ 581,584	\$ 581,584	\$ 37,678
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (18,306)	\$ (18,306)	\$ (18,306)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (18,306)	\$ (18,306)	\$ (18,306)
Fund balances - beginning	-	-	-	-	-	-	114,416	114,416	114,416
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,110	\$ 96,110	\$ 96,110

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*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of Lancaster, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2014

ASSETS

Cash and cash equivalents	\$ 121,857
Total assets	<u>\$ 121,857</u>

NET POSITION

Unrestricted	\$ 121,857
Total net position	<u><u>\$ 121,857</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, 2014

OPERATING REVENUES

Charges for services:

Bond fees	\$ 5,790
Total operating revenues	<u>\$ 5,790</u>

OPERATING EXPENSES

Other expenses	\$ 2,647
Total operating expenses	<u>\$ 2,647</u>

Operating income (loss)	<u>\$ 3,143</u>
-------------------------	-----------------

NONOPERATING REVENUES (EXPENSES)

Interest income	<u>\$ 60</u>
-----------------	--------------

Total nonoperating revenues (expenses)	<u>\$ 60</u>
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Change in net position	<u>\$ 3,203</u>
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Total net position - beginning	118,654
Total net position - ending	<u><u>\$ 121,857</u></u>

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,790
Payments for operating activities	(2,647)
Net cash provided by (used for) operating activities	<u>\$ 3,143</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 60</u>
Net cash provided by (used for) investing activities	<u>\$ 60</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,203
Cash and cash equivalents - beginning	118,654
Cash and cash equivalents - ending	<u><u>\$ 121,857</u></u>

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SUPPORTING SCHEDULES

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County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,500,000	\$ 12,500,000	\$ 12,399,401	\$ (100,599)
Real and personal public service corporation taxes	178,000	178,000	225,966	47,966
Personal property taxes	1,700,000	1,700,000	1,668,819	(31,181)
Mobile home taxes	25,000	25,000	25,012	12
Machinery and tools taxes	11,000	11,000	6,587	(4,413)
Merchant's capital taxes	110,000	110,000	110,398	398
Penalties	150,000	150,000	220,443	70,443
Interest	45,000	45,000	65,688	20,688
Total general property taxes	<u>\$ 14,719,000</u>	<u>\$ 14,719,000</u>	<u>\$ 14,722,314</u>	<u>\$ 3,314</u>
Other local taxes:				
Local sales and use taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,485,254	\$ 85,254
Consumption tax	40,000	40,000	44,496	4,496
Motor vehicle licenses	200,000	200,000	196,326	(3,674)
Bank stock taxes	23,000	23,000	28,357	5,357
Taxes on recordation and wills	170,000	170,000	137,636	(32,364)
Total other local taxes	<u>\$ 1,833,000</u>	<u>\$ 1,833,000</u>	<u>\$ 1,892,069</u>	<u>\$ 59,069</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,500	\$ 6,500	\$ 6,235	\$ (265)
Land use application fees	1,000	1,000	600	(400)
Transfer fees	1,000	1,000	555	(445)
Permits and other licenses	119,200	119,200	93,174	(26,026)
Total permits, privilege fees, and regulatory licenses	<u>\$ 127,700</u>	<u>\$ 127,700</u>	<u>\$ 100,564</u>	<u>\$ (27,136)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 14,759	\$ (5,241)
Revenue from use of money and property:				
Revenue from use of money	\$ 40,000	\$ 40,000	\$ 42,953	\$ 2,953
Revenue from use of property	55,000	55,000	69,552	14,552
Total revenue from use of money and property	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 112,505</u>	<u>\$ 17,505</u>
Charges for services:				
Courthouses maintenance fees	\$ 2,500	\$ 2,500	\$ 2,582	\$ 82
Charges for Commonwealth's Attorney	1,300	1,300	1,234	(66)
Charges for correction and detention	5,000	5,000	5,086	86
Charges for other protection	4,000	4,000	3,261	(739)
Sheriff's fees	1,000	1,000	1,048	48
Charges for sanitation and waste removal	10,000	10,000	11,740	1,740
Charges for planning and community development	100	100	107	7

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for ambulance and rescue services	\$ 360,000	\$ 360,000	\$ 365,061	\$ 5,061
Court fees	13,000	13,000	14,100	1,100
Total charges for services	<u>\$ 396,900</u>	<u>\$ 396,900</u>	<u>\$ 404,219</u>	<u>\$ 7,319</u>
Miscellaneous revenue:				
Miscellaneous	\$ 30,000	\$ 30,000	\$ 81,214	\$ 51,214
Recovered costs:				
Tri-county landfill	\$ 1,000	\$ 1,000	\$ 494	\$ (506)
VHDA	27,000	27,000	24,211	(2,789)
Other recovered costs	100	100	-	(100)
Total recovered costs	<u>\$ 28,100</u>	<u>\$ 28,100</u>	<u>\$ 24,705</u>	<u>\$ (3,395)</u>
Total revenue from local sources	<u>\$ 17,249,700</u>	<u>\$ 17,249,700</u>	<u>\$ 17,352,349</u>	<u>\$ 102,649</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 300,000	\$ 300,000	\$ 333,179	\$ 33,179
Motor vehicle carriers' tax	5,000	5,000	15,452	10,452
Mobile home titling tax	8,000	8,000	2,368	(5,632)
Rolling stock tax	-	-	224	224
Additional tax on deeds	39,000	39,000	43,951	4,951
State recordation tax	44,000	44,000	57,713	13,713
Personal property tax relief funds	870,000	870,000	871,017	1,017
Total noncategorical aid	<u>\$ 1,266,000</u>	<u>\$ 1,266,000</u>	<u>\$ 1,323,904</u>	<u>\$ 57,904</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 249,529	\$ 249,529	\$ 249,930	\$ 401
Sheriff	1,171,207	1,171,207	1,170,684	(523)
Commissioner of revenue	92,553	92,553	86,865	(5,688)
Treasurer	86,847	86,847	86,004	(843)
Registrar/electoral board	41,000	41,000	36,689	(4,311)
Clerk of the Circuit Court	169,326	169,326	168,875	(451)
Local jails	60,000	60,000	65,036	5,036
Total shared expenses	<u>\$ 1,870,462</u>	<u>\$ 1,870,462</u>	<u>\$ 1,864,083</u>	<u>\$ (6,379)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 644,432	\$ 644,432	\$ 366,431	\$ (278,001)
Emergency medical services	-	-	12,697	12,697
Comprehensive services act	200,000	200,000	147,430	(52,570)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ 40,000	\$ 40,000	\$ 39,021	\$ (979)
DMV - animal tags	-	-	254	254
Victim-witness grant	20,000	20,000	-	(20,000)
Fire programs fund	24,000	24,000	27,391	3,391
Rescue squad assistance	-	-	30,147	30,147
Department of forestry	-	-	20,070	20,070
Mapping system	-	-	30,516	30,516
Total other categorical aid	<u>\$ 928,432</u>	<u>\$ 928,432</u>	<u>\$ 673,957</u>	<u>\$ (254,475)</u>
Total categorical aid	<u>\$ 2,798,894</u>	<u>\$ 2,798,894</u>	<u>\$ 2,538,040</u>	<u>\$ (260,854)</u>
Total revenue from the Commonwealth	<u>\$ 4,064,894</u>	<u>\$ 4,064,894</u>	<u>\$ 3,861,944</u>	<u>\$ (202,950)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 546,707	\$ 546,707	\$ 695,761	\$ 149,054
Emergency management	-	-	7,500	7,500
BABs subsidy	-	-	14,828	14,828
Justice assistance	-	-	1,767	1,767
Voting machines	-	-	3,850	3,850
Total categorical aid	<u>\$ 546,707</u>	<u>\$ 546,707</u>	<u>\$ 723,706</u>	<u>\$ 176,999</u>
Total revenue from the federal government	<u>\$ 546,707</u>	<u>\$ 546,707</u>	<u>\$ 723,706</u>	<u>\$ 176,999</u>
Total General Fund	<u>\$ 21,861,301</u>	<u>\$ 21,861,301</u>	<u>\$ 21,937,999</u>	<u>\$ 76,698</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	\$ -	\$ -	\$ 34	\$ 34
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 34</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 2,200	\$ 2,200
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200</u>	<u>\$ 2,200</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,234</u>	<u>\$ 2,234</u>
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,234</u>	<u>\$ 2,234</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 5,000	\$ 5,000	\$ 5,477	\$ 477
Total revenue from local sources	\$ 5,000	\$ 5,000	\$ 5,477	\$ 477
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 1,011,320	\$ 644,332	\$ (366,988)
Total categorical aid	\$ -	\$ 1,011,320	\$ 644,332	\$ (366,988)
Total revenue from the federal government	\$ -	\$ 1,011,320	\$ 644,332	\$ (366,988)
Total County Capital Projects Fund	\$ 5,000	\$ 1,016,320	\$ 649,809	\$ (366,511)
Total Primary Government	\$ 21,866,301	\$ 22,877,621	\$ 22,590,042	\$ (287,579)
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	\$ 2,000	\$ 2,000	\$ 5,771	\$ 3,771
Charges for services:				
Charges for education	\$ 3,000	\$ 3,000	\$ 6,600	\$ 3,600
Miscellaneous revenue:				
Miscellaneous	\$ 87,500	\$ 99,100	\$ 96,895	\$ (2,205)
Total miscellaneous revenue	\$ 87,500	\$ 99,100	\$ 96,895	\$ (2,205)
Recovered costs:				
Other recovered costs	\$ 100,000	\$ 100,000	\$ 90,312	\$ (9,688)
Total recovered costs	\$ 100,000	\$ 100,000	\$ 90,312	\$ (9,688)
Total revenue from local sources	\$ 192,500	\$ 204,100	\$ 199,578	\$ (4,522)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 10,338,089	\$ 10,397,289	\$ 9,934,107	\$ (463,182)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,333,541	\$ 1,333,541	\$ 1,279,298	\$ (54,243)
Basic school aid	1,074,368	1,074,368	1,021,592	(52,776)
Remedial summer education	29,721	29,721	45,343	15,622
Vocational education	30,673	30,673	29,286	(1,387)
Special education foster care	8,576	8,576	-	(8,576)
Gifted and talented	11,661	11,661	11,133	(528)
Remedial education	62,361	62,361	59,540	(2,821)
School fringes	247,580	247,580	238,173	(9,407)
Early reading intervention	6,450	6,450	7,740	1,290
Class size reduction	83,403	83,403	75,239	(8,164)
Homebound	2,137	2,137	1,136	(1,001)
Vocational education - equipment	3,320	3,320	2,927	(393)
Special education	90,245	90,245	86,163	(4,082)
Textbook payment	22,746	22,746	21,718	(1,028)
GED preparation assistance	7,859	7,859	7,859	-
At risk payments	180,035	180,035	176,121	(3,914)
ESL	1,109	1,109	1,478	369
Virtual Virginia	-	-	1,620	1,620
Project graduation	22,983	22,983	12,380	(10,603)
Mentor teacher program	2,208	2,208	4,998	2,790
Technology grant	128,000	128,000	65,746	(62,254)
SOL algebra readiness	7,280	7,280	7,249	(31)
Other state funds	-	-	1,000	1,000
Total categorical aid	<u>\$ 3,356,256</u>	<u>\$ 3,356,256</u>	<u>\$ 3,157,739</u>	<u>\$ (198,517)</u>
Total revenue from the Commonwealth	<u>\$ 3,356,256</u>	<u>\$ 3,356,256</u>	<u>\$ 3,157,739</u>	<u>\$ (198,517)</u>
Revenue from the federal government:				
Categorical aid:				
Title VI-B	\$ 265,000	\$ 344,033	\$ 238,115	\$ (105,918)
Title VI-B - preschool grant	-	5,437	-	(5,437)
Title I	367,153	474,293	248,032	(226,261)
Vocational education	28,461	26,158	5,139	(21,019)
CTE equipment	3,320	2,927	-	(2,927)
CTE industry certification	948	194	-	(194)
Title II, Part A - Improving teacher quality	100,390	137,823	81,181	(56,642)
1003G school improvement	-	241,673	222,836	(18,837)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title VI - Rural education	\$ 26,606	\$ 22,404	\$ 21,162	\$ (1,242)
JROTC grant	68,000	68,000	56,827	(11,173)
Total categorical aid	<u>\$ 859,878</u>	<u>\$ 1,322,942</u>	<u>\$ 873,292</u>	<u>\$ (449,650)</u>
 Total revenue from the federal government	 <u>\$ 859,878</u>	 <u>\$ 1,322,942</u>	 <u>\$ 873,292</u>	 <u>\$ (449,650)</u>
 Total School Operating Fund	 <u>\$ 14,746,723</u>	 <u>\$ 15,280,587</u>	 <u>\$ 14,164,716</u>	 <u>\$ (1,115,871)</u>
 Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 460	\$ 460
 Charges for services:				
Cafeteria sales	\$ 164,500	\$ 164,500	\$ 113,449	\$ (51,051)
 Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 74	\$ 74
 Total revenue from local sources	 <u>\$ 164,500</u>	 <u>\$ 164,500</u>	 <u>\$ 113,983</u>	 <u>\$ (50,517)</u>
 Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 8,500	\$ 8,500	\$ 8,689	\$ 189
 Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 412,000	\$ 412,000	\$ 406,344	\$ (5,656)
Commodities	-	34,262	34,262	-
Total categorical aid	<u>\$ 412,000</u>	<u>\$ 446,262</u>	<u>\$ 440,606</u>	<u>\$ (5,656)</u>
 Total revenue from the federal government	 <u>\$ 412,000</u>	 <u>\$ 446,262</u>	 <u>\$ 440,606</u>	 <u>\$ (5,656)</u>
 Total School Cafeteria Fund	 <u>\$ 585,000</u>	 <u>\$ 619,262</u>	 <u>\$ 563,278</u>	 <u>\$ (55,984)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 15,331,723</u>	 <u>\$ 15,899,849</u>	 <u>\$ 14,727,994</u>	 <u>\$ (1,171,855)</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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<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	\$ 40,999	\$ 40,999	\$ 45,746	\$ (4,747)
General and financial administration:				
County administrator	\$ 388,576	\$ 388,576	\$ 320,944	\$ 67,632
Information Technology	105,511	105,511	102,952	2,559
Legal services	25,000	25,000	104,016	(79,016)
Commissioner of revenue	283,530	283,530	280,359	3,171
Independent Auditor	34,200	34,200	38,500	(4,300)
Treasurer	285,858	285,858	283,701	2,157
Real estate assessor	5,000	5,000	-	5,000
Other general and financial administration	-	-	4,328	(4,328)
Total general and financial administration	\$ 1,127,675	\$ 1,127,675	\$ 1,134,800	\$ (7,125)
Board of elections:				
Electoral board and officials	\$ 32,988	\$ 32,988	\$ 44,112	\$ (11,124)
Registrar	88,909	88,909	86,109	2,800
Total board of elections	\$ 121,897	\$ 121,897	\$ 130,221	\$ (8,324)
Total general government administration	\$ 1,290,571	\$ 1,290,571	\$ 1,310,767	\$ (20,196)
Judicial administration:				
Courts:				
Circuit court	\$ 12,982	\$ 12,982	\$ 13,014	\$ (32)
General district court	3,400	3,400	2,517	883
Special Magistrates	600	600	483	117
Juvenile and domestic relations court	2,625	2,625	2,628	(3)
Victim/witness assistance	22,311	22,311	20,820	1,491
Court appointed special advocates	5,000	5,000	5,000	-
Clerk of the circuit court	312,045	312,045	286,295	25,750
Total courts	\$ 358,963	\$ 358,963	\$ 330,757	\$ 28,206
Commonwealth's attorney:				
Commonwealth's attorney	\$ 336,629	\$ 336,629	\$ 333,093	\$ 3,536
Total judicial administration	\$ 695,592	\$ 695,592	\$ 663,850	\$ 31,742
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,709,823	\$ 1,709,823	\$ 1,847,515	\$ (137,692)
School resource officer	101,944	101,944	80,368	21,576
Law enforcement grants	-	-	57,100	(57,100)
Total law enforcement and traffic control	\$ 1,811,767	\$ 1,811,767	\$ 1,984,983	\$ (173,216)

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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<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	\$ 280,000	\$ 280,000	\$ 284,391	\$ (4,391)
Ambulance and rescue services	899,563	899,563	1,044,456	(144,893)
Forestry service	4,000	4,000	3,991	9
Local emergency services	29,620	29,620	36,857	(7,237)
Total fire and rescue services	<u>\$ 1,213,183</u>	<u>\$ 1,213,183</u>	<u>\$ 1,369,695</u>	<u>\$ (156,512)</u>
Correction and detention:				
Sheriff	\$ 960,222	\$ 960,222	\$ 1,020,904	\$ (60,682)
Electronic monitoring	8,000	8,000	-	8,000
Probation office	41,650	41,650	63,343	(21,693)
Total correction and detention	<u>\$ 1,009,872</u>	<u>\$ 1,009,872</u>	<u>\$ 1,084,247</u>	<u>\$ (74,375)</u>
Inspections:				
Building	\$ 132,263	\$ 132,263	\$ 128,784	\$ 3,479
Other protection:				
Animal control	\$ 129,536	\$ 129,536	\$ 126,404	\$ 3,132
Medical examiner	200	200	80	120
Total other protection	<u>\$ 129,736</u>	<u>\$ 129,736</u>	<u>\$ 126,484</u>	<u>\$ 3,252</u>
Total public safety	<u>\$ 4,296,821</u>	<u>\$ 4,296,821</u>	<u>\$ 4,694,193</u>	<u>\$ (397,372)</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 862,117	\$ 862,117	\$ 926,808	\$ (64,691)
Maintenance of general buildings and grounds:				
General properties	\$ 261,989	\$ 261,989	\$ 328,168	\$ (66,179)
Total public works	<u>\$ 1,124,106</u>	<u>\$ 1,124,106</u>	<u>\$ 1,254,976</u>	<u>\$ (130,870)</u>
Health and welfare:				
Health:				
Local health department	\$ 201,352	\$ 201,352	\$ 201,352	\$ -
Free health clinic	100,477	100,477	100,477	-
Total health	<u>\$ 301,829</u>	<u>\$ 301,829</u>	<u>\$ 301,829</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 36,744	\$ 36,744	\$ 36,744	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,468,598	\$ 1,468,598	\$ 1,270,524	\$ 198,074
Area agency on aging	70,549	70,549	70,549	-

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Comprehensive services act	\$ 600,000	\$ 600,000	\$ 846,999	\$ (246,999)
Chamber of commerce	500	500	-	500
Group home commission	-	-	703	(703)
Rappahannock legal services	5,600	5,600	5,600	-
The Haven crisis shelter	4,000	4,000	4,000	-
Virginia quality of life	10,000	10,000	10,000	-
Boys and girls club of America	50,000	50,000	50,000	-
Total welfare	<u>\$ 2,209,247</u>	<u>\$ 2,209,247</u>	<u>\$ 2,258,375</u>	<u>\$ (49,128)</u>
Total health and welfare	<u>\$ 2,547,820</u>	<u>\$ 2,547,820</u>	<u>\$ 2,596,948</u>	<u>\$ (49,128)</u>
Education:				
Contributions to Community College	\$ 6,536	\$ 6,536	\$ 6,536	\$ -
Contribution to County School Board	10,338,089	10,397,289	9,934,107	463,182
Total education	<u>\$ 10,344,625</u>	<u>\$ 10,403,825</u>	<u>\$ 9,940,643</u>	<u>\$ 463,182</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Total parks and recreation	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>
Cultural enrichment:				
Museum	\$ 4,400	\$ 4,400	\$ 4,978	\$ (578)
Historic resources commission	200	200	-	200
Total cultural enrichment	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 4,978</u>	<u>\$ (378)</u>
Library:				
Library	\$ 102,995	\$ 102,995	\$ 102,995	\$ -
Total parks, recreation, and cultural	<u>\$ 182,595</u>	<u>\$ 182,595</u>	<u>\$ 182,973</u>	<u>\$ (378)</u>
Community development:				
Planning and community development:				
Land use administration	\$ 270,662	\$ 270,662	\$ 266,712	\$ 3,950
Section 8 housing	55,765	55,765	55,786	(21)
Indoor plumbing	-	-	165,137	(165,137)
Planning district commission	30,341	30,341	22,575	7,766
Zoning board	2,167	2,167	2,487	(320)
Greentown/Gaskins Rd - CDBG	-	-	72,095	(72,095)

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 2
 Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
FEMA Grant	\$ -	\$ -	\$ 1,631	\$ (1,631)
Other community development	7,000	7,000	7,000	-
Total planning and community development	<u>\$ 365,935</u>	<u>\$ 365,935</u>	<u>\$ 593,423</u>	<u>\$ (227,488)</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands board	11,163	11,163	9,206	1,957
Total environmental management	<u>\$ 21,163</u>	<u>\$ 21,163</u>	<u>\$ 19,206</u>	<u>\$ 1,957</u>
Cooperative extension program:				
Extension office	\$ 60,149	\$ 60,149	\$ 43,616	\$ 16,533
Total community development	<u>\$ 447,247</u>	<u>\$ 447,247</u>	<u>\$ 656,245</u>	<u>\$ (208,998)</u>
Capital projects:				
Landfill closure	\$ 7,000	\$ 7,000	\$ 8,690	\$ (1,690)
Enhanced emergency telephone system	59,925	59,925	28,892	31,033
School projects	372,500	372,500	355,856	16,644
Other capital projects	214,400	214,400	32,809	181,591
Total capital projects	<u>\$ 653,825</u>	<u>\$ 653,825</u>	<u>\$ 426,247</u>	<u>\$ 227,578</u>
Debt service:				
Principal retirement	\$ 917,991	\$ 925,369	\$ 925,369	\$ -
Interest and other fiscal charges	275,485	268,107	281,086	(12,979)
Total debt service	<u>\$ 1,193,476</u>	<u>\$ 1,193,476</u>	<u>\$ 1,206,455</u>	<u>\$ (12,979)</u>
Total General Fund	<u>\$ 22,776,678</u>	<u>\$ 22,835,878</u>	<u>\$ 22,933,297</u>	<u>\$ (97,419)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
Greentown/Gaskins CDBG	\$ -	\$ 926,404	\$ 611,594	\$ 314,810
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ 926,404</u>	<u>\$ 611,594</u>	<u>\$ 314,810</u>
Total Primary Government	<u>\$ 22,776,678</u>	<u>\$ 23,762,282</u>	<u>\$ 23,544,891</u>	<u>\$ 217,391</u>

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<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	\$ 668,028	\$ 771,228	\$ 702,099	\$ 69,129
Instruction costs	11,540,000	11,970,664	11,155,525	815,139
Pupil transportation	1,100,000	1,100,000	996,418	103,582
Operation and maintenance of school plant	1,438,695	1,438,695	1,310,674	128,021
Total education	\$ 14,746,723	\$ 15,280,587	\$ 14,164,716	\$ 1,115,871
Total School Operating Fund	\$ 14,746,723	\$ 15,280,587	\$ 14,164,716	\$ 1,115,871
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 585,000	\$ 585,000	\$ 547,322	\$ 37,678
Commodities	-	34,262	34,262	-
Total school food services	\$ 585,000	\$ 619,262	\$ 581,584	\$ 37,678
Total education	\$ 585,000	\$ 619,262	\$ 581,584	\$ 37,678
Total School Cafeteria Fund	\$ 585,000	\$ 619,262	\$ 581,584	\$ 37,678
Total Discretely Presented Component Unit - School Board	\$ 15,331,723	\$ 15,899,849	\$ 14,746,300	\$ 1,153,549

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STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2005	\$ 1,125,855	\$ 494,903	\$ 3,361,408	\$ 1,000,932	\$ 1,895,987	\$ 7,497,873	\$ 134,026	\$ 519,733	\$ 341,405	\$ 16,372,122
2006	1,038,227	504,831	3,166,110	1,213,930	1,988,050	9,085,541	153,219	825,533	284,499	18,259,940
2007	1,196,615	595,329	3,401,929	1,068,661	2,380,967	9,451,156	156,351	986,907	192,771	19,430,686
2008	1,521,966	610,071	3,695,460	1,236,465	2,501,442	9,814,756	161,940	1,294,897	272,582	21,109,579
2009	897,403	599,799	3,662,812	1,177,914	2,202,534	11,031,828	160,839	1,283,578	306,444	21,323,151
2010	1,204,355	616,607	3,872,862	1,048,830	2,332,650	10,188,939	160,179	1,711,279	398,847	21,534,548
2011	1,427,317	761,709	4,064,428	1,132,419	2,391,444	10,318,017	172,801	1,453,260	444,034	22,165,429
2012	1,582,525	807,167	3,845,479	1,110,981	2,517,020	10,768,097	172,895	1,119,775	426,296	22,350,235
2013	1,331,834	779,749	4,617,309	1,167,822	2,740,633	10,485,368	176,275	633,659	228,599	22,161,248
2014	1,345,631	804,040	4,889,888	827,480	2,603,743	10,495,867	182,973	1,244,682	194,525	22,588,829

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	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2005	\$ 450,869	\$ 3,187,079	\$ -	\$ 10,028,659	\$ 1,824,726	\$ 126,155	\$ 26,299	\$ 970,081	\$ 16,613,868		
2006	472,945	3,437,061	47,600	9,675,920	1,985,483	205,097	29,702	1,048,734	16,902,542		
2007	531,837	3,568,636	185,505	11,358,649	2,029,167	190,307	25,485	1,054,455	18,944,041		
2008	484,423	3,862,996	801,066	12,893,466	2,212,575	266,252	26,037	997,110	21,543,925		
2009	476,784	3,359,779	943,083	15,383,703	2,013,343	337,290	135,390	900,904	23,550,276		
2010	492,903	3,975,191	668,227	15,284,455	1,865,960	205,834	47,921	980,269	23,520,760		
2011	477,621	4,738,390	-	14,656,899	1,892,761	161,276	41,957	1,000,772	22,969,676		
2012	526,885	4,019,711	50,000	14,923,610	1,950,576	135,618	43,915	1,337,343	22,987,658		
2013	639,082	3,720,366	18,000	14,403,558	1,930,588	120,500	49,012	1,330,494	22,211,600		
2014	519,542	3,261,746	644,332	14,722,918	1,892,069	118,016	83,414	1,323,904	22,565,941		

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2005	\$ 956,836	\$ 494,551	\$ 3,222,842	\$ 1,023,802	\$ 1,877,480	\$ 12,919,647	\$ 139,026	\$ 562,977	\$ 1,474,856	\$ 22,672,017
2006	1,077,633	546,710	3,040,856	1,105,569	1,979,628	13,926,398	153,219	857,335	1,210,862	23,898,210
2007	1,202,178	596,834	3,274,791	1,074,404	2,390,250	15,091,424	156,351	1,027,945	974,364	25,788,541
2008	1,541,154	605,152	3,586,684	1,234,680	2,491,874	15,389,246	161,940	1,346,638	947,744	27,305,112
2009	1,252,466	604,767	3,568,597	1,172,357	2,207,354	15,278,613	160,839	1,311,718	1,053,149	26,609,860
2010	1,235,687	607,641	3,749,601	1,072,457	2,288,465	15,389,267	160,179	1,743,331	1,453,989	27,700,617
2011	1,341,422	618,495	4,141,836	1,120,296	2,366,967	15,707,417	172,801	1,486,288	1,498,206	28,453,728
2012	1,501,800	625,449	3,779,509	1,116,041	2,482,024	15,285,122	172,895	1,152,343	7,003,073	33,118,256
2013	1,323,619	637,902	4,323,772	1,148,111	2,713,142	15,101,887	176,275	555,165	1,209,686	27,189,559
2014	1,310,767	663,850	4,694,193	1,254,976	2,596,958	14,752,836	182,973	656,245	1,206,455	27,319,253

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

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

(3) Excludes Capital Projects funds.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2005	\$ 10,052,004	\$ 1,824,726	\$ 159,503	\$ 20,160	\$ 126,857	\$ 520,361	\$ 140,648	\$ 50,668	\$ 9,560,211	\$ 22,455,138
2006	9,804,068	1,985,483	171,020	19,455	133,843	546,112	166,611	72,659	10,149,098	23,048,349
2007	11,316,916	2,029,167	164,660	18,184	138,119	631,574	183,238	44,111	10,723,724	25,249,693
2008	12,865,681	2,212,575	138,683	19,840	216,879	584,112	251,943	64,743	11,528,616	27,883,072
2009	15,149,635	2,013,343	142,355	28,029	202,512	527,518	352,749	47,510	10,281,484	28,745,135
2010	15,208,025	1,865,960	149,757	20,168	169,681	512,438	319,456	50,812	10,651,224	28,947,521
2011	14,595,997	1,892,761	142,764	16,314	137,139	488,592	70,775	269,465	11,073,878	28,687,685
2012	14,742,887	1,950,576	149,016	16,626	129,677	531,002	77,737	284,593	10,072,348	27,954,462
2013	14,497,683	1,930,588	119,007	25,797	117,827	631,065	173,133	187,047	9,615,225	27,297,372
2014	14,722,314	1,892,069	100,564	14,759	118,770	524,268	180,383	115,017	9,065,976	26,734,120

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

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

(3) Excludes Capital Projects funds.

County of Lancaster, Virginia
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		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)		
2005	\$ 10,772,116	\$ 10,474,804	97.24%	\$ 238,435	\$ 10,713,239	99.45%	\$ 513,614	4.77%	
2006	10,555,764	10,326,368	97.83%	228,678	10,555,046	99.99%	401,020	3.80%	
2007	11,260,311	10,977,793	97.49%	195,485	11,173,278	99.23%	516,166	4.58%	
2008	12,739,466	12,448,235	97.71%	232,606	12,680,841	99.54%	531,551	4.17%	
2009	15,037,856	14,640,508	97.36%	268,363	14,908,871	99.14%	728,623	4.85%	
2010	15,031,753	14,629,582	97.32%	331,663	14,961,245	99.53%	835,636	5.56%	
2011	14,472,243	13,993,953	96.70%	357,927	14,351,880	99.17%	941,217	6.50%	
2012	15,470,572	14,963,025	96.72%	400,496	15,363,521	99.31%	1,000,012	6.46%	
2013	15,151,601	14,727,353	97.20%	396,680	15,124,033	99.82%	958,038	6.32%	
2014	15,317,462	14,841,839	96.89%	465,359	15,307,198	99.93%	959,942	6.27%	

(1) Exclusive of penalties and interest.

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

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
2005	\$ 1,842,873,500	\$ 159,922,950	\$ 280,300	\$ 8,474,342	\$ 38,101,271	\$ 2,049,652,363
2006	1,889,426,637	169,982,846	211,600	9,036,830	35,705,141	2,104,363,054
2007	1,955,748,546	179,478,372	190,250	9,584,128	32,717,833	2,177,719,129
2008	2,011,440,053	149,516,502	343,350	10,907,813	28,828,991	2,201,036,709
2009	3,047,826,152	161,929,534	309,350	12,444,246	37,970,594	3,260,479,876
2010	3,084,145,548	147,216,942	248,650	11,959,791	42,470,454	3,286,041,385
2011	3,109,524,980	144,199,002	199,250	11,191,102	44,516,230	3,309,630,564
2012	3,130,960,535	144,354,545	181,750	12,081,091	44,173,669	3,331,751,590
2013	3,149,202,900	140,487,618	742,450	9,884,665	44,806,003	3,345,123,636
2014	2,493,664,800	136,569,120	433,350	10,992,013	44,789,060	2,686,448,343

(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
2005	\$ 0.44	\$ 1.52	\$ 1.00	\$ 1.52
2006	0.41	1.52	1.00	1.52
2007	0.46	1.52	1.00	1.52
2008	0.53	2.04	1.00	1.52
2009	0.42	2.04	1.00	1.52
2010	0.42	2.04	1.00	1.52
2011	0.40	2.04	1.00	1.52
2012	0.40	2.04	1.00	1.52
2013	0.39	2.04	1.00	1.52
2014	0.50	2.04	1.00	1.52

(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)			
2005	11,567	\$ 2,049,652,363	\$ 1,255,000	-	\$ -	\$ 1,255,000	0.06%	108
2006	11,567	2,104,363,054	925,000	-	-	925,000	0.04%	80
2007	11,567	2,177,719,129	600,000	-	-	600,000	0.03%	52
2008	11,567	2,201,036,709	275,000	-	-	275,000	0.01%	24
2009	11,567	3,260,479,876	-	-	-	-	0.00%	-
2010	11,391	3,286,041,385	-	-	-	-	0.00%	-
2011	11,391	3,309,630,564	2,280,000	-	-	2,280,000	0.07%	200
2012	11,391	3,331,751,590	2,170,000	-	-	2,170,000	0.07%	191
2013	11,391	3,345,123,636	2,055,000	-	-	2,055,000	0.06%	180
2014	11,391	2,686,448,343	1,935,000	-	-	1,935,000	0.07%	170

(1) Weldon Cooper Center for 2000 and 2010 Census.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

(4) In accordance with the provisions of annexation settlements.

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster Virginia, as of and for the year ended June 30, 2014, 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 January 21, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "R. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 21, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Lancaster, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Lancaster, Virginia's major federal programs for the year ended June 30, 2014. County of Lancaster, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Lancaster, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Lancaster, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Lancaster, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of County of Lancaster, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Lancaster, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Lancaster, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia
January 21, 2015

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950113/0950114	\$ 4,602
Temporary Assistance for Needy Families	93.558	0400113/0400114	155,622
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113/0500114	933
Low-Income Home Energy Assistance	93.568	0600413/00600414	17,909
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113/0760114	22,935
Chafee Education and Training Vouchers Program	93.599	0760113/0760114	75
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113/090114	1,199
Foster Care - Title IV-E	93.658	1100113/1100114	51,314
Adoption Assistance	93.659	1130113/11301114	16,751
Social Services Block Grant	93.667	1000113/1000114	123,642
Chafee Foster Care Independence Program	93.674	9150113/9150114	1,142
Children's Health Insurance Program	93.767	0540113/0540114	4,654
Medical Assistance Program	93.778	1200113/1200114	<u>137,828</u>
Total Department of Health and Human Services			<u>\$ 538,606</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Assistance:			
Emergency Management Performance Grant	97.042	77501-52740	<u>\$ 7,500</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Summer Food Service Program for Children Food Distribution	10.559	Unknown	\$ 457
National School Lunch Food Distribution	10.555	17901-45707	\$ 33,805
Department of Education:			
National School Lunch Program	10.555	17901-40623	<u>318,049</u>
School Breakfast Program	10.553	17901-40591	88,295
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113/0010114	<u>157,155</u>
Total Department of Agriculture			<u>\$ 597,761</u>

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development: Pass Through Payments: Department of Housing and Community Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50790	<u>\$ 644,332</u>
U.S. Election Assistance Commission Pass Through Payments: State Board of Elections: Help America Vote Act Requirement Payments	90.401	72302-40040	<u>\$ 3,850</u>
Department of Justice: Pass Through Payments: Department of Criminal Justice Services: Edward Byrne memorial Justice Assistance Grant	16.738	39001-62200	<u>\$ 1,767</u>
Department of Defense: Direct Payments: ROTC	12.xxx	N/A	<u>\$ 56,827</u>
Department of Education: Pass Through Payments: Department of Education: Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 248,032
Special Education - Grants to States	84.027	17901-43071	238,115
Career and Technical Education - Basic Grants to States	84.048	17901-61095	5,139
Rural Education	84.358	17901-43481	21,162
Improving Teacher Quality State Grants	84.367	17901-61480	81,181
School Improvement Grants	84.377	17901-43040	<u>222,836</u>
Total Department of Education			<u>\$ 816,465</u>
Total Expenditures of Federal Awards			<u>\$ 2,667,108</u>

See accompanying notes to schedule of expenditures of federal awards.

County of Lancaster, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Lancaster, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of County of Lancaster, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Lancaster, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Food Donation

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

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 723,706
County Capital Projects Funds	644,332
Total primary government	\$ 1,368,038

Component Unit School Board:

School Operating Fund	\$ 873,292
School Cafeteria Fund	440,606
Total Component Unit School Board	\$ 1,313,898

Total expenditures of federal awards per basic financial statements	\$ 2,681,936
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BABs subsidy	\$ (14,828)
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 2,667,108
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County of Lancaster, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes ✓ no
 Significant deficiency(ies) identified? _____ yes ✓ none reported
 Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes ✓ no
 Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditors' report issued on compliance
 for major programs: *unmodified*

Any findings disclosed that are required to be
 reported in accordance with section 510(a) of
 Circular A-133? _____ yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between type A
 and type B programs: \$300,000

Auditee qualified as low-risk auditee? ✓ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Lancaster, Virginia
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2014

Prior Year Findings

None

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