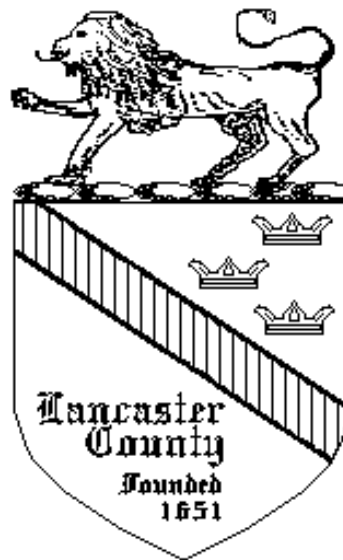


# COUNTY OF LANCASTER, VIRGINIA



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



COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2019

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COUNTY OF LANCASTER, VIRGINIA

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BOARD OF SUPERVISORS

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Jason D. Bellows, Chair  
Ernest W. Palin, Jr, Vice Chair

Jack D. Larson  
William R. Lee

Robert S. Westbrook

COUNTY SCHOOL BOARD

---

Audrey Thomasson, Chair

Carolyn Young, Vice Chair  
Joan Gravatt

Kenya Moody  
Katherine Keith

SOCIAL SERVICES BOARD

---

Lynette Pinn, Chair

Harry C. Sadler, Jr., Vice Chair  
Ernest W. Palin, Jr.

Charles R. Lee  
Vera Lee

OTHER OFFICIALS

---

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

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Independent Auditors' Report

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

Report on the Financial Statements

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 21 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 82-88, and 89-94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### *Supplementary and Other Information*

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

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

### *Other Reporting Required by Government Auditing Standards*

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

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

Richmond, Virginia  
November 11, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The administrative management staff of the County of Lancaster, Virginia offers the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. Please read it in conjunction with the County's basic financial statements, which follow this section.

### Financial Highlights

#### Government-wide Financial Statements

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,323,671 (net position).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$247,383 (Exhibit 5) after making contributions totaling \$12,917,537 to the School Board.

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

### Overview of the Financial Statements

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

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

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

## Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

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



## Overview of the Financial Statements (Continued)

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

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

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

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## Government-wide Financial Analysis

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

County of Lancaster, Virginia's Net Position

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

**Government-wide Financial Analysis (Continued)**

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

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

## Financial Analysis of the County's Funds

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

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

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

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

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

## Capital Asset and Debt Administration

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

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

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

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

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

## Economic Factors and Future Years' Budgets and Rates

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

All of these factors were considered in preparing the County's budget for the 2020 fiscal year.

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

## Requests for Information

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

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*BASIC FINANCIAL STATEMENTS*

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*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

|   | Primary Government         |                             |                      | Component Units       |                  |
|---|----------------------------|-----------------------------|----------------------|-----------------------|------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                | School Board          | IDA              |
| <b>ASSETS</b>   |                            |                             |                      |                       |                  |
| Cash and cash equivalents   | \$ 4,686,053               | \$ 50,187                   | \$ 4,736,240         | \$ 416,696            | \$ 78,668        |
| Receivables (net of allowance for uncollectibles):                |                            |                             |                      |                       |                  |
| Taxes receivable  | 832,077                    | -                           | 832,077              | -                     | -                |
| Accounts receivable   | 82,998                     | 6,237                       | 89,235               | -                     | -                |
| Due from other governmental units                                 | 834,261                    | -                           | 834,261              | 1,356,961             | -                |
| Prepaid expenses  | 11,798                     | -                           | 11,798               | -                     | -                |
| Restricted assets:  |                            |                             |                      |                       |                  |
| Cash and cash equivalents- unspent bond proce                     | -                          | -                           | -                    | -                     | -                |
| Capital assets (net of accumulated depreciation):                 |                            |                             |                      |                       |                  |
| Land and land improvements  | 1,649,744                  | -                           | 1,649,744            | 6,271                 | -                |
| Buildings and improvements  | 5,824,571                  | 1,182,543                   | 7,007,114            | 6,314,165             | -                |
| Machinery and equipment   | 668,045                    | -                           | 668,045              | 912,202               | -                |
| Infrastructure  | 2,175,241                  | -                           | 2,175,241            | -                     | -                |
| Construction in progress  | 1,409,298                  | -                           | 1,409,298            | -                     | -                |
| Total assets  | <u>\$ 18,174,086</u>       | <u>\$ 1,238,967</u>         | <u>\$ 19,413,053</u> | <u>\$ 9,006,295</u>   | <u>\$ 78,668</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                            |                             |                      |                       |                  |
| Pension related items   | \$ 1,004,257               | \$ -                        | \$ 1,004,257         | \$ 1,375,731          | \$ -             |
| OPEB related items  | 52,446                     | -                           | 52,446               | 181,250               | -                |
| Total deferred outflows of resources                              | <u>\$ 1,056,703</u>        | <u>\$ -</u>                 | <u>\$ 1,056,703</u>  | <u>\$ 1,556,981</u>   | <u>\$ -</u>      |
| Total Assets and Deferred Outflows of Resources                   | <u>\$ 19,230,789</u>       | <u>\$ 1,238,967</u>         | <u>\$ 20,469,756</u> | <u>\$ 10,563,276</u>  | <u>\$ 78,668</u> |
| <b>LIABILITIES</b>  |                            |                             |                      |                       |                  |
| Accounts payable  | \$ 353,908                 | \$ 628                      | \$ 354,536           | \$ 208,762            | \$ -             |
| Accrued liabilities   | -                          | -                           | -                    | 1,209,682             | -                |
| Accrued interest payable  | 54,481                     | -                           | 54,481               | -                     | -                |
| Due to other governmental units                                   | 1,041,089                  | -                           | 1,041,089            | -                     | -                |
| Unearned revenue  | 1,746                      | -                           | 1,746                | -                     | -                |
| Long-term liabilities:  |                            |                             |                      |                       |                  |
| Due within one year   | 1,101,304                  | 3,448                       | 1,104,752            | 56,428                | -                |
| Due in more than one year   | 9,846,997                  | 164,833                     | 10,011,830           | 13,793,984            | -                |
| Total liabilities   | <u>\$ 12,399,525</u>       | <u>\$ 168,909</u>           | <u>\$ 12,568,434</u> | <u>\$ 15,268,856</u>  | <u>\$ -</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                            |                             |                      |                       |                  |
| Deferred revenue - property taxes                                 | \$ 45,350                  | \$ -                        | \$ 45,350            | \$ -                  | \$ -             |
| Pension related items   | 493,301                    | -                           | 493,301              | 1,693,197             | -                |
| OPEB related items  | 39,000                     | -                           | 39,000               | 112,000               | -                |
| Total deferred inflows of resources                               | <u>\$ 577,651</u>          | <u>\$ -</u>                 | <u>\$ 577,651</u>    | <u>\$ 1,805,197</u>   | <u>\$ -</u>      |
| <b>NET POSITION</b>   |                            |                             |                      |                       |                  |
| Net investment in capital assets                                  | \$ 1,948,975               | \$ 1,014,262                | \$ 2,963,237         | \$ 7,232,638          | \$ -             |
| Restricted:   |                            |                             |                      |                       |                  |
| Forfeited asset   | 11,543                     | -                           | 11,543               | -                     | -                |
| Wetlands special project  | 10,351                     | -                           | 10,351               | -                     | -                |
| Unrestricted (deficit)  | 4,282,744                  | 55,796                      | 4,338,540            | (13,743,415)          | 78,668           |
| Total net position  | <u>\$ 6,253,613</u>        | <u>\$ 1,070,058</u>         | <u>\$ 7,323,671</u>  | <u>\$ (6,510,777)</u> | <u>\$ 78,668</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 19,230,789</u>       | <u>\$ 1,238,967</u>         | <u>\$ 20,469,756</u> | <u>\$ 10,563,276</u>  | <u>\$ 78,668</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, 2019

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

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

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

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

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*FUND FINANCIAL STATEMENTS*

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

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

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

County of Lancaster, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 June 30, 2019

---

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

|  |             |                     |
|--|-------------|---------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds   | \$          | 4,305,951           |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:                    |             |                     |
| Capital assets, cost   | \$          | 20,215,465          |
| Accumulated depreciation   | (8,488,566) | 11,726,899          |
| <hr style="width: 100%;"/>   |             |                     |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.  |             |                     |
| Unavailable revenue - property taxes   |             | 699,143             |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.   |             |                     |
| Pension related items  | \$          | 1,004,257           |
| OPEB related items   | 52,446      | 1,056,703           |
| <hr style="width: 100%;"/>   |             |                     |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment: |             |                     |
| Revenue bonds  | \$          | (6,448,000)         |
| General obligations bond   | (1,255,000) |                     |
| Accrued interest payable   | (54,481)    |                     |
| Capital leases   | (75,192)    |                     |
| Bond premium   | (92,771)    |                     |
| Net pension liability  | (2,458,574) |                     |
| NET OPEB liability   | (392,000)   |                     |
| Compensated absences   | (226,764)   | (11,002,782)        |
| <hr style="width: 100%;"/>   |             |                     |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.   |             |                     |
| Pension related items  | \$          | (493,301)           |
| OPEB related items   | (39,000)    | (532,301)           |
| <hr style="width: 100%;"/>   |             |                     |
| Net position of governmental activities  |             | <u>\$ 6,253,613</u> |

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

County of Lancaster, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

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

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

County of Lancaster, Virginia  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2019

---

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

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

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

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

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

|                |  |          |
|----------------|--|----------|
| Property taxes |  | (50,112) |
|----------------|--|----------|

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

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

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

The following is a summary of items supporting this adjustment:

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

|   |  |                     |
|---|--|---------------------|
| Change in net position of governmental activities |  | <u>\$ 1,399,826</u> |
|---|--|---------------------|

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

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

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

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

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

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

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

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

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

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

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

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

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



COUNTY OF LANCASTER, VIRGINIA

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

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***Note 1—Summary of Significant Accounting Policies:***

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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

**A. Financial Reporting Entity**

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

**B. Individual Component Unit Disclosures**

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

*Discretely Presented Component Units.* The School Board members are elected by the citizens of Lancaster County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

The Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2019. The Industrial Development Authority does not issue a separate financial report.

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

None

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

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

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

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

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

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

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

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

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

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

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

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

**1. Governmental Funds**

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

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

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

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

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

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

**2. Proprietary Funds**

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

**Enterprise Funds**

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

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

**E. Cash and Cash Equivalents**

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

**F. Investments**

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

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

**G. Receivables and Payables**

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

G. Receivables and Payables (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

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

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I. Compensated Absences

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

J. Pensions

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

K. Other Postemployment Benefits (OPEB)

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

L. Use of Estimates

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

M. Net Position

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

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

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**N. Net Position Flow Assumption**

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

**O. Deferred Outflows/Inflows of Resources**

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

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

**P. Fund Balance**

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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



COUNTY OF LANCASTER, VIRGINIA

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

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

**P. Fund Balance (Continued)**

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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**Q. Long-term Obligations**

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

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

**Note 2—Stewardship, Compliance, and Accounting:**

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

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

**Expenditures and Appropriations**

Expenditures exceeded appropriations in the following funds:

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

COUNTY OF LANCASTER, VIRGINIA

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

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**Note 3—Deposits and Investments:**

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Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2019 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

| County's Rated Debt Investments' Values |                            |
|---|----------------------------|
| <u>Rated Debt Investments</u>           | <u>Fair Quality Rating</u> |
|   | <u>AAAm</u>                |
| Local Government Investment Pool        | \$ 7,075                   |
| Virginia Investment Pool                | 1,010,641                  |
| State Non-Arbitrage Pool                | <u>1,906,961</u>           |
| Total                                   | <u>\$ 2,924,677</u>        |

External Investment Pools

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

COUNTY OF LANCASTER, VIRGINIA

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

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*Note 3—Deposits and Investments: (Continued)*

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Fair Value Measurements

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

Interest Rate Risk

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

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

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COUNTY OF LANCASTER, VIRGINIA

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

**Note 4—Due to/from Other Governments:**

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 5—Capital Assets:**

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

Primary Government:

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

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COUNTY OF LANCASTER, VIRGINIA

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

**Note 5—Capital Assets: (Continued)**

Primary Government: (Continued)

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

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

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COUNTY OF LANCASTER, VIRGINIA

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

**Note 5—Capital Assets: (Continued)**

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

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

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COUNTY OF LANCASTER, VIRGINIA

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

**Note 5—Capital Assets: (Continued)**

Depreciation expense was charged to functions/programs as follows:

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

**Note 6—Interfund Transfers:**

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

| <u>Fund</u>                  | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| Primary Government:          |                     |                      |
| General fund                 | \$ 944,455          | \$ 111,326           |
| County capital projects fund | <u>111,326</u>      | <u>944,455</u>       |
| Total                        | <u>\$ 1,055,781</u> | <u>\$ 1,055,781</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, 2019

**Note 7—Long-Term Obligations:**

**Primary Government:**

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

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

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COUNTY OF LANCASTER, VIRGINIA

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

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

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

| Year Ending<br>June 30 | Direct Borrowings and Direct Placements |            |
|------------------------|---|------------|
|                        | County Obligations                      |            |
|                        | Lease                                   |            |
|                        | Revenue Bonds                           |            |
|                        | Principal                               | Interest   |
| 2020                   | \$ 894,000                              | \$ 136,561 |
| 2021                   | 896,000                                 | 135,116    |
| 2022                   | 917,000                                 | 114,123    |
| 2023                   | 938,000                                 | 92,634     |
| 2024                   | 960,000                                 | 70,646     |
| 2025                   | 982,000                                 | 48,132     |
| 2026                   | 206,000                                 | 25,098     |
| 2027                   | 212,000                                 | 19,092     |
| 2028                   | 218,000                                 | 12,914     |
| 2029                   | 225,000                                 | 6,559      |
| Total                  | \$ 6,448,000                            | \$ 660,875 |

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COUNTY OF LANCASTER, VIRGINIA

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

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**Note 7—Long-Term Obligations: (Continued)**

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**Primary Government: (Continued)**

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

| Year Ending<br>June 30 | School Obligations  |                   |
|------------------------|---------------------|-------------------|
|                        | General Obligation  |                   |
|                        | Bond                |                   |
|                        | Principal           | Interest          |
| 2020                   | \$ 160,000          | \$ 60,254         |
| 2021                   | 165,000             | 51,804            |
| 2022                   | 175,000             | 43,397            |
| 2023                   | 180,000             | 34,870            |
| 2024                   | 185,000             | 25,723            |
| 2025                   | 190,000             | 15,934            |
| 2026                   | 200,000             | 5,438             |
| Total                  | <u>\$ 1,255,000</u> | <u>\$ 237,420</u> |

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COUNTY OF LANCASTER, VIRGINIA

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

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

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

| Year Ending<br>June 30 | Direct Borrowings and<br>Direct Placements |                  |
|------------------------|--|------------------|
|                        | Buisness-type Activities                   |                  |
|                        | Revenue Bond                               |                  |
|                        | Principal                                  | Interest         |
| 2020                   | \$ 3,448                                   | \$ 2,300         |
| 2021                   | 3,502                                      | 2,246            |
| 2022                   | 3,551                                      | 2,197            |
| 2023                   | 3,600                                      | 2,148            |
| 2024                   | 3,644                                      | 2,104            |
| 2025                   | 3,700                                      | 2,048            |
| 2026                   | 3,751                                      | 1,997            |
| 2027                   | 3,803                                      | 1,945            |
| 2028                   | 3,851                                      | 1,897            |
| 2029                   | 3,909                                      | 1,839            |
| 2030                   | 3,963                                      | 1,785            |
| 2031                   | 4,018                                      | 1,730            |
| 2032                   | 4,069                                      | 1,679            |
| 2033                   | 4,130                                      | 1,618            |
| 2034                   | 4,187                                      | 1,561            |
| 2035                   | 4,245                                      | 1,503            |
| 2036                   | 4,300                                      | 1,448            |
| 2037                   | 4,364                                      | 1,384            |
| 2038                   | 4,424                                      | 1,324            |
| 2039                   | 4,485                                      | 1,263            |
| 2040                   | 4,544                                      | 1,204            |
| 2041                   | 4,610                                      | 1,138            |
| 2042                   | 4,674                                      | 1,074            |
| 2043                   | 4,739                                      | 1,009            |
| 2044                   | 4,802                                      | 946              |
| 2045                   | 4,871                                      | 877              |
| 2046                   | 4,938                                      | 810              |
| 2047                   | 5,007                                      | 741              |
| 2048                   | 5,074                                      | 674              |
| 2049                   | 5,146                                      | 602              |
| 2050                   | 5,218                                      | 530              |
| 2051                   | 5,290                                      | 458              |
| 2052                   | 5,362                                      | 386              |
| 2053                   | 5,437                                      | 311              |
| 2054                   | 5,513                                      | 235              |
| 2055                   | 5,589                                      | 159              |
| 2056                   | 5,666                                      | 82               |
| 2057                   | 2,857                                      | 11               |
| Total                  | <u>\$ 168,281</u>                          | <u>\$ 47,263</u> |

COUNTY OF LANCASTER, VIRGINIA

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

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 7—Long-Term Obligations: (Continued)**

Component Unit - School Board:

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

**Note 8—Capital Leases:**

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

The assets acquired through capital leases are as follows:

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

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COUNTY OF LANCASTER, VIRGINIA

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

**Note 8—Capital Leases: (Continued)**

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

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

**Note 9—Unearned and Deferred/Unavailable Revenue:**

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

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

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

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

**Note 10—Contingent Liabilities:**

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

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



COUNTY OF LANCASTER, VIRGINIA

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

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**Note 11—Litigation:**

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

**Note 12 –Risk Management:**

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

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

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

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

**Note 13—Pension Plans:**

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**Plan Description**

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

**Benefit Structures**

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

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

**Note 13—Pension Plans: (Continued)**

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**Benefit Structures (Continued)**

- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Average Final Compensation and Service Retirement Multiplier**

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

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

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

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | Primary<br>Government | Component Unit<br>School Board<br>(nonprofessional) |
|--|-----------------------|---|
| Inactive members or their beneficiaries currently receiving benefits | 62                    | 23  |
| Inactive members:  |                       |   |
| Vested inactive members  | 6                     | 1   |
| Non-vested inactive members  | 12                    | 10  |
| Inactive members active elsewhere in VRS                             | 50                    | 8   |
| Total inactive members   | 68                    | 19  |
| Active members   | 101                   | 46  |
| Total covered employees  | 231                   | 88  |

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

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

COUNTY OF LANCASTER, VIRGINIA

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

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**Note 13—Pension Plans: (Continued)**

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**Contributions (Continued)**

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$576,371 and \$499,262 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$76,594 and \$82,760 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Net Pension Liability**

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

**Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Actuarial Assumptions - General Employees (Continued)**

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Actuarial Assumptions - General Employees (Continued)**

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

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

**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

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



COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Discount Rate (Continued)**

was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

|   | Primary Government                   |  |  |
|---|--------------------------------------|--|--|
|   | Increase (Decrease)                  |  |  |
|   | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability<br>(a) - (b) |
| Balances at June 30, 2017                             | \$ 21,151,561                        | \$ 19,182,671                            | \$ 1,968,890                             |
| Changes for the year:                                 |                                      |  |  |
| Service cost  | \$ 561,124                           | \$ -                                     | \$ 561,124                               |
| Interest  | 1,441,221                            | -  | 1,441,221                                |
| Differences between expected<br>and actual experience | 625,068                              | -  | 625,068                                  |
| Contributions - employer                              | -                                    | 499,673                                  | (499,673)                                |
| Contributions - employee                              | -                                    | 238,583                                  | (238,583)                                |
| Net investment income                                 | -                                    | 1,413,013                                | (1,413,013)                              |
| Benefit payments, including refunds                   |                                      |  |  |
| Refunds of employee contributions                     | (1,125,384)                          | (1,125,384)                              | -  |
| Administrative expenses                               | -                                    | (12,287)                                 | 12,287                                   |
| Other changes   | -                                    | (1,253)                                  | 1,253                                    |
| Net changes   | \$ 1,502,029                         | \$ 1,012,345                             | \$ 489,684                               |
| Balances at June 30, 2018                             | \$ 22,653,590                        | \$ 20,195,016                            | \$ 2,458,574                             |

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Changes in Net Pension Liability**

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

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

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

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

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

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

**Note 13—Pension Plans: (Continued)**

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***Pension Plan Data***

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

**Component Unit School Board (professional)**

***Plan Description***

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

***Contributions***

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

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

At June 30, 2019, the school division reported a liability of \$11,152,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.09483% as compared to 0.09644% at June 30, 2017.

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Component Unit School Board (professional) (Continued)**

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

For the year ended June 30, 2019, the school division recognized pension expense of \$580,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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**Note 13—Pension Plans: (Continued)**

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**Component Unit School Board (professional) (Continued)**

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

**Mortality rates:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Component Unit School Board (professional) (Continued)**

**Actuarial Assumptions (Continued)**

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

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

**Net Pension Liability**

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

|  |    |   |
|--|----|---|
|  |    | <u>Teacher Employee<br/>Retirement Plan</u> |
| Total Pension Liability                  | \$ | 46,679,555                                  |
| Plan Fiduciary Net Position              |    | <u>34,919,563</u>                           |
| Employers' Net Pension Liability (Asset) | \$ | <u><u>11,759,992</u></u>                    |

|   |        |
|---|--------|
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability | 74.81% |
|---|--------|

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

COUNTY OF LANCASTER, VIRGINIA

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

**Note 13—Pension Plans: (Continued)**

**Component Unit School Board (professional) (Continued)**

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

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

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

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

**Pension Plan Fiduciary Net Position**

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

**Aggregate Pension Information**

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



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

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***Plan Description***

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

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

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

***Eligible Employees***

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

***Benefit Amounts***

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

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

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***Contributions***

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

**Mortality Rates - Teachers**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

COUNTY OF LANCASTER, VIRGINIA

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

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

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Teachers (Continued)**

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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**Actuarial Assumptions: (Continued)**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

COUNTY OF LANCASTER, VIRGINIA

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

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

**Actuarial Assumptions: (Continued)**

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

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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**NET GLI OPEB Liability**

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

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

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

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COUNTY OF LANCASTER, VIRGINIA

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

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

**Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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

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

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

**GLI Program Fiduciary Net Position**

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

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

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***Plan Description***

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

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

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Program Notes***

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

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

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***Contributions***

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

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

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

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

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COUNTY OF LANCASTER, VIRGINIA

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

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

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

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

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

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

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

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

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**Actuarial Assumptions**

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

**Mortality Rates - Teachers**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

COUNTY OF LANCASTER, VIRGINIA

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

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

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Teachers: (Continued)**

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

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

**Net Teacher Employee HIC OPEB Liability**

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

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

|   |       |
|---|-------|
| Plan Fiduciary Net Position as a Percentage<br>of the Total Teacher Employee HIC OPEB Liability | 8.08% |
|---|-------|

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

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

**Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

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



COUNTY OF LANCASTER, VIRGINIA

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

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

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

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

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

**Teacher Employee HIC OPEB Fiduciary Net Position**

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

**Note 16—Summary of Other Postemployment Benefit Plans:**

**Aggregate OPEB Information:**

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

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COUNTY OF LANCASTER, VIRGINIA

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

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**Note 17–Surety Bonds:**

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|  | <u>Amount</u> |
|--|---------------|
| Division of Risk Management Surety Bond:                 |               |
| Commonwealth Funds                                       |               |
| Diane H. Mumford, Clerk of the Circuit Court             | \$ 110,000    |
| Bonnie J. Dickson, Treasurer                             | 400,000       |
| Marlon Savoy, Commissioner of the Revenue                | 3,000         |
| Patrick McCranie, Sheriff                                | 30,000        |
| Fidelity and Deposit Company of Maryland-Surety          |               |
| All School Board Employees-blanket bond                  | 25,000        |
| VA Risk Pool-Surety                                      |               |
| All Department of Social Services Employees-blanket bond | 100,000       |

**Note 18–Jointly Governed Organizations:**

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The County in conjunction with other localities has created the Middle Peninsula/Northern Neck Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year the County contributed \$42,231, for operations to the Middle Peninsula/Northern Neck Community Services Board.

**Note 19–Postclosure Costs:**

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Old County Landfill

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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

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

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

**Note 21 - Adoption of Accounting Principles:**

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

**Note 22—Upcoming Pronouncements:**

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

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

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***Note 22–Upcoming Pronouncements: (Continued)***

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

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

*REQUIRED SUPPLEMENTARY INFORMATION*

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

|   | <u>Budgeted Amounts</u> |                       | <u>Actual<br/>Amounts</u> | Variance with<br>Final Budget -<br>Positive<br><u>(Negative)</u> |
|---|-------------------------|-----------------------|---------------------------|--|
|   | <u>Original</u>         | <u>Final</u>          |                           |  |
| <b>REVENUES</b>   |                         |                       |                           |  |
| General property taxes                                    | \$ 17,250,500           | \$ 17,250,500         | \$ 17,205,483             | \$ (45,017)  |
| Other local taxes   | 2,007,000               | 2,007,000             | 2,089,980                 | 82,980   |
| Permits, privilege fees, and regulatory licenses          | 126,356                 | 126,356               | 136,434                   | 10,078   |
| Fines and forfeitures                                     | 22,000                  | 22,000                | 27,322                    | 5,322  |
| Revenue from the use of money and property                | 100,000                 | 100,000               | 211,979                   | 111,979  |
| Charges for services                                      | 367,750                 | 369,744               | 334,757                   | (34,987)   |
| Miscellaneous   | 18,500                  | 46,939                | 58,950                    | 12,011   |
| Recovered costs   | 25,600                  | 25,600                | 44,168                    | 18,568   |
| Intergovernmental:  |                         |                       |                           |  |
| Commonwealth  | 4,198,004               | 4,254,127             | 4,244,992                 | (9,135)  |
| Federal   | 894,802                 | 928,405               | 1,124,400                 | 195,995  |
| Total revenues  | <u>\$ 25,010,512</u>    | <u>\$ 25,130,671</u>  | <u>\$ 25,478,465</u>      | <u>\$ 347,794</u>  |
| <b>EXPENDITURES</b>                                       |                         |                       |                           |  |
| Current:  |                         |                       |                           |  |
| General government administration                         | \$ 1,551,804            | \$ 1,563,668          | \$ 1,477,843              | \$ 85,825  |
| Judicial administration                                   | 810,224                 | 822,128               | 820,043                   | 2,085  |
| Public safety   | 5,347,242               | 5,447,993             | 5,337,243                 | 110,750  |
| Public works  | 1,287,226               | 1,289,546             | 1,351,889                 | (62,343)   |
| Health and welfare  | 3,071,894               | 3,149,481             | 2,977,266                 | 172,215  |
| Education   | 11,189,186              | 11,404,186            | 11,096,383                | 307,803  |
| Parks, recreation, and cultural                           | 179,395                 | 179,395               | 177,992                   | 1,403  |
| Community development                                     | 460,799                 | 462,793               | 433,065                   | 29,728   |
| Capital projects  | 37,925                  | 2,811,559             | 2,327,616                 | 483,943  |
| Debt service:   |                         |                       |                           |  |
| Principal retirement                                      | 1,462,000               | 1,475,460             | 1,475,460                 | -  |
| Interest and other fiscal charges                         | 331,464                 | 334,012               | 213,919                   | 120,093  |
| Total expenditures  | <u>\$ 25,729,159</u>    | <u>\$ 28,940,221</u>  | <u>\$ 27,688,719</u>      | <u>\$ 1,251,502</u>  |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (718,647)</u>     | <u>\$ (3,809,550)</u> | <u>\$ (2,210,254)</u>     | <u>\$ 1,599,296</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                         |                       |                           |  |
| Transfers in  | \$ -                    | \$ 90,000             | \$ 944,455                | \$ 854,455   |
| Transfers out   | -                       | -                     | (111,326)                 | (111,326)  |
| Issuance of capital lease                                 | -                       | -                     | 45,823                    | 45,823   |
| Total other financing sources (uses)                      | <u>\$ -</u>             | <u>\$ 90,000</u>      | <u>\$ 878,952</u>         | <u>\$ 788,952</u>  |
| Net change in fund balances                               | \$ (718,647)            | \$ (3,719,550)        | \$ (1,331,302)            | \$ 2,388,248   |
| Fund balances - beginning                                 | 718,647                 | 3,719,550             | 3,274,064                 | (445,486)  |
| Fund balances - ending                                    | <u>\$ -</u>             | <u>\$ -</u>           | <u>\$ 1,942,762</u>       | <u>\$ 1,942,762</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, 2019

|  | Budgeted Amounts |       | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|-------|-------------------|---|
|  | Original         | Final |                   |   |
| REVENUES   |                  |       |                   |   |
| Revenue from the use of money and property                   | \$ -             | \$ -  | \$ 34             | \$ 34   |
| Total revenues   | \$ -             | \$ -  | \$ 34             | \$ 34   |
| Excess (deficiency) of revenues over (under)<br>expenditures | \$ -             | \$ -  | \$ 34             | \$ 34   |
| Net change in fund balances                                  | \$ -             | \$ -  | \$ 34             | \$ 34   |
| Fund balances - beginning                                    | -                | -     | 23,701            | 23,701  |
| Fund balances - ending                                       | \$ -             | \$ -  | \$ 23,735         | \$ 23,735   |



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

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

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

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

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

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

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

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

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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



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

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

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

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

| Date | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|------|--|---|---|---|---|
| 2019 | \$ 93,089  | \$ 93,089   | \$ -  | \$ 7,757,454                            | 1.20%   |
| 2018 | 95,543   | 95,543  | -   | 7,774,073                               | 1.23%   |
| 2017 | 85,633   | 85,633  | -   | 7,714,656                               | 1.11%   |
| 2016 | 78,634   | 78,634  | -   | 7,418,330                               | 1.06%   |
| 2015 | 77,932   | 77,932  | -   | 7,352,112                               | 1.06%   |
| 2014 | 80,343   | 80,343  | -   | 7,238,082                               | 1.11%   |
| 2013 | 78,293   | 78,293  | -   | 7,053,394                               | 1.11%   |
| 2012 | 44,417   | 44,417  | -   | 7,402,865                               | 0.60%   |
| 2011 | 42,278   | 42,278  | -   | 8,046,263                               | 0.53%   |
| 2010 | 52,248   | 52,248  | -   | 5,023,839                               | 1.04%   |

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

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

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

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

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*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES*

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

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

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

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

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

---

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

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*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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

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

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

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

County of Lancaster, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2019

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

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

Net change in fund balances - total governmental funds - per above \$ 79,709

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

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

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

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

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



County of Lancaster, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2019

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

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*DISCRETELY PRESENTED COMPONENT UNIT  
INDUSTRIAL DEVELOPMENT AUTHORITY*

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

---

**ASSETS**

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

**NET POSITION**

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

County of Lancaster, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2019

---

## OPERATING REVENUES

## Charges for services:

|                          |           |
|--------------------------|-----------|
| Bond fees                | \$ 40,354 |
| Total operating revenues | \$ 40,354 |

## OPERATING EXPENSES

|                          |           |
|--------------------------|-----------|
| Other expenses           | \$ 67,100 |
| Total operating expenses | \$ 67,100 |

|                         |             |
|-------------------------|-------------|
| Operating income (loss) | \$ (26,746) |
|-------------------------|-------------|

## NONOPERATING REVENUES (EXPENSES)

|                 |       |
|-----------------|-------|
| Interest income | \$ 47 |
|-----------------|-------|

|  |       |
|--|-------|
| Total nonoperating revenues (expenses) | \$ 47 |
|--|-------|

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

|                                |           |
|--------------------------------|-----------|
| Total net position - beginning | 105,367   |
| Total net position - ending    | \$ 78,668 |

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

---

## CASH FLOWS FROM OPERATING ACTIVITIES

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

## CASH FLOWS FROM INVESTING ACTIVITIES

|  |    |    |
|--|----|----|
| Interest income                                      | \$ | 47 |
| Net cash provided by (used for) investing activities | \$ | 47 |

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

|                                       |    |         |
|---------------------------------------|----|---------|
| Cash and cash equivalents - beginning |    | 105,367 |
| Cash and cash equivalents - ending    | \$ | 78,668  |

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*SUPPORTING SCHEDULES*

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

Schedule 1  
 Page 1 of 7

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

| <u>Fund, Function, Activity and Element</u> | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued)                   |                            |                         |                      |   |
| Health and welfare: (Continued)             |                            |                         |                      |   |
| Welfare: (Continued)                        |                            |                         |                      |   |
| Comprehensive services act                  | \$ 600,000                 | \$ 677,587              | \$ 808,790           | \$ (131,203)  |
| The Haven crisis shelter                    | 4,000                      | 4,000                   | 4,000                | -   |
| Boys and girls club of America              | 35,000                     | 35,000                  | 35,000               | -   |
| Total welfare                               | <u>\$ 2,713,250</u>        | <u>\$ 2,790,837</u>     | <u>\$ 2,618,620</u>  | <u>\$ 172,217</u>   |
| Total health and welfare                    | <u>\$ 3,071,894</u>        | <u>\$ 3,149,481</u>     | <u>\$ 2,977,266</u>  | <u>\$ 172,215</u>   |
| Education:                                  |                            |                         |                      |   |
| Contributions to Community College          | \$ 7,242                   | \$ 7,242                | \$ 7,242             | \$ -  |
| Contribution to County School Board         | 11,181,944                 | 11,396,944              | 11,089,141           | 307,803   |
| Total education                             | <u>\$ 11,189,186</u>       | <u>\$ 11,404,186</u>    | <u>\$ 11,096,383</u> | <u>\$ 307,803</u>   |
| Parks, recreation, and cultural:            |                            |                         |                      |   |
| Parks and recreation:                       |                            |                         |                      |   |
| Supervision of parks and recreation         | \$ 50,000                  | \$ 50,000               | \$ 50,004            | \$ (4)  |
| Total parks and recreation                  | <u>\$ 50,000</u>           | <u>\$ 50,000</u>        | <u>\$ 50,004</u>     | <u>\$ (4)</u>   |
| Cultural enrichment:                        |                            |                         |                      |   |
| Museum                                      | \$ 4,400                   | \$ 4,400                | \$ 4,985             | \$ (585)  |
| Historic resources commission               | 2,000                      | 2,000                   | -                    | 2,000   |
| Total cultural enrichment                   | <u>\$ 6,400</u>            | <u>\$ 6,400</u>         | <u>\$ 4,985</u>      | <u>\$ 1,415</u>   |
| Library:                                    |                            |                         |                      |   |
| Library                                     | \$ 122,995                 | \$ 122,995              | \$ 123,003           | \$ (8)  |
| Total parks, recreation, and cultural       | <u>\$ 179,395</u>          | <u>\$ 179,395</u>       | <u>\$ 177,992</u>    | <u>\$ 1,403</u>   |
| Community development:                      |                            |                         |                      |   |
| Planning and community development:         |                            |                         |                      |   |
| Land use administration                     | \$ 259,759                 | \$ 259,759              | \$ 247,465           | \$ 12,294   |
| Section 8 housing                           | 62,722                     | 64,716                  | 71,943               | (7,227)   |
| Indoor plumbing                             | 16,250                     | 16,250                  | 8,247                | 8,003   |
| Planning district commission                | 31,530                     | 31,530                  | 28,952               | 2,578   |
| Zoning board                                | 2,169                      | 2,169                   | 441                  | 1,728   |
| Greentown/Gaskins Rd - CDBG                 | -                          | -                       | 240                  | (240)   |

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

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

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

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

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*STATISTICAL INFORMATION*

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

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

Table 1

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

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

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

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

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

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

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

(3) Excludes Capital Projects funds.

Table 3

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

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

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

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

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

(3) Excludes Capital Projects funds.



Table 4

---

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

Table 5

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

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

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

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

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

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

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

| Fiscal<br>Year | Real Estate | Personal<br>Property | Merchant's<br>Capital | Machinery<br>and<br>Tools |
|----------------|-------------|----------------------|-----------------------|---------------------------|
| 2010           | \$ 0.42     | \$ 2.04              | \$ 1.00               | \$ 1.52                   |
| 2011           | 0.40        | 2.04                 | 1.00                  | 1.52                      |
| 2012           | 0.40        | 2.04                 | 1.00                  | 1.52                      |
| 2013           | 0.39        | 2.04                 | 1.00                  | 1.52                      |
| 2014           | 0.50        | 2.04                 | 1.00                  | 1.52                      |
| 2015           | 0.54        | 2.04                 | 1.00                  | 1.52                      |
| 2016           | 0.54        | 2.04                 | 1.00                  | 1.52                      |
| 2017           | 0.54        | 2.04                 | 1.00                  | 1.52                      |
| 2018           | 0.59        | 2.04                 | 1.00                  | 1.52                      |
| 2019           | 0.59        | 2.04                 | 1.00                  | 1.52                      |

(1) Per \$100 of assessed value.

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

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

(1) Weldon Cooper Center 2010 Census.

(2) From Table 6.

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

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

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

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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**

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

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

#### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

Richmond, Virginia  
November 11, 2019



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

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

Report on Compliance for Each Major Federal Program

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

### *Opinion on Each Major Federal Program*

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

### Report on Internal Control over Compliance

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

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

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

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



Richmond, Virginia  
November 11, 2019

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

| Federal Grantor/State Pass - Through Grantor/<br>Program or Cluster Title                                | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying Number | Federal<br>Expenditures |
|--|---------------------------|--|-------------------------|
| Department of Health and Human Services:   |                           |  |                         |
| Pass Through Payments:   |                           |  |                         |
| Department of Social Services:   |                           |  |                         |
| Promoting Safe and Stable Families   | 93.556                    | 0950118/0950119                              | \$ 6,573                |
| Temporary Assistance for Needy Families (TANF Cluster)   | 93.558                    | 0400118/0400119                              | 140,277                 |
| Refugee and Entrant Assistance - State Administered Programs   | 93.566                    | 0500118/0500119                              | 73                      |
| Low-Income Home Energy Assistance  | 93.568                    | 0600418/00600419                             | 23,913                  |
| Child Care Mandatory and Matching Funds of the Child Care and<br>Development Fund (CCDF Cluster)         | 93.596                    | 0760118/0760119                              | 26,226                  |
| Stephanie Tubbs Jones Child Welfare Services Program   | 93.645                    | 0900118/090119                               | 168                     |
| Foster Care - Title IV-E   | 93.658                    | 1100118/1100119                              | 114,108                 |
| Adoption Assistance  | 93.659                    | 1130118/1130119                              | 31,614                  |
| Social Services Block Grant  | 93.667                    | 1000118/1000119                              | 130,382                 |
| Chafee Foster Care Independence Program  | 93.674                    | 9150118/9150119                              | 2,005                   |
| Children's Health Insurance Program  | 93.767                    | 0540118/0540119                              | 4,825                   |
| Medical Assistance Program (Medicaid Cluster)  | 93.778                    | 1200118/1200119                              | 229,242                 |
| Total Department of Health and Human Services  |                           |  | <u>\$ 709,406</u>       |
| Department of Homeland Security:   |                           |  |                         |
| Pass Through Payments:   |                           |  |                         |
| Department of Emergency Assistance:  |                           |  |                         |
| Emergency Management Performance Grants  | 97.042                    | 77501-52743                                  | \$ 7,500                |
| Homeland Security Grant Program  | 97.067                    | 77501-62704                                  | 93,242                  |
| Total Department of Homeland Security  |                           |  | <u>\$ 100,742</u>       |
| Department of Agriculture:   |                           |  |                         |
| Pass Through Payments:   |                           |  |                         |
| Child Nutrition Cluster:   |                           |  |                         |
| Department of Agriculture:   |                           |  |                         |
| Summer Food Service Program for Children Food Distribution   | 10.559                    | Unknown                                      | \$ 209                  |
| Department of Agriculture:   |                           |  |                         |
| National School Lunch Food Distribution  | 10.555                    | 17901-45707                                  | \$ 38,551               |
| Department of Education:   |                           |  |                         |
| National School Lunch Program  | 10.555                    | 17901-40623                                  | 290,032                 |
| Total CFDA 10.555  |                           |  | <u>\$ 328,583</u>       |
| School Breakfast Program   | 10.553                    | 17901-40591                                  | \$ 119,310              |
| Child Nutrition Cluster Total  |                           |  | <u>\$ 448,102</u>       |
| Child and Adult Care Food Program  | 10.558                    | 17901-70027                                  | \$ 13,108               |
| Department of Social Services:   |                           |  |                         |
| State Administrative Matching Grants for the Supplemental<br>Nutrition Assistance Program (SNAP Cluster) | 10.561                    | 0010118/0010119                              | 204,998                 |
| Total Department of Agriculture  |                           |  | <u>\$ 666,208</u>       |

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

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

See accompanying notes to schedule of expenditures of federal awards.

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

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Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

|                          |              |
|--------------------------|--------------|
| General Fund             | \$ 1,124,400 |
| Total primary government | \$ 1,124,400 |

Component Unit School Board:

|                                   |              |
|-----------------------------------|--------------|
| School Operating Fund             | \$ 833,145   |
| School Cafeteria Fund             | 461,210      |
| Total Component Unit School Board | \$ 1,294,355 |

|   |              |
|---|--------------|
| Total expenditures of federal awards per basic financial statements | \$ 2,418,755 |
|---|--------------|

|              |             |
|--------------|-------------|
| BABs subsidy | \$ (14,956) |
|--------------|-------------|

|   |              |
|---|--------------|
| Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards | \$ 2,403,799 |
|---|--------------|

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

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

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**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:

CFDA Number(s)  
 10.553/10.555/10.559  
 84.027

Name of Federal Program or Cluster  
 Child Nutrition Cluster  
 Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? \_\_\_\_\_   ✓   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, 2019

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There were no prior year findings.