

COUNTY OF LANCASTER, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

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COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

William R. Lee, Chair
Ernest W. Palin, Jr., Vice Chair

B. Wally Beauchamp
F. W. Jenkins, Jr.

Jason D. Bellows

COUNTY SCHOOL BOARD

Dr. Robert Westbrook, Chair

Audrey Thomasson, Vice Chair
Joan Gravatt

Kenya Moody
Robert Smart

SOCIAL SERVICES BOARD

Vera Lee, Chair

Lynette Pinn, Vice Chair
Ernest W. Palin, Jr.

Charles R. Lee
Harry C. Sadler, Jr.

OTHER OFFICIALS

Judge of the Circuit Court..... R. Michael McKenney
Clerk of the Circuit Court Diane H. Mumford
Judge of the General District Court John S. Martin
Judge of the Juvenile and Domestic Relations Court John E. Franklin
Commonwealth's Attorney..... Jan Smith
Commissioner of the RevenueGeorge E. Thomas, Jr.
Treasurer..... Bonnie J. Dickson
Sheriff Patrick McCranie
Superintendent of Schools..... Steve Parker
Director of Social Services..... Edna G. Davenport
County Administrator..... Frank A. Pleva

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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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of June 30, 2017, 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 schedules related to pension funding on pages 4-10, 76-77, and 78-82 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 introductory section, other supplementary information, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, 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
November 22, 2017

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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, 2017. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,088,900 (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 \$2,798,888 (Exhibit 5) after making contributions totaling \$10,514,985 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$5,442,445, a decrease of \$2,798,888 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,392,946, or 13% of total general fund expenditures and other uses.
- The combined long-term obligations decreased \$1,007,000 during the current fiscal year.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,088,900 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Lancaster, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7,444,887	\$ 10,137,522	\$ 34,142	\$ 4,500	\$ 7,479,029	\$ 10,142,022
Capital assets	<u>10,221,179</u>	<u>9,552,678</u>	<u>1,288,239</u>	<u>1,189,396</u>	<u>11,509,418</u>	<u>10,742,074</u>
Total assets	<u>\$ 17,666,066</u>	<u>\$ 19,690,200</u>	<u>\$ 1,322,381</u>	<u>\$ 1,193,896</u>	<u>\$ 18,988,447</u>	<u>\$ 20,884,096</u>
Deferred outflows of resources	<u>\$ 1,048,626</u>	<u>\$ 762,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048,626</u>	<u>\$ 762,499</u>
Current liabilities	\$ 1,549,176	\$ 1,362,125	\$ 34,618	\$ -	\$ 1,583,794	\$ 1,362,125
Long-term liabilities outstanding	<u>12,875,948</u>	<u>14,052,948</u>	<u>170,000</u>	<u>-</u>	<u>13,045,948</u>	<u>14,052,948</u>
Total liabilities	<u>\$ 14,425,124</u>	<u>\$ 15,415,073</u>	<u>\$ 204,618</u>	<u>\$ -</u>	<u>\$ 14,629,742</u>	<u>\$ 15,415,073</u>
Deferred inflows of resources	<u>\$ 318,431</u>	<u>\$ 479,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,431</u>	<u>\$ 479,054</u>
Net position:						
Net investment in capital assets	\$ 2,505,456	\$ 1,761,307	\$ 1,118,239	\$ 1,189,396	\$ 3,623,695	\$ 2,950,703
Restricted:						
Forfeited asset	13,964	15,328	-	-	13,964	15,328
Wetlands special project	10,325	10,315	-	-	10,325	10,315
Unrestricted	<u>1,441,392</u>	<u>2,771,622</u>	<u>(476)</u>	<u>4,500</u>	<u>1,440,916</u>	<u>2,776,122</u>
Total net position	<u>\$ 3,971,137</u>	<u>\$ 4,558,572</u>	<u>\$ 1,117,763</u>	<u>\$ 1,193,896</u>	<u>\$ 5,088,900</u>	<u>\$ 5,752,468</u>

Government-wide Financial Analysis (Continued)

The County's net position decreased \$663,568 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Lancaster, Virginia's Changes in Net Position						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Charges for services	\$ 496,767	\$ 508,057	\$ -	\$ -	\$ 496,767	\$ 508,057
Operating grants and contributions	3,318,227	3,637,999	-	-	3,318,227	3,637,999
Capital grants and contributions	401,601	159,498	511,000	-	912,601	159,498
General property taxes	15,493,614	15,693,176	-	-	15,493,614	15,693,176
Other local taxes	2,052,020	1,973,114	-	-	2,052,020	1,973,114
Grants and other contributions not restricted	1,314,001	1,302,796	-	4,500	-	4,500
Other general revenues	150,383	260,449	8	-	150,391	260,449
Transfers	569,698	(1,205,879)	(569,698)	1,205,879	-	-
Total revenues	\$ 23,796,311	\$ 22,329,210	\$ (58,690)	\$ 1,210,379	\$ 23,737,621	\$ 23,539,589
General government administration	\$ 1,699,686	\$ 1,908,331	\$ -	\$ -	\$ 1,699,686	\$ 1,908,331
Judicial administration	838,473	799,809	-	-	838,473	799,809
Public safety	5,424,432	4,952,988	-	-	5,424,432	4,952,988
Public works	1,917,013	1,310,981	17,443	16,483	1,934,456	1,327,464
Health and welfare	2,647,115	2,586,611	-	-	2,647,115	2,586,611
Education	10,916,368	11,439,147	-	-	10,916,368	11,439,147
Parks, recreation, and cultural	210,063	31,285	-	-	210,063	31,285
Community development	456,267	605,475	-	-	456,267	605,475
Interest and other fiscal charges	274,329	255,179	-	-	274,329	255,179
Total expenses	\$ 24,383,746	\$ 23,889,806	\$ 17,443	\$ 16,483	\$ 24,401,189	\$ 23,906,289
Change in net position	\$ (587,435)	\$ (1,560,596)	\$ (76,133)	\$ 1,193,896	\$ (663,568)	\$ (366,700)
Net position, beginning of year	4,558,572	6,119,168	1,193,896	-	5,752,468	6,119,168
Net position, end of year	<u>\$ 3,971,137</u>	<u>\$ 4,558,572</u>	<u>\$ 1,117,763</u>	<u>\$ 1,193,896</u>	<u>\$ 5,088,900</u>	<u>\$ 5,752,468</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 \$5,442,445, a decrease of \$2,798,888 in comparison with the prior year. Approximately 62% 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 \$1,776,865.

During the year, budgetary estimates exceeded actual revenues and other sources of the General Fund by \$1,649,085. Budgetary estimates exceeded actual expenditures and other uses by \$1,953,946. The combination of the two resulted in a positive variance of \$304,861.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2017 amounts to \$10,221,179 (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 \$9,055,533. Of this amount, \$1,545,000 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 and capital leases).

The County's total debt decreased \$1,384,467 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 2018 fiscal year.

The fiscal year 2018 budget increased by approximately 1%. All property tax rates remained the same, with the exception of Real Estate tax increasing to \$0.59 per \$100 of assessed value.

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, 2017

	Primary Government		Total	Component Units	
	Governmental	Business-type		School Board	IDA
	Activities	Activities			
ASSETS					
Cash and cash equivalents	\$ 4,423,833	\$ 34,142	\$ 4,457,975	\$ 223,831	\$ 144,396
Receivables (net of allowance for uncollectibles):					
Taxes receivable	614,381	-	614,381	-	-
Accounts receivable	56,094	-	56,094	-	-
Due from other governmental units	733,418	-	733,418	1,419,020	-
Prepaid expenses	246,000	-	246,000	-	-
Restricted assets:					
Cash and cash equivalents- unspent bond proceeds	1,371,161	-	1,371,161	-	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	845,555	-	845,555	6,271	-
Buildings and improvements	6,455,267	379,102	6,834,369	6,903,222	-
Machinery and equipment	415,329	-	415,329	1,212,865	-
Infrastructure	2,414,404	-	2,414,404	-	-
Construction in progress	90,624	909,137	999,761	-	-
Total assets	<u>\$ 17,666,066</u>	<u>\$ 1,322,381</u>	<u>\$ 18,988,447</u>	<u>\$ 9,765,209</u>	<u>\$ 144,396</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 486,751	\$ -	\$ 486,751	\$ 1,215,443	\$ -
Items related to measurement of net pension liability	561,875	-	561,875	891,232	-
Total deferred outflows of resources	<u>\$ 1,048,626</u>	<u>\$ -</u>	<u>\$ 1,048,626</u>	<u>\$ 2,106,675</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 18,714,692</u>	<u>\$ 1,322,381</u>	<u>\$ 20,037,073</u>	<u>\$ 11,871,884</u>	<u>\$ 144,396</u>
LIABILITIES					
Accounts payable	\$ 446,041	\$ 34,618	\$ 480,659	\$ 207,739	\$ -
Accrued liabilities	-	-	-	1,268,591	-
Accrued interest payable	95,385	-	95,385	-	-
Due to other governmental units	1,005,254	-	1,005,254	-	-
Unearned revenue	2,496	-	2,496	-	-
Long-term liabilities:					
Due within one year	1,699,893	-	1,699,893	49,799	-
Due in more than one year	11,176,055	170,000	11,346,055	14,724,263	-
Total liabilities	<u>\$ 14,425,124</u>	<u>\$ 204,618</u>	<u>\$ 14,629,742</u>	<u>\$ 16,250,392</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 41,077	\$ -	\$ 41,077	\$ -	\$ -
Items related to measurement of net pension liability	277,354	-	277,354	656,000	-
Total deferred inflows of resources	<u>\$ 318,431</u>	<u>\$ -</u>	<u>\$ 318,431</u>	<u>\$ 656,000</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 2,505,456	\$ 1,118,239	\$ 3,623,695	\$ 8,122,358	\$ -
Restricted:					
Forfeited asset	13,964	-	13,964	-	-
Wetlands special project	10,325	-	10,325	-	-
Unrestricted (deficit)	1,441,392	(476)	1,440,916	(13,156,866)	144,396
Total net position	<u>\$ 3,971,137</u>	<u>\$ 1,117,763</u>	<u>\$ 5,088,900</u>	<u>\$ (5,034,508)</u>	<u>\$ 144,396</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 18,714,692</u>	<u>\$ 1,322,381</u>	<u>\$ 20,037,073</u>	<u>\$ 11,871,884</u>	<u>\$ 144,396</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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units	
					Governmental Activities	Business-type Activities		School Board	IDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,699,686	\$ -	\$ 226,468	\$ -	\$ (1,473,218)	\$ -	\$ (1,473,218)	\$ -	\$ -
Judicial administration	838,473	16,717	430,835	-	(390,921)	-	(390,921)	-	-
Public safety	5,424,432	465,844	1,326,962	-	(3,631,626)	-	(3,631,626)	-	-
Public works	1,917,013	14,182	-	-	(1,902,831)	-	(1,902,831)	-	-
Health and welfare	2,647,115	-	1,319,070	-	(1,328,045)	-	(1,328,045)	-	-
Education	10,916,368	-	-	-	(10,916,368)	-	(10,916,368)	-	-
Parks, recreation, and cultural	210,063	-	-	-	(210,063)	-	(210,063)	-	-
Community development	456,267	24	-	401,601	(54,642)	-	(54,642)	-	-
Interest on long-term debt	274,329	-	14,892	-	(259,437)	-	(259,437)	-	-
Total governmental activities	\$ 24,383,746	\$ 496,767	\$ 3,318,227	\$ 401,601	\$ (20,167,151)	\$ -	\$ (20,167,151)	\$ -	\$ -
Business-type activities:									
Sewer	\$ 17,443	\$ -	\$ -	\$ 511,000	\$ -	\$ 493,557	\$ 493,557	\$ -	\$ -
Total business-type activities	\$ 17,443	\$ -	\$ -	\$ 511,000	\$ -	\$ 493,557	\$ 493,557	\$ -	\$ -
Total primary government	\$ 24,401,189	\$ 496,767	\$ 3,318,227	\$ 912,601	\$ (20,167,151)	\$ 493,557	\$ (19,673,594)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 16,670,015	\$ 116,397	\$ 5,304,913	\$ -	\$ -	\$ -	\$ (11,248,705)	\$ -	\$ -
IDA	41,625	86,562	-	-	-	-	-	-	44,937
Total component units	\$ 16,711,640	\$ 202,959	\$ 5,304,913	\$ -	\$ -	\$ -	\$ (11,248,705)	\$ -	\$ 44,937
General revenues:									
General property taxes					\$ 15,493,614	\$ -	\$ 15,493,614	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					1,598,149	-	1,598,149	-	-
Motor vehicle licenses					195,978	-	195,978	-	-
Other local taxes					257,893	-	257,893	-	-
Unrestricted revenues from use of money and property					130,432	8	130,440	2,374	63
Miscellaneous					19,951	-	19,951	89,337	-
Payments from Lancaster County					-	-	-	10,541,661	-
Grants and contributions not restricted to specific programs					1,314,001	-	1,314,001	-	-
Transfers					569,698	(569,698)	-	-	-
Total general revenues and transfers					\$ 19,579,716	\$ (569,690)	\$ 19,010,026	\$ 10,633,372	\$ 63
Change in net position					\$ (587,435)	\$ (76,133)	\$ (663,568)	\$ (615,333)	\$ 45,000
Net position - beginning					4,558,572	1,193,896	5,752,468	(4,419,175)	99,396
Net position - ending					\$ 3,971,137	\$ 1,117,763	\$ 5,088,900	\$ (5,034,508)	\$ 144,396

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, 2017

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,870,465	\$ 29,130	\$ 524,238	\$ 4,423,833
Receivables (net of allowance for uncollectibles):				
Taxes receivable	614,381	-	-	614,381
Accounts receivable	56,094	-	-	56,094
Due from other funds	100,000	-	-	100,000
Due from other governmental units	733,418	-	-	733,418
Prepaid items	246,000	-	-	246,000
Restricted assets:				
Cash and cash equivalents	-	-	1,371,161	1,371,161
Total assets	<u>\$ 5,620,358</u>	<u>\$ 29,130</u>	<u>\$ 1,895,399</u>	<u>\$ 7,544,887</u>
LIABILITIES				
Accounts payable	\$ 427,507	\$ -	\$ 18,534	\$ 446,041
Due to other funds	-	-	100,000	100,000
Due to other governmental units	1,005,254	-	-	1,005,254
Unearned revenue	-	2,496	-	2,496
Total liabilities	<u>\$ 1,432,761</u>	<u>\$ 2,496</u>	<u>\$ 118,534</u>	<u>\$ 1,553,791</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 548,651	\$ -	\$ -	\$ 548,651
Total deferred inflows of resources	<u>\$ 548,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,651</u>
FUND BALANCES				
Nonspendable	\$ 246,000	\$ -	\$ -	\$ 246,000
Restricted	-	24,289	-	24,289
Committed	-	2,345	1,776,865	1,779,210
Unassigned	3,392,946	-	-	3,392,946
Total fund balances	<u>\$ 3,638,946</u>	<u>\$ 26,634</u>	<u>\$ 1,776,865</u>	<u>\$ 5,442,445</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,620,358</u>	<u>\$ 29,130</u>	<u>\$ 1,895,399</u>	<u>\$ 7,544,887</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, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,442,445
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 17,715,842		
Accumulated depreciation	<u>(7,494,663)</u>		10,221,179

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

Unavailable revenue - property taxes	\$ 507,574		
Deferred inflows related to measurement of net pension liability	<u>(277,354)</u>		230,220

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		486,751
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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	\$ (7,285,000)		
General obligations bond	(1,545,000)		
Accrued interest payable	(95,385)		
Capital lease	(55,533)		
Bond premium	(201,351)		
Net pension liability	(3,567,171)		
Deferred outflows related to measurement of net pension liability	561,875		
Compensated absences	<u>(221,893)</u>		(12,409,458)

Net position of governmental activities	\$	<u><u>3,971,137</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Lancaster, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 15,593,585	\$ -	\$ -	\$ 15,593,585
Other local taxes	2,052,020	-	-	2,052,020
Permits, privilege fees, and regulatory licenses	137,953	-	-	137,953
Fines and forfeitures	24,333	-	-	24,333
Revenue from the use of money and property	111,963	37	18,432	130,432
Charges for services	334,481	-	-	334,481
Miscellaneous	18,951	1,000	-	19,951
Recovered costs	31,911	-	-	31,911
Intergovernmental:				
Commonwealth	3,776,976	2,446	-	3,779,422
Federal	846,892	5,914	401,601	1,254,407
Total revenues	<u>\$ 22,929,065</u>	<u>\$ 9,397</u>	<u>\$ 420,033</u>	<u>\$ 23,358,495</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,586,908	\$ -	\$ -	\$ 1,586,908
Judicial administration	701,180	-	-	701,180
Public safety	5,165,831	-	-	5,165,831
Public works	1,445,692	-	-	1,445,692
Health and welfare	2,628,153	-	-	2,628,153
Education	10,528,885	-	-	10,528,885
Parks, recreation, and cultural	192,816	-	-	192,816
Community development	482,994	-	-	482,994
Capital projects	1,615,535	-	464,762	2,080,297
Debt service:				
Principal retirement	1,625,306	-	-	1,625,306
Interest and other fiscal charges	359,858	-	-	359,858
Total expenditures	<u>\$ 26,333,158</u>	<u>\$ -</u>	<u>\$ 464,762</u>	<u>\$ 26,797,920</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,404,093)</u>	<u>\$ 9,397</u>	<u>\$ (44,729)</u>	<u>\$ (3,439,425)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,143,718	\$ -	\$ -	\$ 2,143,718
Transfers out	-	(9,958)	(1,564,062)	(1,574,020)
Issuance of capital lease	70,839	-	-	70,839
Total other financing sources (uses)	<u>\$ 2,214,557</u>	<u>\$ (9,958)</u>	<u>\$ (1,564,062)</u>	<u>\$ 640,537</u>
Net change in fund balances	\$ (1,189,536)	\$ (561)	\$ (1,608,791)	\$ (2,798,888)
Fund balances - beginning	4,828,482	27,195	3,385,656	8,241,333
Fund balances - ending	<u>\$ 3,638,946</u>	<u>\$ 26,634</u>	<u>\$ 1,776,865</u>	<u>\$ 5,442,445</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, 2017

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

Net change in fund balances - total governmental funds \$ (2,798,888)

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

Capital asset additions	\$ 1,278,191	
Depreciation expense	(583,014)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(26,676)</u>	668,501

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

Property taxes	\$ (99,971)	
Decrease (increase) in deferred inflows related to measurement of net pension liability	<u>270,501</u>	170,530

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

Principal retirement of county lease revenue bonds	\$ 1,475,000	
Principal retirement of school general obligation bond	135,000	
Principal retirement of capital lease	15,306	
Issuance of capital lease	<u>(70,839)</u>	1,554,467

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

The following is a summary of items supporting this adjustment:

Amortization of bond premium	\$ 72,943	
(Increase) decrease in compensated absences	(12,423)	
(Increase) decrease in net pension liability	(437,987)	
(Increase) decrease in deferred outflows related to pension payments subsequent to the measurement date	(99,717)	
Increase (decrease) in deferred outflows related to measurement of net pension liability	282,553	
(Increase) decrease in accrued interest payable	<u>12,586</u>	(182,045)

Change in net position of governmental activities \$ (587,435)

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

County of Lancaster, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2017

	Enterprise Fund
	<u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 34,142
Noncurrent assets:	
Capital assets:	
Buildings and improvements	\$ 379,102
Construction in progress	909,137
Total net capital assets	\$ 1,288,239
Total noncurrent assets	\$ 1,288,239
Total assets	\$ 1,322,381
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 34,618
Total current liabilities	\$ 34,618
Noncurrent liabilities:	
Bonds payable	\$ 170,000
Total noncurrent liabilities	\$ 170,000
Total liabilities	\$ 204,618
NET POSITION	
Net investment in capital assets	\$ 1,118,239
Unrestricted	(476)
Total net position	\$ 1,117,763

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

County of Lancaster, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	Enterprise Fund
	<u>Sewer</u>
OPERATING EXPENSES	
Repairs and maintenance	\$ 960
Depreciation	16,483
Total operating expenses	\$ 17,443
Operating income (loss)	\$ (17,443)
NONOPERATING REVENUES (EXPENSES)	
Rural development grant	\$ 511,000
Interest income	8
Total nonoperating revenues (expenses)	\$ 511,008
Income before contributions and transfers	\$ 493,565
Transfers out	\$ (569,698)
Change in net position	\$ (76,133)
Total net position - beginning	1,193,896
Total net position - ending	\$ 1,117,763

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

County of Lancaster, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Enterprise Fund
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments for operating expenses	\$ 33,658
Net cash provided by (used for) operating activities	\$ 33,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (569,698)
Operating subsidy from federal grant	511,000
Net cash provided by (used for) noncapital financing activities	\$ (58,698)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (115,326)
Proceeds from indebtedness	170,000
Net cash provided by (used for) capital and related financing activities	\$ 54,674
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 8
Net cash provided (used) by investing activities	\$ 8
Net increase (decrease) in cash and cash equivalents	\$ 29,642
Cash and cash equivalents - beginning	4,500
Cash and cash equivalents - ending	\$ 34,142
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (17,443)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	16,483
Increase (decrease) in accounts payable	34,618
Total adjustments	\$ 51,101
Net cash provided by (used for) operating activities	\$ 33,658

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

County of Lancaster, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 16,011
Total assets	\$ 16,011
 LIABILITIES	
Accounts payable	\$ 4,877
Amounts held for social services clients	11,134
Total liabilities	\$ 16,011

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2017

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Lancaster (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2017.

Discretely Presented Component Units. The School Board members are elected by the citizens of Lancaster County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2017.

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, 2017. The Industrial Development Authority does not issue a separate financial report.

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

None

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

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

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

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

1. Governmental Funds

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

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

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

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

2. Proprietary Funds

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

Enterprise Funds

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$349,267 at June 30, 2017 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, 2017

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

H. Capital Assets

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

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

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

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

J. Pensions

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

K. Use of Estimates

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

L. Net Position

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

M. Net Position Flow Assumption

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

N. Deferred Outflows/Inflows of Resources

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

N. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on the pension item, reference the pension note.

O. Fund Equity

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

O. Fund Equity (Continued)

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

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

	General Fund	Major Special Revenue Fund County Special Revenue Fund	Major Capital Projects Fund County Capital Projects Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 246,000	\$ -	\$ -	\$ 246,000
Total Nonspendable	<u>\$ 246,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,000</u>
Restricted:				
Forfeited asset	\$ -	\$ 13,964	\$ -	\$ 13,964
Wetlands special project	-	10,325	-	10,325
Total Restricted	<u>\$ -</u>	<u>\$ 24,289</u>	<u>\$ -</u>	<u>\$ 24,289</u>
Committed:				
Sheriff's K-9 Unit	\$ -	\$ 2,345	\$ -	\$ 2,345
Capital Improvements	-	-	1,776,865	1,776,865
Total Committed	<u>\$ -</u>	<u>\$ 2,345</u>	<u>\$ 1,776,865</u>	<u>\$ 1,779,210</u>
Unassigned	\$ 3,392,946	\$ -	\$ -	\$ 3,392,946
Total	<u><u>\$ 3,638,946</u></u>	<u><u>\$ 26,634</u></u>	<u><u>\$ 1,776,865</u></u>	<u><u>\$ 5,442,445</u></u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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

P. Long-term Obligations

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds:

County Capital Projects Fund	\$464,762
School Cafeteria Fund	15,898

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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, 2017 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 6,806
State Non-Arbitrage Pool	<u>132,629</u>
Total	<u>\$ 139,435</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Bond proceeds subject to arbitrage rebate are invested in the SNAP by County. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. This conversion was completed in November 2016. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U. S. Government securities (including securities issued or guaranteed by the U. S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 6,806	\$ 6,806
State Non-Arbitrage Pool	132,629	132,629
Total	<u>\$ 139,435</u>	<u>\$ 139,435</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 4—Due to/from Other Governments:

At June 30, 2017, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	\$ -	\$ 1,002,706
Commonwealth of Virginia:		
Local sales tax	301,528	230,428
Welfare	27,851	-
Local jails	19,876	-
Constitutional officer reimbursements	162,942	-
Recordation tax	12,685	-
Auto rental tax	605	-
Mobile home titling tax	3,972	-
Comprehensive services act	86,126	-
E-911 wireless	7,566	-
Communications tax	51,394	-
VHDA fees	2,526	-
Federal Government:		
School fund grants	-	185,886
Welfare	56,347	-
	<u>\$ 733,418</u>	<u>\$ 1,419,020</u>

At June 30, 2017, amounts due to other governmental units are as follows:

Other Local Governments:		
Lancaster County School Board	\$ 1,002,706	\$ -
Town of White Stone	438	-
Town of Kilmarnock	1,741	-
Town of Irvington	369	-
	<u>\$ 1,005,254</u>	<u>\$ -</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Primary Government:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 845,555	\$ -	\$ -	\$ 845,555
Construction in progress	1,543,951	1,088,151	2,541,478	90,624
Total capital assets not subject to depreciation	<u>\$ 2,389,506</u>	<u>\$ 1,088,151</u>	<u>\$ 2,541,478</u>	<u>\$ 936,179</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,248,896	\$ 35,945	\$ -	\$ 7,284,841
Infrastructure	-	2,541,478	-	2,541,478
Machinery and equipment	3,207,758	154,095	20,452	3,341,401
Jointly owned assets	3,674,306	-	62,363	3,611,943
Total capital assets subject to depreciation	<u>\$ 14,130,960</u>	<u>\$ 2,731,518</u>	<u>\$ 82,815</u>	<u>\$ 16,779,663</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,191,976	\$ 182,600	\$ -	\$ 2,374,576
Infrastructure	-	127,074	-	127,074
Machinery and equipment	2,781,508	165,016	20,452	2,926,072
Jointly owned assets	1,994,304	108,324	35,687	2,066,941
Total accumulated depreciation	<u>\$ 6,967,788</u>	<u>\$ 583,014</u>	<u>\$ 56,139</u>	<u>\$ 7,494,663</u>
Total capital assets subject to depreciation, net	<u>\$ 7,163,172</u>	<u>\$ 2,148,504</u>	<u>\$ 26,676</u>	<u>\$ 9,285,000</u>
Governmental activities capital assets, net	<u>\$ 9,552,678</u>	<u>\$ 3,236,655</u>	<u>\$ 2,568,154</u>	<u>\$ 10,221,179</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

A summary of proprietary fund property, plant, and equipment at June 30, 2017 follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Construction in progress	\$ 793,811	\$ 115,326	\$ -	\$ 909,137
Capital assets subject to depreciation:				
Buildings and improvements	\$ 412,068	\$ -	\$ -	\$ 412,068
Accumulated depreciation:				
Buildings and improvements	\$ 16,483	\$ 16,483	\$ -	\$ 32,966
Total capital assets subject to depreciation, net	\$ 395,585	\$ (16,483)	\$ -	\$ 379,102
Business-type activities capital assets, net	<u>\$ 1,189,396</u>	<u>\$ 98,843</u>	<u>\$ -</u>	<u>\$ 1,288,239</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<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	4,355,584	288,100	23,528	4,620,156
Jointly owned assets	16,008,498	-	(62,363)	16,070,861
Total capital assets subject to depreciation	<u>\$ 20,415,182</u>	<u>\$ 288,100</u>	<u>\$ (38,835)</u>	<u>\$ 20,742,117</u>
Accumulated depreciation:				
Buildings and improvements	\$ 18,758	\$ 3,395	\$ -	\$ 22,153
Machinery and equipment	3,118,412	312,407	23,528	3,407,291
Jointly owned assets	8,688,942	471,957	(35,687)	9,196,586
Total accumulated depreciation	<u>\$ 11,826,112</u>	<u>\$ 787,759</u>	<u>\$ (12,159)</u>	<u>\$ 12,626,030</u>
Total capital assets subject to depreciation, net	<u>\$ 8,589,070</u>	<u>\$ (499,659)</u>	<u>\$ (26,676)</u>	<u>\$ 8,116,087</u>
Component unit school board capital assets, net	<u>\$ 8,595,341</u>	<u>\$ (499,659)</u>	<u>\$ (26,676)</u>	<u>\$ 8,122,358</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 13,424
Judicial administration	138,665
Public safety	276,243
Health and welfare	29,111
Education	108,324
Parks, recreation and cultural	<u>17,247</u>
Total Governmental activities	<u>\$ 583,014</u>
Business-type Activities	<u>\$ 16,483</u>
Component Unit School Board	<u>\$ 787,759</u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General fund	\$ 2,143,718	\$ -
County capital projects fund	-	1,564,062
County special revenue fund	-	9,958
Sewer	<u>-</u>	<u>569,698</u>
Total	<u>\$ 2,143,718</u>	<u>\$ 2,143,718</u>

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

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2017:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 209,470	\$ 33,370	\$ 20,947	\$ 221,893	\$ 22,189
Net pension liability	3,129,184	1,944,174	1,506,187	3,567,171	-
Lease revenue bonds	8,760,000	-	1,475,000	7,285,000	1,525,000
Capital Lease (Note 8)	-	70,839	15,306	55,533	12,704
Total incurred by County	\$ 12,098,654	\$ 2,048,383	\$ 3,017,440	\$ 11,129,597	\$ 1,559,893
Incurred by School Board:					
General obligation bond	\$ 1,680,000	\$ -	\$ 135,000	\$ 1,545,000	\$ 140,000
Bond premium	274,294	-	72,943	201,351	-
Total incurred by School Board	\$ 1,954,294	\$ -	\$ 207,943	\$ 1,746,351	\$ 140,000
Total Governmental Activities Obligations	\$ 14,052,948	\$ 2,048,383	\$ 3,225,383	\$ 12,875,948	\$ 1,699,893
Business-type Activities Obligations:					
Revenue bond	\$ -	\$ 170,000	\$ -	\$ 170,000	\$ -
Total Business-type Activities Obligations	\$ -	\$ 170,000	\$ -	\$ 170,000	\$ -
Total Primary Government Obligations	\$ 14,052,948	\$ 2,218,383	\$ 3,225,383	\$ 13,045,948	\$ 1,699,893

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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
2018	\$ 1,525,000	\$ 169,356
2019	1,312,000	124,636
2020	702,000	97,856
2021	717,000	82,412
2022	733,000	66,638
2023	749,000	50,512
2024	765,000	34,034
2025	782,000	17,204
Total	<u>\$ 7,285,000</u>	<u>\$ 642,648</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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
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>\$ 1,545,000</u>	<u>\$ 381,587</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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	Business-type Activities	
	Revenue Bond	
	Principal	Interest
2018	\$ -	\$ 2,338
2019	1,713	3,499
2020	3,448	2,300
2021	3,502	2,246
2022	3,551	2,197
2023	3,600	2,148
2024	3,644	2,104
2025	3,700	2,048
2026	3,751	1,997
2027	3,803	1,945
2028	3,851	1,897
2029	3,909	1,839
2030	3,963	1,785
2031	4,018	1,730
2032	4,069	1,679
2033	4,130	1,618
2034	4,187	1,561
2035	4,245	1,503
2036	4,300	1,448
2037	4,364	1,384
2038	4,424	1,324
2039	4,485	1,263
2040	4,544	1,204
2041	4,610	1,138
2042	4,674	1,074
2043	4,739	1,009
2044	4,802	946
2045	4,871	877
2046	4,938	810
2047	5,007	741
2048	5,074	674
2049	5,146	602
2050	5,218	530
2051	5,290	458
2052	5,362	386
2053	5,437	311
2054	5,513	235
2055	5,589	159
2056	5,666	82
2057	2,863	11
Total	<u>\$ 170,000</u>	<u>\$ 53,100</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>
<i>Incurred by County:</i>	
<u>Capital Lease:</u>	
\$70,839 Capital lease issued October 26, 2016, secured by a leasehold interest in the equipment. Due in yearly installments of \$16,008 (principal plus interest) through November 11, 2020, with interest rate of 5.95%	\$ 55,533
<u>Lease Revenue Bonds:</u>	
\$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	\$ 1,225,000
\$7,107,000 lease revenue bond issued September 26, 2014 due in annual installments of varying amounts through January 15, 2025, with interest rate of 2.2%	5,807,000
\$981,000 lease revenue bond issued September 26, 2014 due in annual installments of varying amounts through January 15, 2018, with interest rate of 1.5%	<u>253,000</u>
Total Revenue Bonds	<u>\$ 7,285,000</u>
Compensated absences (payable from General Fund)	<u>\$ 221,893</u>
Net pension liability	<u>\$ 3,567,171</u>
Total incurred by County	<u>\$ 11,129,597</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

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%.	\$ 1,545,000
Bond premium	<u>201,351</u>
Total incurred by School Board	<u>\$ 1,746,351</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 12,875,948</u></u>

	<u>Total Amount</u>
<i>Business-type Activities:</i>	
<u>Revenue Bond:</u>	
\$170,000 Revenue Bond issued December 14, 2016, due in monthly installments of \$479 (principal plus interest) beginning January 15, 2019 through December 12, 2056, with interest rate of 1.375%. Additionally, interest only payments of \$2,338 due December 15, 2017 and 2018	<u>\$ 170,000</u>
Total Revenue Bonds	<u>\$ 170,000</u>
Total incurred by County	<u>\$ 170,000</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 429,131	\$ 111,773	\$ 42,913	\$ 497,991	\$ 49,799
Net pension liability	12,904,706	3,240,831	1,869,466	14,276,071	-
Total Component Unit-School Board	<u>\$ 13,333,837</u>	<u>\$ 3,352,604</u>	<u>\$ 1,912,379</u>	<u>\$ 14,774,062</u>	<u>\$ 49,799</u>

Note 8—Capital Leases:

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

⁴⁴

The assets acquired through capital leases are as follows:

Asset:	Primary Government
Equipment	\$ 70,294
Less: accumulated depreciation	(14,059)
Total	<u>\$ 56,235</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017, are as follows:

Year Ended June 30	Primary Government
2017	\$ 64,033
Total minimum lease payments	\$ 64,033
Less: amount representing interest	(8,500)
Present value of minimum lease payments	\$ 55,533

Note 9—Unearned and Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$507,574 at June 30, 2017.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$41,077 at June 30, 2017.

Unearned Revenue - Other miscellaneous unearned revenue items totaled \$2,496, all of which was related to asset forfeiture grant funds.

Note 10—Contingent Liabilities:

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 11—Litigation:

At June 30, 2017, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12 –Risk Management:

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

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

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

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

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Note 13—Pension Plan:

Plan Description

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)</p> <p><u>Defined Contributions Component:</u> (Cont.)</p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017

Note 13—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	56	26
Inactive members:		
Vested inactive members	5	-
Non-vested inactive members	8	6
Inactive members active elsewhere in VRS	41	9
Total inactive members	54	15
Active members	99	46
Total covered employees	209	87

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2017 was 10.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$486,751 and \$581,264 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 9.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Note 13—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$84,476 and \$90,270 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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Note 13—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 13—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at June 30, 2015	\$ 20,505,628	\$ 17,376,444	\$ 3,129,184
Changes for the year:			
Service cost	\$ 531,291	\$ -	\$ 531,291
Interest	1,401,918	-	1,401,918
Differences between expected and actual experience	(388,741)	-	(388,741)
Contributions - employer	-	581,264	(581,264)
Contributions - employee	-	235,664	(235,664)
Net investment income	-	300,518	(300,518)
Benefit payments, including refunds			
Refunds of employee contributions	(956,461)	(956,461)	-
Administrative expenses	-	(10,836)	10,836
Other changes	-	(129)	129
Net changes	<u>\$ 588,007</u>	<u>\$ 150,020</u>	<u>\$ 437,987</u>
Balances at June 30, 2016	<u>\$ 21,093,635</u>	<u>\$ 17,526,464</u>	<u>\$ 3,567,171</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 13—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 3,069,328	\$ 2,611,622	\$ 457,706
Changes for the year:			
Service cost	\$ 91,102	\$ -	\$ 91,102
Interest	210,460	-	210,460
Differences between expected and actual experience	59,648	-	59,648
Contributions - employer	-	90,270	(90,270)
Contributions - employee	-	41,274	(41,274)
Net investment income	-	46,922	(46,922)
Benefit payments, including refunds			
Refunds of employee contributions	(125,526)	(125,526)	-
Administrative expenses	-	(1,602)	1,602
Other changes	-	(19)	19
Net changes	\$ 235,684	\$ 51,319	\$ 184,365
Balances at June 30, 2016	\$ 3,305,012	\$ 2,662,941	\$ 642,071

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 6,053,577	\$ 3,567,171	\$ 1,475,240
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,028,314	\$ 642,071	\$ 315,923

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 13—Pension Plan: (Continued)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$466,197 and \$100,524, respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 103,291	\$ 277,354	\$ 42,473	\$ -
Net difference between projected and actual earnings on pension plan investments	458,584	-	69,759	-
Employer contributions subsequent to the measurement date	486,751	-	84,476	-
Total	<u>\$ 1,048,626</u>	<u>\$ 277,354</u>	<u>\$ 196,708</u>	<u>\$ -</u>

\$486,751 and \$84,476 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2018	\$ (31,229)	\$ 21,496
2019	(73,419)	20,148
2020	207,055	43,378
2021	182,114	27,210
2022	-	-
Thereafter	-	-

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,130,967 and \$1,155,374 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$13,634,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.09729% as compared to 0.09889% at June 30, 2015.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$1,113,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 442,000
Net difference between projected and actual earnings on pension plan investments	779,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	214,000
Employer contributions subsequent to the measurement date	<u>1,130,967</u>	<u>-</u>
Total	<u>\$ 1,909,967</u>	<u>\$ 656,000</u>

\$1,130,967 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (151,000)
2019	(151,000)
2020	293,000
2021	177,000
2022	(45,000)
Thereafter	-

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>14,014,115</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

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

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Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	19,435,000 \$	13,634,000 \$	8,855,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017

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. Dickson, Treasurer	400,000
George E. Thomas, Jr., Commissioner of the Revenue	3,000
Patrick McCranie, Sheriff	30,000
Fidelity and Deposit Company of Maryland-Surety:	
All School Board Employees-blanket bond	25,000
VA Risk Pool-Surety:	
All Department of Social Services Employees-blanket bond	1,000,000

Note 15– Jointly Governed Organizations:

The County in conjunction with other localities has created the Middle Peninsula/Northern Neck Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year the County contributed \$37,848, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 16– Other Postemployment Benefits - Health Insurance Credit:

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 12.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 16-Other Postemployment Benefits - Health Insurance Credit: (Continued)

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 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$88,093, \$88,093, and \$77,841, respectively and equaled the required contributions for each year.

Note 17-Postclosure Costs:

Old County Landfill

The County demonstrated financial assurance requirements for postclosure care and corrective action costs, if any, through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA20-70 of the Virginia Administrative Code. In addition, the County closed its landfill in August 1996 and is liable for the postclosure monitoring for a period of ten years. The amount reported as landfill postclosure liability at June 30, 2017 represents the estimated liability for postclosure monitoring of \$0 over a period of one year. This amount is based on what it would cost to perform all postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Note 18-Upcoming Pronouncements:

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

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2017

Note 18-Upcoming Pronouncements: (Continued)

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Lancaster, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
General property taxes	\$ 15,820,800	\$ 15,820,800	\$ 15,593,585	\$ (227,215)
Other local taxes	2,240,000	2,240,000	2,052,020	(187,980)
Permits, privilege fees, and regulatory licenses	99,500	99,500	137,953	38,453
Fines and forfeitures	8,600	8,600	24,333	15,733
Revenue from the use of money and property	95,000	95,000	111,963	16,963
Charges for services	393,500	393,500	334,481	(59,019)
Miscellaneous	40,000	40,000	18,951	(21,049)
Recovered costs	24,600	24,600	31,911	7,311
Intergovernmental:				
Commonwealth	4,222,803	4,182,454	3,776,976	(405,478)
Federal	765,044	801,435	846,892	45,457
Total revenues	<u>\$ 23,709,847</u>	<u>\$ 23,705,889</u>	<u>\$ 22,929,065</u>	<u>\$ (776,824)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,568,935	\$ 1,568,935	\$ 1,586,908	\$ (17,973)
Judicial administration	742,345	743,310	701,180	42,130
Public safety	5,042,565	5,170,969	5,165,831	5,138
Public works	1,200,403	1,200,403	1,445,692	(245,289)
Health and welfare	2,995,770	2,995,770	2,628,153	367,617
Education	10,890,254	10,890,254	10,528,885	361,369
Parks, recreation, and cultural	192,595	192,595	192,816	(221)
Community development	488,582	488,582	482,994	5,588
Capital projects	3,048,818	3,048,818	1,615,535	1,433,283
Debt service:				
Principal retirement	1,567,000	1,567,000	1,625,306	(58,306)
Interest and other fiscal charges	355,178	420,468	359,858	60,610
Total expenditures	<u>\$ 28,092,445</u>	<u>\$ 28,287,104</u>	<u>\$ 26,333,158</u>	<u>\$ 1,953,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,382,598)</u>	<u>\$ (4,581,215)</u>	<u>\$ (3,404,093)</u>	<u>\$ 1,177,122</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,086,818	\$ 3,086,818	\$ 2,143,718	\$ (943,100)
Issuance of capital lease	-	-	70,839	70,839
Total other financing sources (uses)	<u>\$ 3,086,818</u>	<u>\$ 3,086,818</u>	<u>\$ 2,214,557</u>	<u>\$ (872,261)</u>
Net change in fund balances	\$ (1,295,780)	\$ (1,494,397)	\$ (1,189,536)	\$ 304,861
Fund balances - beginning	1,295,780	1,494,397	4,828,482	3,334,085
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,638,946</u>	<u>\$ 3,638,946</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 37	\$ 37
Miscellaneous	-	-	1,000	1,000
Intergovernmental:				
Commonwealth	-	-	2,446	2,446
Federal	-	965	5,914	4,949
Total revenues	\$ -	\$ 965	\$ 9,397	\$ 8,432
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 965	\$ 9,397	\$ 8,432
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (22,519)	\$ (9,958)	\$ 12,561
Total other financing sources (uses)	\$ -	\$ (22,519)	\$ (9,958)	\$ 12,561
Net change in fund balances	\$ -	\$ (21,554)	\$ (561)	\$ 20,993
Fund balances - beginning	-	21,554	27,195	5,641
Fund balances - ending	\$ -	\$ -	\$ 26,634	\$ 26,634

County of Lancaster, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 531,291	\$ 504,777	\$ 513,722
Interest	1,401,918	1,320,944	1,253,422
Differences between expected and actual experience	(388,741)	248,771	-
Benefit payments, including refunds of employee contributions	(956,461)	(878,972)	(726,122)
Net change in total pension liability	\$ 588,007	\$ 1,195,520	\$ 1,041,022
Total pension liability - beginning	20,505,628	19,310,108	18,269,086
Total pension liability - ending (a)	<u>\$ 21,093,635</u>	<u>\$ 20,505,628</u>	<u>\$ 19,310,108</u>
Plan fiduciary net position			
Contributions - employer	\$ 581,264	\$ 573,585	\$ 562,794
Contributions - employee	235,664	230,155	222,340
Net investment income	300,518	767,978	2,278,553
Benefit payments, including refunds of employee contributions	(956,461)	(878,972)	(726,122)
Administrative expense	(10,836)	(10,432)	(12,131)
Other	(129)	(160)	120
Net change in plan fiduciary net position	\$ 150,020	\$ 682,154	\$ 2,325,554
Plan fiduciary net position - beginning	17,376,444	16,694,290	14,368,736
Plan fiduciary net position - ending (b)	<u>\$ 17,526,464</u>	<u>\$ 17,376,444</u>	<u>\$ 16,694,290</u>
County's net pension liability - ending (a) - (b)	\$ 3,567,171	\$ 3,129,184	\$ 2,615,818
Plan fiduciary net position as a percentage of the total pension liability	83.09%	84.74%	86.45%
Covered payroll	\$ 4,553,321	\$ 4,471,202	\$ 4,304,657
County's net pension liability as a percentage of covered payroll	78.34%	69.99%	60.77%

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

County of Lancaster, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 91,102	\$ 88,092	\$ 94,669
Interest	210,460	198,993	187,434
Differences between expected and actual experience	59,648	4,221	-
Benefit payments, including refunds of employee contributions	(125,526)	(129,468)	(104,491)
Net change in total pension liability	\$ 235,684	\$ 161,838	\$ 177,612
Total pension liability - beginning	3,069,328	2,907,490	2,729,878
Total pension liability - ending (a)	\$ 3,305,012	\$ 3,069,328	\$ 2,907,490
Plan fiduciary net position			
Contributions - employer	\$ 90,270	\$ 89,468	\$ 95,208
Contributions - employee	41,274	41,189	38,144
Net investment income	46,922	114,353	338,585
Benefit payments, including refunds of employee contributions	(125,526)	(129,468)	(104,491)
Administrative expense	(1,602)	(1,541)	(1,785)
Other	(19)	(26)	18
Net change in plan fiduciary net position	\$ 51,319	\$ 113,975	\$ 365,679
Plan fiduciary net position - beginning	2,611,622	2,497,647	2,131,968
Plan fiduciary net position - ending (b)	\$ 2,662,941	\$ 2,611,622	\$ 2,497,647
School Division's net pension liability - ending (a) - (b)	\$ 642,071	\$ 457,706	\$ 409,843
Plan fiduciary net position as a percentage of the total pension liability	80.57%	85.09%	85.90%
Covered payroll	\$ 853,609	\$ 841,096	\$ 762,880
School Division's net pension liability as a percentage of covered payroll	75.22%	54.42%	53.72%

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

County of Lancaster, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09729%	0.09889%	0.09898%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 13,634,000	\$ 12,447,000	\$ 11,962,000
Employer's Covered Payroll	8,217,454	7,352,110	7,224,751
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.92%	169.30%	165.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

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

County of Lancaster, Virginia
 Schedule of Employer Contributions
 For the Years Ended June 30, 2015 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2017	\$ 486,751	\$ 486,751	\$ -	\$ 4,640,146	10.49%
2016	581,264	581,264	-	4,553,321	12.77%
2015	573,585	573,585	-	4,471,202	12.83%
2014	563,049	563,049	-	4,304,657	13.08%
2013	531,602	531,602	-	4,064,234	13.08%
2012	431,242	431,242	-	3,796,146	11.36%
2011	468,069	468,069	-	4,120,328	11.36%
2010	367,116	367,116	-	3,780,806	9.71%
2009	359,675	359,675	-	3,704,173	9.71%
2008	458,883	458,883	-	3,463,272	13.25%
Component Unit School Board (nonprofessional)					
2017	\$ 84,476	\$ 84,476	\$ -	\$ 850,716	9.93%
2016	90,270	90,270	-	853,609	10.58%
2015	89,468	89,468	-	841,096	10.64%
2014	95,207	95,207	-	762,880	12.48%
2013	100,762	100,762	-	807,389	12.48%
2012	83,208	83,208	-	769,734	10.81%
2011	84,780	84,780	-	784,278	10.81%
2010	94,226	94,226	-	781,962	12.05%
2009	94,793	94,793	-	786,662	12.05%
2008	86,718	86,718	-	786,204	11.03%
Component Unit School Board (professional)					
2017	\$ 1,130,967	\$ 1,130,967	\$ -	\$ 7,738,485	14.61%
2016	1,155,374	1,155,374	-	8,217,454	14.06%
2015	1,066,056	1,066,056	-	7,352,110	14.50%
2014	842,406	842,406	-	7,224,751	11.66%
2013	811,193	811,193	-	6,957,058	11.66%
2012	463,563	463,563	-	7,323,270	6.33%
2011	279,119	279,119	-	7,102,265	3.93%
2010	617,285	617,285	-	7,006,640	8.81%
2009	631,709	631,709	-	7,170,363	8.81%
2008	765,358	765,358	-	7,430,660	10.30%

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

County of Lancaster, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Lancaster, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 38,000	\$ 38,000	\$ 18,432	\$ (19,568)
Miscellaneous	150,000	150,000	-	(150,000)
Intergovernmental:				
Federal	-	-	401,601	401,601
Total revenues	<u>\$ 188,000</u>	<u>\$ 188,000</u>	<u>\$ 420,033</u>	<u>\$ 232,033</u>
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 464,762	\$ (464,762)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,762</u>	<u>\$ (464,762)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 188,000</u>	<u>\$ 188,000</u>	<u>\$ (44,729)</u>	<u>\$ (232,729)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (4,650,600)	\$ (5,120,385)	\$ (1,564,062)	\$ 3,556,323
Total other financing sources (uses)	<u>\$ (4,650,600)</u>	<u>\$ (5,120,385)</u>	<u>\$ (1,564,062)</u>	<u>\$ 3,556,323</u>
Net change in fund balances	\$ (4,462,600)	\$ (4,932,385)	\$ (1,608,791)	\$ 3,323,594
Fund balances - beginning	4,462,600	4,932,385	3,385,656	(1,546,729)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,776,865</u>	<u>\$ 1,776,865</u>

County of Lancaster, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2017

	Agency Fund
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 16,011
Total assets	\$ 16,011
LIABILITIES	
Accounts payable	\$ 4,877
Amounts held for social services clients	11,134
Total liabilities	\$ 16,011

County of Lancaster, Virginia
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2017

	<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	\$ 18,095	\$ 1,050	\$ 3,134	\$ 16,011
Liabilities:				
Accounts payable	\$ -	\$ 4,877	\$ -	\$ 4,877
Amounts held for social services clients	18,095	(3,827)	3,134	11,134
Total liabilities	\$ 18,095	\$ 1,050	\$ 3,134	\$ 16,011

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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, 2017

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 110,210	\$ 113,621	\$ 223,831
Receivables (net of allowance for uncollectibles):				
Due from other funds	19,763	-	-	19,763
Due from other governmental units	1,397,117	21,903	-	1,419,020
Total assets	<u>\$ 1,416,880</u>	<u>\$ 132,113</u>	<u>\$ 113,621</u>	<u>\$ 1,662,614</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 201,061	\$ -	\$ 6,678	\$ 207,739
Accrued liabilities	1,215,819	52,772	-	1,268,591
Due to other funds	-	19,763	-	19,763
Total liabilities	<u>\$ 1,416,880</u>	<u>\$ 72,535</u>	<u>\$ 6,678</u>	<u>\$ 1,496,093</u>
Fund balances:				
Committed	\$ -	\$ 59,578	\$ 106,943	\$ 166,521
Total fund balances	<u>\$ -</u>	<u>\$ 59,578</u>	<u>\$ 106,943</u>	<u>\$ 166,521</u>
Total liabilities and fund balances	<u>\$ 1,416,880</u>	<u>\$ 132,113</u>	<u>\$ 113,621</u>	<u>\$ 1,662,614</u>

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

Total fund balances per above \$ 166,521

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

Capital assets, cost	\$ 20,748,388	
Accumulated depreciation	<u>(12,626,030)</u>	8,122,358

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

Deferred inflows related to measurement of net pension liability		(656,000)
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Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		1,215,443
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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	\$ (497,991)	
Deferred outflows related to measurement of net pension liability	891,232	
Net pension liability	<u>(14,276,071)</u>	(13,882,830)

Net position of governmental activities		<u>\$ (5,034,508)</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, 2017

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 2,115	\$ 259	\$ -	\$ 2,374
Charges for services	6,800	109,597	-	116,397
Miscellaneous	85,052	4,285	-	89,337
Recovered costs	156,449	-	-	156,449
Intergovernmental:				
Local government	10,429,985	-	85,000	10,514,985
Commonwealth	3,928,739	9,516	29,639	3,967,894
Federal	851,674	485,345	-	1,337,019
Total revenues	<u>\$ 15,460,814</u>	<u>\$ 609,002</u>	<u>\$ 114,639</u>	<u>\$ 16,184,455</u>
EXPENDITURES				
Current:				
Education	\$ 15,460,814	\$ 621,791	\$ 55,477	\$ 16,138,082
Total expenditures	<u>\$ 15,460,814</u>	<u>\$ 621,791</u>	<u>\$ 55,477</u>	<u>\$ 16,138,082</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (12,789)	\$ 59,162	\$ 46,373
Net change in fund balances	\$ -	\$ (12,789)	\$ 59,162	\$ 46,373
Fund balances - beginning	-	72,367	47,781	120,148
Fund balances - ending	<u>\$ -</u>	<u>\$ 59,578</u>	<u>\$ 106,943</u>	<u>\$ 166,521</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 \$ 46,373

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

Capital asset additions	\$ 288,100	
Depreciation expense	(787,759)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>26,676</u>	(472,983)

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

(Increase) decrease in deferred inflows related to measurement of net pension liability 394,664

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

This adjustment represents the net change in compensated absences.

(Increase) decrease in compensated absences	\$ (68,860)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(31,609)	
Increase (decrease) in deferred outflows related to measurement of net pension liability	888,447	
(Increase) decrease in net pension liability	<u>(1,371,365)</u>	(583,387)

Change in net position of governmental activities \$ (615,333)

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, 2017

	School Operating Fund				School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 1,600	\$ 1,600	\$ 2,115	\$ 515	\$ 250	\$ 250	\$ 259	\$ 9	\$ -	\$ -	\$ -	\$ -
Charges for services	5,900	5,900	6,800	900	110,000	115,635	109,597	(6,038)	-	-	-	-
Miscellaneous	96,737	109,872	85,052	(24,820)	-	-	4,285	4,285	-	-	-	-
Recovered costs	190,000	190,000	156,449	(33,551)	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	10,791,354	10,791,354	10,429,985	(361,369)	-	-	-	-	85,000	85,000	85,000	-
Commonwealth	3,959,227	4,017,604	3,928,739	(88,865)	7,762	7,762	9,516	1,754	30,606	30,606	29,639	(967)
Federal	867,224	874,917	851,674	(23,243)	440,168	482,246	485,345	3,099	-	-	-	-
Total revenues	\$ 15,912,042	\$ 15,991,247	\$ 15,460,814	\$ (530,433)	\$ 558,180	\$ 605,893	\$ 609,002	\$ 3,109	\$ 115,606	\$ 115,606	\$ 114,639	\$ (967)
EXPENDITURES												
Current:												
Education	\$ 15,912,042	\$ 15,991,247	\$ 15,460,814	\$ 530,433	\$ 563,815	\$ 605,893	\$ 621,791	\$ (15,898)	\$ 125,742	\$ 163,387	\$ 55,477	\$ 107,910
Total expenditures	\$ 15,912,042	\$ 15,991,247	\$ 15,460,814	\$ 530,433	\$ 563,815	\$ 605,893	\$ 621,791	\$ (15,898)	\$ 125,742	\$ 163,387	\$ 55,477	\$ 107,910
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ (5,635)	\$ -	\$ (12,789)	\$ (12,789)	\$ (10,136)	\$ (47,781)	\$ 59,162	\$ 106,943
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ (5,635)	\$ -	\$ (12,789)	\$ (12,789)	\$ (10,136)	\$ (47,781)	\$ 59,162	\$ 106,943
Fund balances - beginning	-	-	-	-	5,635	-	72,367	72,367	10,136	47,781	47,781	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,578	\$ 59,578	\$ -	\$ -	\$ 106,943	\$ 106,943

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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, 2017

ASSETS

Cash and cash equivalents	\$ 144,396
Total assets	<u>\$ 144,396</u>

NET POSITION

Unrestricted	\$ 144,396
Total net position	<u>\$ 144,396</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, 2017

OPERATING REVENUES

Charges for services:

Bond fees	\$ 85,712
Other revenues	850
Total operating revenues	<u>\$ 86,562</u>

OPERATING EXPENSES

Other expenses	\$ 41,625
Total operating expenses	<u>\$ 41,625</u>

Operating income (loss)	<u>\$ 44,937</u>
-------------------------	------------------

NONOPERATING REVENUES (EXPENSES)

Interest income	<u>\$ 63</u>
-----------------	--------------

Total nonoperating revenues (expenses)	<u>\$ 63</u>
--	--------------

Change in net position	\$ 45,000
------------------------	-----------

Total net position - beginning	99,396
Total net position - ending	<u><u>\$ 144,396</u></u>

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 86,562
Payments for operating activities	(41,625)
Net cash provided by (used for) operating activities	<u>\$ 44,937</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>\$ 63</u>
Net cash provided by (used for) investing activities	<u>\$ 63</u>

Net increase (decrease) in cash and cash equivalents	\$ 45,000
--	-----------

Cash and cash equivalents - beginning	99,396
Cash and cash equivalents - ending	<u><u>\$ 144,396</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, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,900,000	\$ 13,900,000	\$ 13,474,507	\$ (425,493)
Real and personal public service corporation taxes	310,000	310,000	322,149	12,149
Personal property taxes	1,225,000	1,225,000	1,373,844	148,844
Mobile home taxes	27,500	27,500	30,645	3,145
Machinery and tools taxes	4,300	4,300	3,903	(397)
Merchant's capital taxes	114,000	114,000	116,289	2,289
Penalties	180,000	180,000	217,038	37,038
Interest	60,000	60,000	55,210	(4,790)
Total general property taxes	<u>\$ 15,820,800</u>	<u>\$ 15,820,800</u>	<u>\$ 15,593,585</u>	<u>\$ (227,215)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,840,000	\$ 1,840,000	\$ 1,598,149	\$ (241,851)
Consumption tax	40,000	40,000	42,378	2,378
Motor vehicle licenses	190,000	190,000	195,978	5,978
Bank stock taxes	30,000	30,000	28,845	(1,155)
Taxes on recordation and wills	140,000	140,000	186,670	46,670
Total other local taxes	<u>\$ 2,240,000</u>	<u>\$ 2,240,000</u>	<u>\$ 2,052,020</u>	<u>\$ (187,980)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 6,012	\$ 1,012
Land use application fees	500	500	475	(25)
Transfer fees	500	500	709	209
Permits and other licenses	93,500	93,500	130,757	37,257
Total permits, privilege fees, and regulatory licenses	<u>\$ 99,500</u>	<u>\$ 99,500</u>	<u>\$ 137,953</u>	<u>\$ 38,453</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 8,600	\$ 8,600	\$ 24,333	\$ 15,733
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 40,936	\$ 5,936
Revenue from use of property	60,000	60,000	71,027	11,027
Total revenue from use of money and property	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 111,963</u>	<u>\$ 16,963</u>
Charges for services:				
Courthouses maintenance fees	\$ 2,500	\$ 2,500	\$ 2,513	\$ 13
Charges for Commonwealth's Attorney	1,000	1,000	972	(28)
Charges for correction and detention	3,700	3,700	1,909	(1,791)
Charges for other protection	2,750	2,750	3,315	565
Sheriff's fees	1,000	1,000	1,048	48
Charges for sanitation and waste removal	9,000	9,000	14,182	5,182
Charges for planning and community development	100	100	24	(76)
Charges for ambulance and rescue services	360,000	360,000	297,286	(62,714)
Court fees	13,450	13,450	13,232	(218)
Total charges for services	<u>\$ 393,500</u>	<u>\$ 393,500</u>	<u>\$ 334,481</u>	<u>\$ (59,019)</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Schedule 1
 Page 2 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 40,000	\$ 40,000	\$ 18,951	\$ (21,049)
Recovered costs:				
Tri-county landfill	\$ 500	\$ 500	\$ -	\$ (500)
VHDA	24,000	24,000	31,911	7,911
Other recovered costs	100	100	-	(100)
Total recovered costs	\$ 24,600	\$ 24,600	\$ 31,911	\$ 7,311
Total revenue from local sources	\$ 18,722,000	\$ 18,722,000	\$ 18,305,197	\$ (416,803)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 300,000	\$ 300,000	\$ 312,613	\$ 12,613
Motor vehicle carriers' tax	10,000	10,000	4,075	(5,925)
Mobile home titling tax	7,000	7,000	14,158	7,158
Rolling stock tax	-	-	2	2
Additional tax on deeds	45,000	45,000	53,994	8,994
State recordation tax	61,000	61,000	58,141	(2,859)
Personal property tax relief funds	871,000	871,000	871,018	18
Total noncategorical aid	\$ 1,294,000	\$ 1,294,000	\$ 1,314,001	\$ 20,001
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 260,438	\$ 260,438	\$ 250,266	\$ (10,172)
Sheriff	1,211,041	1,211,041	1,180,870	(30,171)
Commissioner of revenue	95,737	95,737	89,279	(6,458)
Treasurer	89,991	89,991	88,402	(1,589)
Registrar/electoral board	41,000	41,000	37,029	(3,971)
Clerk of the Circuit Court	174,644	174,644	179,066	4,422
Local jails	50,000	50,000	62,324	12,324
Total shared expenses	\$ 1,922,851	\$ 1,922,851	\$ 1,887,236	\$ (35,615)
Other categorical aid:				
Public assistance and welfare administration	\$ 676,709	\$ 615,456	\$ 346,486	\$ (268,970)
Comprehensive services act	200,000	200,000	159,114	(40,886)
Victim-witness grant	64,243	64,243	-	(64,243)
Fire programs fund	25,000	25,000	-	(25,000)
Rescue squad assistance	-	20,904	13,887	(7,017)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Schedule 1
 Page 3 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ 40,000	\$ 40,000	\$ 44,494	\$ 4,494
Other state funds	-	-	11,758	11,758
Total other categorical aid	<u>\$ 1,005,952</u>	<u>\$ 965,603</u>	<u>\$ 575,739</u>	<u>\$ (389,864)</u>
Total categorical aid	<u>\$ 2,928,803</u>	<u>\$ 2,888,454</u>	<u>\$ 2,462,975</u>	<u>\$ (425,479)</u>
Total revenue from the Commonwealth	<u>\$ 4,222,803</u>	<u>\$ 4,182,454</u>	<u>\$ 3,776,976</u>	<u>\$ (405,478)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ (20,000)</u>
Categorical aid:				
Public assistance and welfare administration	\$ 745,044	\$ 773,935	\$ 813,470	\$ 39,535
State homeland security	-	-	2,542	2,542
Emergency management	-	7,500	14,485	6,985
BABs subsidy	-	-	14,892	14,892
Justice assistance	-	-	1,503	1,503
Total categorical aid	<u>\$ 745,044</u>	<u>\$ 781,435</u>	<u>\$ 846,892</u>	<u>\$ 65,457</u>
Total revenue from the federal government	<u>\$ 765,044</u>	<u>\$ 801,435</u>	<u>\$ 846,892</u>	<u>\$ 45,457</u>
Total General Fund	<u><u>\$ 23,709,847</u></u>	<u><u>\$ 23,705,889</u></u>	<u><u>\$ 22,929,065</u></u>	<u><u>\$ (776,824)</u></u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 37</u>
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 1,000	\$ 1,000
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,037</u>	<u>\$ 1,037</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture proceeds	\$ -	\$ -	\$ 2,446	\$ 2,446
Total revenue from the Commonwealth	\$ -	\$ -	\$ 2,446	\$ 2,446
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture proceeds	\$ -	\$ 965	\$ 5,914	\$ 4,949
Total revenue from the federal government	\$ -	\$ 965	\$ 5,914	\$ 4,949
Total County Special Revenue Fund	\$ -	\$ 965	\$ 9,397	\$ 8,432
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 38,000	\$ 38,000	\$ 18,432	\$ (19,568)
Total revenue from use of money and property	\$ 38,000	\$ 38,000	\$ 18,432	\$ (19,568)
Miscellaneous revenue:				
Miscellaneous	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
Total miscellaneous revenue	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
Total revenue from local sources	\$ 188,000	\$ 188,000	\$ 18,432	\$ (169,568)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 401,601	\$ 401,601
Total revenue from the federal government	\$ -	\$ -	\$ 401,601	\$ 401,601
Total County Capital Projects Fund	\$ 188,000	\$ 188,000	\$ 420,033	\$ 232,033
Total Primary Government	\$ 23,897,847	\$ 23,894,854	\$ 23,358,495	\$ (536,359)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,600	\$ 1,600	\$ 2,115	\$ 515
Charges for services:				
Charges for education	\$ 5,900	\$ 5,900	\$ 6,800	\$ 900
Miscellaneous:				
Miscellaneous	\$ 96,737	\$ 109,872	\$ 85,052	\$ (24,820)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Schedule 1
 Page 5 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Other recovered costs	\$ 190,000	\$ 190,000	\$ 156,449	\$ (33,551)
Total revenue from local sources	\$ 294,237	\$ 307,372	\$ 250,416	\$ (56,956)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 10,791,354	\$ 10,791,354	\$ 10,429,985	\$ (361,369)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,345,253	\$ 1,345,253	\$ 1,301,334	\$ (43,919)
Basic school aid	1,335,829	1,335,829	1,292,604	(43,225)
Security equipment grant	-	58,377	108,298	49,921
Remedial summer education	12,438	12,438	14,511	2,073
Vocational education	34,012	34,012	32,939	(1,073)
Gifted and talented	13,382	13,382	12,959	(423)
Remedial education	98,413	98,413	95,306	(3,107)
Enrollment loss	-	-	75,000	75,000
School fringes	284,088	284,088	275,659	(8,429)
Early reading intervention	10,332	10,332	8,742	(1,590)
Class size reduction	88,247	88,247	87,534	(713)
Lottery	-	-	14,191	14,191
Homebound	332	332	2,845	2,513
Vocational education - equipment	2,978	2,978	3,915	937
Special education	244,778	244,778	237,050	(7,728)
GED preparation assistance	7,859	7,859	8,418	559
At risk payments	276,154	276,154	261,477	(14,677)
ESL	2,675	2,675	2,991	316
Project graduation	10,000	10,000	6,208	(3,792)
Mentor teacher program	2,711	2,711	5,634	2,923
Technology grant	163,200	163,200	69,727	(93,473)
SQL algebra readiness	9,796	9,796	9,796	-
Workplace readiness	-	-	301	301
CTE industry certification	1,317	1,317	1,300	(17)
Other state funds	15,433	15,433	-	(15,433)
Total categorical aid	\$ 3,959,227	\$ 4,017,604	\$ 3,928,739	\$ (88,865)
Total revenue from the Commonwealth	\$ 3,959,227	\$ 4,017,604	\$ 3,928,739	\$ (88,865)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title VI-B	\$ 278,869	\$ 283,869	\$ 265,902	\$ (17,967)
Title I	395,936	395,936	412,652	16,716
Vocational education	24,380	24,380	22,772	(1,608)
CTE equipment	3,200	3,200	-	(3,200)
Title II, Part A - Improving teacher quality	78,269	78,269	68,730	(9,539)
Title VI - Rural education	22,570	22,570	20,514	(2,056)
Advanced placement testing	-	-	76	76
Title III, Part A	-	2,693	-	(2,693)
JROTC grant	64,000	64,000	61,028	(2,972)
Total categorical aid	<u>\$ 867,224</u>	<u>\$ 874,917</u>	<u>\$ 851,674</u>	<u>\$ (23,243)</u>
Total revenue from the federal government	<u>\$ 867,224</u>	<u>\$ 874,917</u>	<u>\$ 851,674</u>	<u>\$ (23,243)</u>
Total School Operating Fund	<u>\$ 15,912,042</u>	<u>\$ 15,991,247</u>	<u>\$ 15,460,814</u>	<u>\$ (530,433)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 259</u>	<u>\$ 9</u>
Charges for services:				
Cafeteria sales	<u>\$ 110,000</u>	<u>\$ 115,635</u>	<u>\$ 109,597</u>	<u>\$ (6,038)</u>
Miscellaneous:				
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,285</u>	<u>\$ 4,285</u>
Total revenue from local sources	<u>\$ 110,250</u>	<u>\$ 115,885</u>	<u>\$ 114,141</u>	<u>\$ (1,744)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 7,762</u>	<u>\$ 7,762</u>	<u>\$ 9,516</u>	<u>\$ 1,754</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Schedule 1
 Page 7 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 437,168	\$ 437,168	\$ 439,115	\$ 1,947
Summer food	3,000	3,000	4,152	1,152
Commodities	-	42,078	42,078	-
Total categorical aid	<u>\$ 440,168</u>	<u>\$ 482,246</u>	<u>\$ 485,345</u>	<u>\$ 3,099</u>
Total revenue from the federal government	<u>\$ 440,168</u>	<u>\$ 482,246</u>	<u>\$ 485,345</u>	<u>\$ 3,099</u>
Total School Cafeteria Fund	<u>\$ 558,180</u>	<u>\$ 605,893</u>	<u>\$ 609,002</u>	<u>\$ 3,109</u>
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Total revenues from local governments	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 30,606	\$ 30,606	\$ 29,639	\$ (967)
Total revenue from the Commonwealth	<u>30,606</u>	<u>30,606</u>	<u>29,639</u>	<u>(967)</u>
Total Textbook Fund	<u>\$ 115,606</u>	<u>\$ 115,606</u>	<u>\$ 114,639</u>	<u>\$ (967)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,585,828</u>	<u>\$ 16,712,746</u>	<u>\$ 16,184,455</u>	<u>\$ (528,291)</u>

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County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 59,994	\$ 59,994	\$ 61,460	\$ (1,466)
General and financial administration:				
County administrator	\$ 462,395	\$ 462,395	\$ 371,739	\$ 90,656
Information Technology	109,715	109,715	109,686	29
Legal services	150,000	150,000	315,591	(165,591)
Commissioner of revenue	301,478	301,478	252,019	49,459
Independent Auditor	38,000	38,000	38,800	(800)
Treasurer	299,889	299,889	298,294	1,595
Total general and financial administration	<u>\$ 1,361,477</u>	<u>\$ 1,361,477</u>	<u>\$ 1,386,129</u>	<u>\$ (24,652)</u>
Board of elections:				
Electoral board and officials	\$ 51,365	\$ 51,365	\$ 46,640	\$ 4,725
Registrar	96,099	96,099	92,679	3,420
Total board of elections	<u>\$ 147,464</u>	<u>\$ 147,464</u>	<u>\$ 139,319</u>	<u>\$ 8,145</u>
Total general government administration	<u>\$ 1,568,935</u>	<u>\$ 1,568,935</u>	<u>\$ 1,586,908</u>	<u>\$ (17,973)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 13,657	\$ 13,657	\$ 22,534	\$ (8,877)
General district court	3,400	3,400	3,380	20
Special Magistrates	600	600	36	564
Juvenile and domestic relations court	2,625	2,625	2,094	531
Victim/witness assistance	64,898	64,898	63,549	1,349
Court appointed special advocates	5,000	5,000	5,000	-
Clerk of the circuit court	303,115	303,115	287,310	15,805
Total courts	<u>\$ 393,295</u>	<u>\$ 393,295</u>	<u>\$ 383,903</u>	<u>\$ 9,392</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 349,050	\$ 350,015	\$ 317,277	\$ 32,738
Total judicial administration	<u>\$ 742,345</u>	<u>\$ 743,310</u>	<u>\$ 701,180</u>	<u>\$ 42,130</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,977,832	\$ 1,977,832	\$ 2,013,640	\$ (35,808)
School resource officer	116,475	116,475	119,823	(3,348)
DCJS grant	-	-	31,023	(31,023)
Total law enforcement and traffic control	<u>\$ 2,094,307</u>	<u>\$ 2,094,307</u>	<u>\$ 2,164,486</u>	<u>\$ (70,179)</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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	\$ 303,905	\$ 303,905	\$ 303,903	\$ 2
Ambulance and rescue services	1,336,619	1,365,023	1,316,768	48,255
Forestry service	4,000	4,000	3,991	9
Local emergency services	24,000	124,000	53,561	70,439
Total fire and rescue services	<u>\$ 1,668,524</u>	<u>\$ 1,796,928</u>	<u>\$ 1,678,223</u>	<u>\$ 118,705</u>
Correction and detention:				
Sheriff	\$ 914,844	\$ 914,844	\$ 965,216	\$ (50,372)
Probation office	92,850	92,850	76,817	16,033
Total correction and detention	<u>\$ 1,007,694</u>	<u>\$ 1,007,694</u>	<u>\$ 1,042,033</u>	<u>\$ (34,339)</u>
Inspections:				
Building	\$ 134,918	\$ 134,918	\$ 144,766	\$ (9,848)
Other protection:				
Animal control	\$ 136,922	\$ 136,922	\$ 136,083	\$ 839
Medical examiner	200	200	240	(40)
Total other protection	<u>\$ 137,122</u>	<u>\$ 137,122</u>	<u>\$ 136,323</u>	<u>\$ 799</u>
Total public safety	<u>\$ 5,042,565</u>	<u>\$ 5,170,969</u>	<u>\$ 5,165,831</u>	<u>\$ 5,138</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 907,864	\$ 907,864	\$ 1,111,107	\$ (203,243)
Maintenance of general buildings and grounds:				
General properties	\$ 292,539	\$ 292,539	\$ 334,585	\$ (42,046)
Total public works	<u>\$ 1,200,403</u>	<u>\$ 1,200,403</u>	<u>\$ 1,445,692</u>	<u>\$ (245,289)</u>
Health and welfare:				
Health:				
Local health department	\$ 215,936	\$ 215,936	\$ 215,928	\$ 8
Free health clinic	100,477	100,477	100,476	1
Total health	<u>\$ 316,413</u>	<u>\$ 316,413</u>	<u>\$ 316,404</u>	<u>\$ 9</u>
Mental health and mental retardation:				
Community services board	\$ 37,846	\$ 37,846	\$ 37,848	\$ (2)
Welfare:				
Public assistance and welfare administration	\$ 1,895,087	\$ 1,895,087	\$ 1,452,298	\$ 442,789
Area agency on aging	70,549	70,549	70,548	1

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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	\$ 676,184	\$ (76,184)
Chamber of commerce	1,275	1,275	275	1,000
Rappahannock legal services	5,600	5,600	5,600	-
The Haven crisis shelter	4,000	4,000	4,000	-
Virginia quality of life	10,000	10,000	10,000	-
Boys and girls club of America	55,000	55,000	54,996	4
Total welfare	<u>\$ 2,641,511</u>	<u>\$ 2,641,511</u>	<u>\$ 2,273,901</u>	<u>\$ 367,610</u>
Total health and welfare	<u>\$ 2,995,770</u>	<u>\$ 2,995,770</u>	<u>\$ 2,628,153</u>	<u>\$ 367,617</u>
Education:				
Contributions to Community College	\$ 13,900	\$ 13,900	\$ 13,900	\$ -
Contribution to County School Board	10,876,354	10,876,354	10,514,985	361,369
Total education	<u>\$ 10,890,254</u>	<u>\$ 10,890,254</u>	<u>\$ 10,528,885</u>	<u>\$ 361,369</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	\$ 4,820	\$ (420)
Historic resources commission	200	200	-	200
Total cultural enrichment	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 4,820</u>	<u>\$ (220)</u>
Library:				
Library	\$ 112,995	\$ 112,995	\$ 112,996	\$ (1)
Total parks, recreation, and cultural	<u>\$ 192,595</u>	<u>\$ 192,595</u>	<u>\$ 192,816</u>	<u>\$ (221)</u>
Community development:				
Planning and community development:				
Land use administration	\$ 277,652	\$ 277,652	\$ 264,154	\$ 13,498
Section 8 housing	58,109	58,109	58,272	(163)
Indoor plumbing	17,000	17,000	21,668	(4,668)
Planning district commission	30,302	30,302	27,049	3,253
Zoning board	2,160	2,160	1,401	759
Greentown/Gaskins Rd - CDBG	-	-	31,369	(31,369)

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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)				
Community development: (Continued)				
Planning and community development: (Continued)				
Other community development	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Total planning and community development	<u>\$ 392,223</u>	<u>\$ 392,223</u>	<u>\$ 410,913</u>	<u>\$ (18,690)</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands board	9,983	9,983	8,784	1,199
Total environmental management	<u>\$ 19,983</u>	<u>\$ 19,983</u>	<u>\$ 18,784</u>	<u>\$ 1,199</u>
Cooperative extension program:				
Extension office	\$ 51,376	\$ 51,376	\$ 28,297	\$ 23,079
Rebranding initiative	25,000	25,000	25,000	-
Total cooperative extension program	<u>\$ 76,376</u>	<u>\$ 76,376</u>	<u>\$ 53,297</u>	<u>\$ 23,079</u>
Total community development	<u>\$ 488,582</u>	<u>\$ 488,582</u>	<u>\$ 482,994</u>	<u>\$ 5,588</u>
Capital projects:				
Landfill closure	\$ 7,000	\$ 7,000	\$ 6,011	\$ 989
Enhanced emergency telephone system	30,925	30,925	35,345	(4,420)
School projects	268,900	268,900	252,483	16,417
Other capital projects	2,741,993	2,741,993	1,321,696	1,420,297
Total capital projects	<u>\$ 3,048,818</u>	<u>\$ 3,048,818</u>	<u>\$ 1,615,535</u>	<u>\$ 1,433,283</u>
Debt service:				
Principal retirement	\$ 1,567,000	\$ 1,567,000	\$ 1,625,306	\$ (58,306)
Interest and other fiscal charges	355,178	420,468	359,858	60,610
Total debt service	<u>\$ 1,922,178</u>	<u>\$ 1,987,468</u>	<u>\$ 1,985,164</u>	<u>\$ 2,304</u>
Total General Fund	<u>\$ 28,092,445</u>	<u>\$ 28,287,104</u>	<u>\$ 26,333,158</u>	<u>\$ 1,953,946</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
Greentown/Gaskins CDBG	\$ -	\$ -	\$ 464,762	\$ (464,762)
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,762</u>	<u>\$ (464,762)</u>
Total Primary Government	<u>\$ 28,092,445</u>	<u>\$ 28,287,104</u>	<u>\$ 26,797,920</u>	<u>\$ 1,489,184</u>

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

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>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 869,855	\$ 869,855	\$ 845,319	\$ 24,536
Instruction costs	12,287,714	12,303,542	11,839,345	464,197
Pupil transportation	1,167,256	1,167,256	1,164,854	2,402
Operation and maintenance of school plant	1,587,217	1,645,594	1,606,667	38,927
School food	-	5,000	4,629	371
Total education	<u>\$ 15,912,042</u>	<u>\$ 15,991,247</u>	<u>\$ 15,460,814</u>	<u>\$ 530,433</u>
Total School Operating Fund	<u>\$ 15,912,042</u>	<u>\$ 15,991,247</u>	<u>\$ 15,460,814</u>	<u>\$ 530,433</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 563,815	\$ 563,815	\$ 579,713	\$ (15,898)
Commodities	-	42,078	42,078	-
Total school food services	<u>\$ 563,815</u>	<u>\$ 605,893</u>	<u>\$ 621,791</u>	<u>\$ (15,898)</u>
Total education	<u>\$ 563,815</u>	<u>\$ 605,893</u>	<u>\$ 621,791</u>	<u>\$ (15,898)</u>
Total School Cafeteria Fund	<u>\$ 563,815</u>	<u>\$ 605,893</u>	<u>\$ 621,791</u>	<u>\$ (15,898)</u>
Textbook Fund				
Education:				
Purchase of textbooks	\$ 125,742	\$ 163,387	\$ 55,477	\$ 107,910
Total Textbook Fund	<u>\$ 125,742</u>	<u>\$ 163,387</u>	<u>\$ 55,477</u>	<u>\$ 107,910</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,601,599</u>	<u>\$ 16,760,527</u>	<u>\$ 16,138,082</u>	<u>\$ 622,445</u>

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STATISTICAL INFORMATION

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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	Sewer Fund	Total
2008	\$ 1,521,966	\$ 610,071	\$ 3,695,460	\$ 1,236,465	\$ 2,501,442	\$ 9,814,756	\$ 161,940	\$ 1,294,897	\$ 272,582	\$ -	\$ 21,109,579
2009	897,403	599,799	3,662,812	1,177,914	2,202,534	11,031,828	160,839	1,283,578	306,444	-	21,323,151
2010	1,204,355	616,607	3,872,862	1,048,830	2,332,650	10,188,939	160,179	1,711,279	398,847	-	21,534,548
2011	1,427,317	761,709	4,064,428	1,132,419	2,391,444	10,318,017	172,801	1,453,260	444,034	-	22,165,429
2012	1,582,525	807,167	3,845,479	1,110,981	2,517,020	10,768,097	172,895	1,119,775	426,296	-	22,350,235
2013	1,331,834	779,749	4,617,309	1,167,822	2,740,633	10,485,368	176,275	633,659	228,599	-	22,161,248
2014	1,345,631	804,040	4,889,888	827,480	2,603,743	10,495,867	182,973	1,244,682	194,525	-	22,588,829
2015	1,611,832	807,803	4,613,799	1,238,203	2,511,962	10,403,350	172,119	661,086	378,089	-	22,398,243
2016	1,908,331	799,809	4,952,988	1,310,981	2,586,611	11,439,147	31,285	605,475	255,179	16,483	23,906,289
2017	1,699,686	838,473	5,424,432	1,917,013	2,647,115	10,916,368	210,063	456,267	274,329	17,443	24,401,189

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			
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		
2015	600,783	3,340,098	212,096	15,827,037	1,936,429	153,280	142,360	1,317,854	23,529,937		
2016	508,057	3,637,999	163,998	15,693,176	1,973,114	145,471	114,978	1,302,796	23,539,589		
2017	496,767	3,318,227	912,601	15,493,614	2,052,020	130,432	589,649	1,314,001	24,307,311		

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
2008	\$ 1,541,154	\$ 605,152	\$ 3,586,684	\$ 1,234,680	\$ 2,491,874	\$ 15,389,246	\$ 161,940	\$ 1,346,638	\$ 947,744	\$ 27,305,112
2009	1,252,466	604,767	3,568,597	1,172,357	2,207,354	15,278,613	160,839	1,311,718	1,053,149	26,609,860
2010	1,235,687	607,641	3,749,601	1,072,457	2,288,465	15,389,267	160,179	1,743,331	1,453,989	27,700,617
2011	1,341,422	618,495	4,141,836	1,120,296	2,366,967	15,707,417	172,801	1,486,288	1,498,206	28,453,728
2012	1,501,800	625,449	3,779,509	1,116,041	2,482,024	15,285,122	172,895	1,152,343	7,003,073	33,118,256
2013	1,323,619	637,902	4,323,772	1,148,111	2,713,142	15,101,887	176,275	555,165	1,209,686	27,189,559
2014	1,310,767	663,850	4,694,193	1,254,976	2,596,948	14,752,836	182,973	656,245	1,206,455	27,319,243
2015	1,539,813	694,752	4,622,133	1,203,081	2,565,290	15,377,552	183,454	476,841	2,350,142	29,013,058
2016	1,520,697	683,614	4,992,280	1,320,139	2,583,793	15,300,394	192,866	522,018	1,999,846	29,115,647
2017	1,586,908	701,180	5,165,831	1,445,692	2,628,153	16,151,982	192,816	482,994	1,985,164	30,340,720

(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
2008	\$ 12,865,681	\$ 2,212,575	\$ 138,683	\$ 19,840	\$ 216,879	\$ 584,112	\$ 251,943	\$ 64,743	\$ 11,528,616	\$ 27,883,072
2009	15,149,635	2,013,343	142,355	28,029	202,512	527,518	352,749	47,510	10,281,484	28,745,135
2010	15,208,025	1,865,960	149,757	20,168	169,681	512,438	319,456	50,812	10,651,224	28,947,521
2011	14,595,997	1,892,761	142,764	16,314	137,139	488,592	70,775	269,465	11,073,878	28,687,685
2012	14,742,887	1,950,576	149,016	16,626	129,677	531,002	77,737	284,593	10,072,348	27,954,462
2013	14,497,683	1,930,588	119,007	25,797	117,827	631,065	173,133	187,047	9,615,225	27,297,372
2014	14,722,314	1,892,069	100,564	14,759	118,770	524,268	180,383	115,017	9,065,976	26,734,120
2015	15,927,308	1,936,429	101,185	21,134	121,975	583,249	347,465	196,456	9,454,840	28,690,041
2016	15,836,307	1,973,114	108,799	10,833	116,102	499,186	223,117	69,887	9,976,488	28,813,833
2017	15,593,585	2,052,020	137,953	24,333	114,374	450,878	109,288	188,360	9,937,141	28,607,932

(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)		
2008	\$ 12,739,466	\$ 12,448,235	97.71%	\$ 232,606	\$ 12,680,841	99.54%	\$ 531,551	4.17%	
2009	15,037,856	14,640,508	97.36%	268,363	14,908,871	99.14%	728,623	4.85%	
2010	15,031,753	14,629,582	97.32%	331,663	14,961,245	99.53%	835,636	5.56%	
2011	14,472,243	13,993,953	96.70%	357,927	14,351,880	99.17%	941,217	6.50%	
2012	15,470,572	14,963,025	96.72%	400,496	15,363,521	99.31%	1,000,012	6.46%	
2013	15,151,601	14,727,353	97.20%	396,680	15,124,033	99.82%	958,038	6.32%	
2014	15,317,462	14,841,839	96.89%	465,359	15,307,198	99.93%	959,942	6.27%	
2015	16,471,200	16,022,956	97.28%	487,835	16,510,791	100.24%	857,726	5.21%	
2016	16,395,196	15,993,536	97.55%	443,482	16,437,018	100.26%	797,241	4.86%	
2017	16,223,560	15,813,002	97.47%	379,351	16,192,353	99.81%	794,978	4.90%	

(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
2008	\$ 2,011,440,053	\$ 149,516,502	\$ 343,350	\$ 10,907,813	\$ 28,828,991	\$ 2,201,036,709
2009	3,047,826,152	161,929,534	309,350	12,444,246	37,970,594	3,260,479,876
2010	3,084,145,548	147,216,942	248,650	11,959,791	42,470,454	3,286,041,385
2011	3,109,524,980	144,199,002	199,250	11,191,102	44,516,230	3,309,630,564
2012	3,130,960,535	144,354,545	181,750	12,081,091	44,173,669	3,331,751,590
2013	3,149,202,900	140,487,618	742,450	9,884,665	44,806,003	3,345,123,636
2014	2,493,664,800	136,569,120	433,350	10,992,013	44,789,060	2,686,448,343
2015	2,502,707,773	138,593,352	327,250	11,044,308	57,257,295	2,709,929,978
2016	2,508,388,693	131,126,404	276,500	11,576,166	57,321,237	2,708,689,000
2017	2,514,523,163	114,663,537	256,150	11,405,489	59,378,306	2,700,226,645

(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
2008	\$ 0.53	\$ 2.04	\$ 1.00	\$ 1.52
2009	0.42	2.04	1.00	1.52
2010	0.42	2.04	1.00	1.52
2011	0.40	2.04	1.00	1.52
2012	0.40	2.04	1.00	1.52
2013	0.39	2.04	1.00	1.52
2014	0.50	2.04	1.00	1.52
2015	0.54	2.04	1.00	1.52
2016	0.54	2.04	1.00	1.52
2017	0.54	2.04	1.00	1.52

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		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)			
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
2015	11,391	2,709,929,978	1,810,000	-	-	1,810,000	0.07%	159
2016	11,391	2,708,689,000	1,680,000	-	-	1,680,000	0.06%	147
2017	11,391	2,700,226,645	1,545,000	-	-	1,545,000	0.06%	136

(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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the County of Lancaster, Virginia's basic financial statements and have issued our report thereon dated November 22, 2017 .

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
November 22, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Lancaster, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Lancaster, Virginia's major federal programs for the year ended June 30, 2017. County of Lancaster, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Lancaster, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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



Richmond, Virginia
November 22, 2017

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

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	0950116/0950117	\$ 8,367
Temporary Assistance for Needy Families	93.558	0400116/0400117	140,050
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116/0500117	516
Low-Income Home Energy Assistance	93.568	0600416/00600417	18,083
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760117	24,219
Adoption and Legal Guardianship Incentive Payments	93.603	1130115/1130116	5,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	215
Foster Care - Title IV-E	93.658	1100116/1100117	69,890
Adoption Assistance	93.659	1130116/1130117	31,382
Social Services Block Grant	93.667	1000116/1000117	114,549
Chafee Foster Care Independence Program	93.674	9150116/9150117	893
Children's Health Insurance Program	93.767	0540116/0540117	6,949
Medical Assistance Program	93.778	1200116/1200117	<u>220,199</u>
Total Department of Health and Human Services			<u>\$ 640,312</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Assistance:			
Emergency Management Performance Grants	97.042	77501-52743	\$ 14,485
State Homeland Security Program	97.073	77501-52717	<u>2,542</u>
Total Department of Homeland Security			<u>\$ 17,027</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	N/A	\$ 681,000
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Summer Food Service Program for Children Food Distribution	10.559	Unknown	\$ 681
Department of Health:			
Summer Food Service Program for Children	10.559	17901-45707	4,152
			<u>\$ 4,833</u>
Department of Agriculture:			
National School Lunch Food Distribution	10.555	17901-45707	\$ 41,397
Department of Education:			
National School Lunch Program	10.555	17901-40623	327,958
			<u>\$ 369,355</u>
School Breakfast Program	10.553	17901-40591	<u>111,157</u> 485,345
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010117	<u>173,157</u>
Total Department of Agriculture			<u>\$ 1,339,502</u>
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>\$ 401,601</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant	16.738	39001-62200	<u>1,503</u>
Department of Treasury:			
Direct Payments:			
Sheriff Asset Forfeiture Funds	21.000	N/A	<u>\$ 5,914</u>

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Defense:			
Direct Payments:			
ROTC	12.000	N/A	\$ 61,028
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 412,652
Special Education - Grants to States	84.027	17901-43071	265,903
Career and Technical Education - Basic Grants to States	84.048	17901-61095	22,772
Rural Education	84.358	17901-43481	20,514
Supporting Effective Instruction State Grant	84.367	17901-61480	68,730
Advanced Placement Program	84.330	17901-60957	76
Total Department of Education			\$ 790,647
Total Expenditures of Federal Awards			\$ 3,257,534

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, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Lancaster, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Lunenburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Lancaster, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 846,892
Special Revenue Fund	5,914
County Capital Projects Fund	401,601
Sewer Fund	511,000
Total primary government	\$ 1,765,407

Component Unit School Board:

School Operating Fund	\$ 851,674
School Cafeteria Fund	485,345
Total Component Unit School Board	\$ 1,337,019

Total expenditures of federal awards per basic financial statements	\$ 3,102,426
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Rural development loan proceeds	\$ 170,000
BABs subsidy	(14,892)
	\$ 3,257,534

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 3,257,534
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Lancaster, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I-Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Lancaster, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

There were no prior year findings.

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