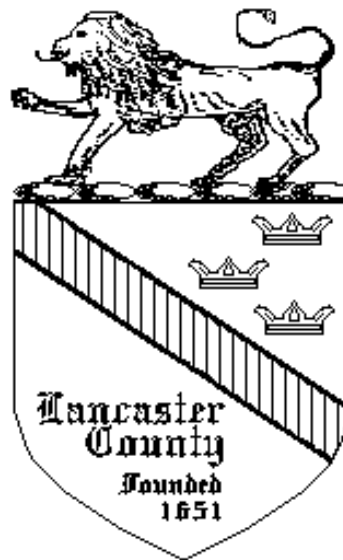


COUNTY OF LANCASTER, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2020

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COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

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

Jack D. Larson
William R. Lee

Robert S. Westbrook

COUNTY SCHOOL BOARD

Joan Gravatt, Chair

Kenya Moody, Vice Chair
Cindy Clarke

Carolyn Young
Katherine Keith

SOCIAL SERVICES BOARD

Harry C. Sadler, Jr., Chair

Donna Anderson, Vice Chair
Lynette Pinn

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

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COUNTY OF LANCASTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

		<u>Page</u>
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-10
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	11
Statement of Activities	2	12-13
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	17
Statement of Net Position - Proprietary Fund	7	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8	19
Statement of Cash Flows - Proprietary Fund	9	20
Statement of Fiduciary Net Position - Fiduciary Fund	10	21
Notes to Financial Statements		22-80
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	81
County Special Revenue Fund	12	82
Schedule of Changes in Net Pension Liability and Related Ratios - Primary Government - Pension Plans	13	83-84
Schedule of Changes in Net Pension Liability and Related Ratios - Component Unit School Board (nonprofessional) - Pension Plans	14	85-86
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan - Pension Plans	15	87-88
Schedule of Employer Contributions - Pension Plans	16	89
Notes to Required Supplementary Information - Pension Plans	17	90

COUNTY OF LANCASTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information: (Continued)		
Schedule of County's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan	18	91
Schedule of Employer Contributions - Group Life Insurance (GLI) Plan	19	92
Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan	20	93
Schedule of County School Board's Share of Net OPEB Liability - Teacher Employee Health Insurance Credit (HIC) Plan	21	94
Schedule of Employer Contributions - Teacher Employee Health Insurance Credit (HIC) Plan	22	95
Notes to Required Supplementary Information - Teacher Employee Health Insurance Credit (HIC) Plan	23	96
 Other Supplementary Information:		
Combining and Individual Fund Financial Statements and Schedules:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
County Capital Projects Fund	24	97
Statement of Fiduciary Net Position - Fiduciary Fund	25	98
Statement of Changes in Assets and Liabilities - Agency Fund	26	99
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet - Governmental Funds	27	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28	101
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	29	102
Discretely Presented Component Unit - Industrial Development Authority:		
Statement of Net Position	30	103
Statement of Revenues, Expenses, and Changes in Net Position	31	104
Statement of Cash Flows	32	105
Discretely Presented Component Unit - Broadband Authority:		
Statement of Net Position	33	106
Statement of Revenues, Expenses, and Changes in Net Position	34	107
Statement of Cash Flows	35	108
 Supporting Schedules:		
	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues - Budget and Actual - Governmental Funds	1	109-115
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	116-120

COUNTY OF LANCASTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS (CONTINUED)

	<u>Table</u>	<u>Page</u>
Statistical Information:		
Government-wide information:		
Government-Wide Expenses by Function	1	121-122
Government-Wide Revenues	2	123
Fund information:		
General Governmental Expenditures by Function	3	124-125
General Governmental Revenues by Source	4	126-127
Property Tax Levies and Collections	5	128
Assessed Value of Taxable Property	6	129
Property Tax Rates	7	130
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	131
 Compliance:		
		<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		132-133
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance		134-135
Schedule of Expenditures of Federal Awards		136-137
Notes to Schedule of Expenditures of Federal Awards		138
Schedule of Findings and Questioned Costs		139
Summary Schedule of Prior Audit Findings		140

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 81-82, and 83-96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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 25, 2020, 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 "R. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
November 25, 2020

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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, 2020. 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 \$8,987,407 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources over expenditures and other financing uses by \$1,207,746 (Exhibit 5) after making contributions totaling \$11,375,725 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$5,513,697, an increase of \$1,207,746 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,829,863, or 18% of total general fund expenditures and other uses.
- The combined long-term obligations decreased \$125,351 during the current fiscal year.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Both 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 funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County’s financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,987,407 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 8,736,159	\$ 6,447,187	\$ 55,147	\$ 56,424	\$ 8,791,306	\$ 6,503,611
Capital assets	<u>11,333,215</u>	<u>11,726,899</u>	<u>1,129,695</u>	<u>1,182,543</u>	<u>12,462,910</u>	<u>12,909,442</u>
Total assets	<u>\$ 20,069,374</u>	<u>\$ 18,174,086</u>	<u>\$ 1,184,842</u>	<u>\$ 1,238,967</u>	<u>\$ 21,254,216</u>	<u>\$ 19,413,053</u>
Deferred outflows of resources	\$ <u>1,477,949</u>	\$ <u>1,056,703</u>	\$ -	\$ -	\$ <u>1,477,949</u>	\$ <u>1,056,703</u>
Current liabilities	\$ 2,443,540	\$ 1,451,224	\$ 61	\$ 628	\$ 2,443,601	\$ 1,451,852
Long-term liabilities outstanding	<u>10,826,418</u>	<u>10,948,301</u>	<u>164,813</u>	<u>168,281</u>	<u>10,991,231</u>	<u>11,116,582</u>
Total liabilities	<u>\$ 13,269,958</u>	<u>\$ 12,399,525</u>	<u>\$ 164,874</u>	<u>\$ 168,909</u>	<u>\$ 13,434,832</u>	<u>\$ 12,568,434</u>
Deferred inflows of resources	\$ <u>309,926</u>	\$ <u>577,651</u>	\$ -	\$ -	\$ <u>309,926</u>	\$ <u>577,651</u>
Net position:						
Net investment in capital assets	\$ 2,577,220	\$ 1,948,975	\$ 964,882	\$ 1,014,262	\$ 3,542,102	\$ 2,963,237
Restricted:						
Forfeited asset	10,271	11,543	-	-	10,271	11,543
Wetlands special project	10,362	10,351	-	-	10,362	10,351
Unrestricted	<u>5,369,586</u>	<u>4,282,744</u>	<u>55,086</u>	<u>55,796</u>	<u>5,424,672</u>	<u>4,338,540</u>
Total net position	<u>\$ 7,967,439</u>	<u>\$ 6,253,613</u>	<u>\$ 1,019,968</u>	<u>\$ 1,070,058</u>	<u>\$ 8,987,407</u>	<u>\$ 7,323,671</u>

Government-wide Financial Analysis (Continued)

The County's net position increased \$1,663,736 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Lancaster, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Charges for services	\$ 583,410	\$ 498,513	\$ 25,729	\$ 31,110	\$ 609,139	\$ 529,623
Operating grants and contributions	4,163,799	4,090,804	-	-	4,163,799	4,090,804
General property taxes	18,951,537	17,155,371	-	-	18,951,537	17,155,371
Other local taxes	2,377,456	2,089,980	-	-	2,377,456	2,089,980
Grants and other contributions not restricted	1,282,087	1,278,588	-	-	1,282,087	1,278,588
Other general revenues	316,226	287,037	36	45	316,262	287,082
Transfers	-	-	-	-	-	-
Total revenues	\$ 27,674,515	\$ 25,400,293	\$ 25,765	\$ 31,155	\$ 27,700,280	\$ 25,431,448
General government administration	\$ 1,448,143	\$ 1,476,693	\$ -	\$ -	\$ 1,448,143	\$ 1,476,693
Judicial administration	986,683	911,383	-	-	986,683	911,383
Public safety	6,205,175	5,408,627	-	-	6,205,175	5,408,627
Public works	1,597,827	1,336,789	75,855	64,389	1,673,682	1,401,178
Health and welfare	3,120,376	2,885,295	-	-	3,120,376	2,885,295
Education	11,758,993	11,164,059	-	-	11,758,993	11,164,059
Parks, recreation, and cultural	210,112	196,072	-	-	210,112	196,072
Community development	386,699	368,805	-	-	386,699	368,805
Interest and other fiscal charges	246,681	252,744	-	-	246,681	252,744
Total expenses	\$ 25,960,689	\$ 24,000,467	\$ 75,855	\$ 64,389	\$ 26,036,544	\$ 24,064,856
Change in net position	\$ 1,713,826	\$ 1,399,826	\$ (50,090)	\$ (33,234)	\$ 1,663,736	\$ 1,366,592
Net position, beginning of year	6,253,613	4,853,787	1,070,058	1,103,292	7,323,671	5,957,079
Net position, end of year	<u>\$ 7,967,439</u>	<u>\$ 6,253,613</u>	<u>\$ 1,019,968</u>	<u>\$ 1,070,058</u>	<u>\$ 8,987,407</u>	<u>\$ 7,323,671</u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$5,513,697, an increase of \$1,207,746 in comparison with the prior year. Approximately 88% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion. The increase was largely due to an increase in the real estate tax rate.

The County Capital Projects Fund accounts for all major public improvements. At the end of the fiscal year, the fund balance was \$656,676.

During the year, budgetary estimates were exceeded by actual revenues and other sources of the General Fund by \$1,445,248. Budgetary estimates exceeded actual expenditures and other uses by \$1,791,749. The combination of the two resulted in a positive variance of \$3,236,997.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2020 amounts to \$11,333,215 (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 \$6,934,329. Of this amount, \$1,095,000 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 decreased \$1,012,144 during the current fiscal year.

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

Economic Factors and Future Years' Budgets and Rates

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

All these factors were considered in preparing the County's budget for the 2021 fiscal year.

The fiscal year 2021 budget increased by approximately .82%. All property tax rates remained the same.

Requests for Information

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

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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, 2020

	Primary Government			Component Units		
	Governmental	Business-type	Total	School Board	Broadband	IDA
	Activities	Activities			Authority	
ASSETS						
Cash and cash equivalents	\$ 6,826,582	\$ 54,148	\$ 6,880,730	\$ 436,619	\$ 10,008	\$ 99,777
Receivables (net of allowance for uncollectibles):						
Taxes receivable	921,311	-	921,311	-	-	-
Accounts receivable	107,790	999	108,789	-	-	-
Due from other governmental units	875,794	-	875,794	1,272,587	-	-
Prepaid expenses	4,682	-	4,682	-	-	-
Capital assets (net of accumulated depreciation):						
Land and land improvements	1,649,744	-	1,649,744	6,271	-	-
Buildings and improvements	5,506,476	1,129,695	6,636,171	5,931,111	-	-
Machinery and equipment	684,488	-	684,488	989,560	-	-
Infrastructure	2,083,209	-	2,083,209	-	-	-
Construction in progress	1,409,298	-	1,409,298	28,000	-	-
Total assets	<u>\$ 20,069,374</u>	<u>\$ 1,184,842</u>	<u>\$ 21,254,216</u>	<u>\$ 8,664,148</u>	<u>\$ 10,008</u>	<u>\$ 99,777</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	\$ 1,392,264	\$ -	\$ 1,392,264	\$ 2,430,799	\$ -	\$ -
OPEB related items	85,685	-	85,685	263,392	-	-
Total deferred outflows of resources	<u>\$ 1,477,949</u>	<u>\$ -</u>	<u>\$ 1,477,949</u>	<u>\$ 2,694,191</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,547,323</u>	<u>\$ 1,184,842</u>	<u>\$ 22,732,165</u>	<u>\$ 11,358,339</u>	<u>\$ 10,008</u>	<u>\$ 99,777</u>
LIABILITIES						
Accounts payable	\$ 558,070	\$ 61	\$ 558,131	\$ 52,022	\$ -	\$ -
Accrued liabilities	-	-	-	1,274,890	-	-
Accrued interest payable	69,136	-	69,136	-	-	-
Due to other governmental units	1,060,017	-	1,060,017	-	-	-
Unearned revenue	756,317	-	756,317	-	-	-
Long-term liabilities:						
Due within one year	1,115,617	3,502	1,119,119	52,629	-	-
Due in more than one year	9,710,801	161,311	9,872,112	14,689,173	-	-
Total liabilities	<u>\$ 13,269,958</u>	<u>\$ 164,874</u>	<u>\$ 13,434,832</u>	<u>\$ 16,068,714</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	\$ 48,787	\$ -	\$ 48,787	\$ -	\$ -	\$ -
Pension related items	221,749	-	221,749	1,758,481	-	-
OPEB related items	39,390	-	39,390	142,868	-	-
Total deferred inflows of resources	<u>\$ 309,926</u>	<u>\$ -</u>	<u>\$ 309,926</u>	<u>\$ 1,901,349</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION						
Net investment in capital assets	\$ 4,484,181	\$ 964,882	\$ 5,449,063	\$ 6,954,942	\$ -	\$ -
Restricted:						
Forfeited asset	10,271	-	10,271	-	-	-
Wetlands special project	10,362	-	10,362	-	-	-
Unrestricted (deficit)	3,462,625	55,086	3,517,711	(13,566,666)	10,008	99,777
Total net position	<u>\$ 7,967,439</u>	<u>\$ 1,019,968</u>	<u>\$ 8,987,407</u>	<u>\$ (6,611,724)</u>	<u>\$ 10,008</u>	<u>\$ 99,777</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 21,547,323</u>	<u>\$ 1,184,842</u>	<u>\$ 22,732,165</u>	<u>\$ 11,358,339</u>	<u>\$ 10,008</u>	<u>\$ 99,777</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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,448,143	\$ -	\$ 244,556	\$ -
Judicial administration	986,683	15,187	527,545	-
Public safety	6,205,175	557,621	1,689,989	-
Public works	1,597,827	6,270	-	-
Health and welfare	3,120,376	2,306	1,701,709	-
Education	11,758,993	-	-	-
Parks, recreation, and cultural	210,112	-	-	-
Community development	386,699	2,026	-	-
Interest on long-term debt	246,681	-	-	-
Total governmental activities	\$ 25,960,689	\$ 583,410	\$ 4,163,799	\$ -
Business-type activities:				
Sewer	\$ 75,855	\$ 25,729	\$ -	\$ -
Total business-type activities	\$ 75,855	\$ 25,729	\$ -	\$ -
Total primary government	\$ 26,036,544	\$ 609,139	\$ 4,163,799	\$ -
COMPONENT UNITS:				
School Board	\$ 16,722,232	\$ 61,099	\$ 4,885,971	\$ -
Broadband Authority	19,762	-	-	-
IDA	17,755	38,854	-	-
Total component units	\$ 16,759,749	\$ 99,953	\$ 4,885,971	\$ -

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

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

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	School Board	Broadband Authority	IDA	
\$ (1,203,587)	\$ -	\$ (1,203,587)	\$ -	\$ -	\$ -	\$ -
(443,951)	-	(443,951)	-	-	-	-
(3,957,565)	-	(3,957,565)	-	-	-	-
(1,591,557)	-	(1,591,557)	-	-	-	-
(1,416,361)	-	(1,416,361)	-	-	-	-
(11,758,993)	-	(11,758,993)	-	-	-	-
(210,112)	-	(210,112)	-	-	-	-
(384,673)	-	(384,673)	-	-	-	-
(246,681)	-	(246,681)	-	-	-	-
<u>\$ (21,213,480)</u>	<u>\$ -</u>	<u>\$ (21,213,480)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (50,126)	\$ (50,126)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (50,126)	\$ (50,126)	\$ -	\$ -	\$ -	\$ -
<u>\$ (21,213,480)</u>	<u>\$ (50,126)</u>	<u>\$ (21,263,606)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (11,775,162)	\$ -	\$ -	\$ -
-	-	-	-	(19,762)	-	-
-	-	-	-	-	-	21,099
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,775,162)</u>	<u>\$ (19,762)</u>	<u>\$ -</u>	<u>\$ 21,099</u>
\$ 18,951,537	\$ -	\$ 18,951,537	\$ -	\$ -	\$ -	\$ -
1,858,276	-	1,858,276	-	-	-	-
201,441	-	201,441	-	-	-	-
317,739	-	317,739	-	-	-	-
242,326	36	242,362	1,823	1	10	
73,900	-	73,900	229,709	-	-	-
-	-	-	11,442,683	-	-	-
1,282,087	-	1,282,087	-	-	-	-
<u>\$ 22,927,306</u>	<u>\$ 36</u>	<u>\$ 22,927,342</u>	<u>\$ 11,674,215</u>	<u>\$ 1</u>	<u>\$ 10</u>	<u>\$ -</u>
\$ 1,713,826	\$ (50,090)	\$ 1,663,736	\$ (100,947)	\$ (19,761)	\$ 21,109	\$ -
6,253,613	1,070,058	7,323,671	(6,510,777)	29,769	78,668	
<u>\$ 7,967,439</u>	<u>\$ 1,019,968</u>	<u>\$ 8,987,407</u>	<u>\$ (6,611,724)</u>	<u>\$ 10,008</u>	<u>\$ 99,777</u>	<u>\$ -</u>

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FUND FINANCIAL STATEMENTS

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County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 6,145,684	\$ 24,222	\$ 656,676	\$ 6,826,582
Receivables (net of allowance for uncollectibles):				
Taxes receivable	921,311	-	-	921,311
Accounts receivable	107,790	-	-	107,790
Due from other governmental units	875,794	-	-	875,794
Prepaid items	4,682	-	-	4,682
Total assets	<u>\$ 8,055,261</u>	<u>\$ 24,222</u>	<u>\$ 656,676</u>	<u>\$ 8,736,159</u>
LIABILITIES				
Accounts payable	\$ 558,070	\$ -	\$ -	\$ 558,070
Due to other governmental units	1,060,017	-	-	1,060,017
Unearned revenue	754,571	1,746	-	756,317
Total liabilities	<u>\$ 2,372,658</u>	<u>\$ 1,746</u>	<u>\$ -</u>	<u>\$ 2,374,404</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 848,058	\$ -	\$ -	\$ 848,058
Total deferred inflows of resources	<u>\$ 848,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 848,058</u>
FUND BALANCES				
Nonspendable	\$ 4,682	\$ -	\$ -	\$ 4,682
Restricted	-	20,633	-	20,633
Committed	-	1,843	656,676	658,519
Unassigned	4,829,863	-	-	4,829,863
Total fund balances	<u>\$ 4,834,545</u>	<u>\$ 22,476</u>	<u>\$ 656,676</u>	<u>\$ 5,513,697</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,055,261</u>	<u>\$ 24,222</u>	<u>\$ 656,676</u>	<u>\$ 8,736,159</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,513,697
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	\$	20,328,614
Accumulated depreciation		(8,995,399)
		11,333,215
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes		799,271
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	1,392,264
OPEB related items		85,685
		1,477,949
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	\$	(5,554,000)
General obligations bond		(1,095,000)
Accrued interest payable		(69,136)
Capital leases		(120,516)
Bond premium		(79,518)
Net pension liability		(3,328,099)
NET OPEB liability		(406,166)
Compensated absences		(243,119)
		(10,895,554)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(221,749)
OPEB related items		(39,390)
		(261,139)
Net position of governmental activities		\$ 7,967,439

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, 2020

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 18,851,409	\$ -	\$ -	\$ 18,851,409
Other local taxes	2,377,456	-	-	2,377,456
Permits, privilege fees, and regulatory licenses	158,117	-	-	158,117
Fines and forfeitures	27,601	-	-	27,601
Revenue from the use of money and property	224,781	25	17,520	242,326
Charges for services	397,692	-	-	397,692
Miscellaneous	73,900	-	-	73,900
Recovered costs	79,897	-	-	79,897
Intergovernmental:				
Commonwealth	4,262,133	716	-	4,262,849
Federal	1,183,037	-	-	1,183,037
Total revenues	<u>\$ 27,636,023</u>	<u>\$ 741</u>	<u>\$ 17,520</u>	<u>\$ 27,654,284</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,400,802	\$ -	\$ -	\$ 1,400,802
Judicial administration	819,124	-	-	819,124
Public safety	5,880,302	-	-	5,880,302
Public works	1,564,346	-	-	1,564,346
Health and welfare	3,043,429	-	-	3,043,429
Education	11,383,113	-	-	11,383,113
Parks, recreation, and cultural	188,047	-	-	188,047
Community development	456,405	-	-	456,405
Capital projects	457,015	-	-	457,015
Debt service:				
Principal retirement	1,093,736	-	-	1,093,736
Interest and other fiscal charges	245,279	-	-	245,279
Total expenditures	<u>\$ 26,531,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,531,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,104,425</u>	<u>\$ 741</u>	<u>\$ 17,520</u>	<u>\$ 1,122,686</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,969,377	\$ -	\$ 267,079	\$ 2,236,456
Transfers out	(267,079)	(2,000)	(1,967,377)	(2,236,456)
Issuance of capital lease	85,060	-	-	85,060
Total other financing sources (uses)	<u>\$ 1,787,358</u>	<u>\$ (2,000)</u>	<u>\$ (1,700,298)</u>	<u>\$ 85,060</u>
Net change in fund balances	\$ 2,891,783	\$ (1,259)	\$ (1,682,778)	\$ 1,207,746
Fund balances - beginning	1,942,762	23,735	2,339,454	4,305,951
Fund balances - ending	<u>\$ 4,834,545</u>	<u>\$ 22,476</u>	<u>\$ 656,676</u>	<u>\$ 5,513,697</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, 2020

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

Net change in fund balances - total governmental funds \$ 1,207,746

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

Capital asset additions	\$ 304,496	
Depreciation expense	(631,222)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(66,958)</u>	(393,684)

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

Property taxes		100,128
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retirement of county lease revenue bonds	\$ 894,000	
Principal retirement of school general obligation bond	160,000	
Principal retirement of capital lease	39,736	
Issuance of capital lease	<u>(85,060)</u>	1,008,676

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

The following is a summary of items supporting this adjustment:

Amortization of bond premium	\$ 13,253	
Change in compensated absences	(16,355)	
Pension expense	(209,966)	
OPEB expense	18,683	
Change in accrued interest payable	<u>(14,655)</u>	(209,040)

Change in net position of governmental activities \$ 1,713,826

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, 2020

	Enterprise Fund
	Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 54,148
Accounts receivables, net of allowance for uncollectibles	999
Total current assets	\$ 55,147
Noncurrent assets:	
Capital assets:	
Buildings and improvements	\$ 1,129,695
Total noncurrent assets	\$ 1,129,695
Total assets	\$ 1,184,842
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 61
Bonds payable - current portion	3,502
Total current liabilities	\$ 3,563
Noncurrent liabilities:	
Bonds payable	\$ 161,311
Total noncurrent liabilities	\$ 161,311
Total liabilities	\$ 164,874
NET POSITION	
Net investment in capital assets	\$ 964,882
Unrestricted	55,086
Total net position	\$ 1,019,968

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, 2020

	Enterprise Fund
	<u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Sewer fees	\$ 19,969
Other revenues	5,760
Total operating revenues	\$ 25,729
OPERATING EXPENSES	
Repairs and maintenance	\$ 13,424
Other charges	7,291
Depreciation	52,848
Total operating expenses	\$ 73,563
Operating income (loss)	\$ (47,834)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (2,292)
Interest income	36
Total nonoperating revenues (expenses)	\$ (2,256)
Change in net position	\$ (50,090)
Total net position - beginning	1,070,058
Total net position - ending	\$ 1,019,968

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, 2020

	Enterprise Fund
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 30,967
Payments for operating expenses	(21,282)
Net cash provided by (used for) operating activities	\$ 9,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (3,468)
Interest payments	(2,292)
Net cash provided by (used for) capital and related financing activities	\$ (5,760)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 36
Net cash provided by (used for) investing activities	\$ 36
Net increase (decrease) in cash and cash equivalents	\$ 3,961
Cash and cash equivalents - beginning	50,187
Cash and cash equivalents - ending	\$ 54,148
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (47,834)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	52,848
(Increase) decrease in accounts receivable	5,238
Increase (decrease) in accounts payable	(567)
Total adjustments	\$ 57,519
Net cash provided by (used for) operating activities	\$ 9,685

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, 2020

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 15,265
Total assets	<u>\$ 15,265</u>
 LIABILITIES	
Amounts held for social services clients	\$ 15,265
Total liabilities	<u>\$ 15,265</u>

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2020

Note 1—Summary of Significant Accounting Policies:

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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, 2020

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units on June 30, 2020.

Discretely Presented Component Units. The School Board members are elected by the citizens of Lancaster County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County can approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2020.

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, 2020. The Industrial Development Authority does not issue a separate financial report.

The Broadband Authority is responsible for internet access development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2020. The Broadband 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)

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

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

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

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

2. Proprietary Funds

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

Enterprise Funds

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

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$106,780 on June 30, 2020 is comprised solely of property taxes.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

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

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

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

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

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

I. Compensated Absences

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

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

M. Net Position (Continued)

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

N. Deferred Outflows/Inflows of Resources

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

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

O. Fund Balance

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund).

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

O. Fund Balance (Continued)

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

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

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

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

O. Fund Balance (Continued)

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

	General Fund	Major Special Revenue Fund County Special Revenue Fund	Major Capital Projects Fund County Capital Projects Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 4,682	\$ -	\$ -	\$ 4,682
Total Nonspendable	\$ 4,682	\$ -	\$ -	\$ 4,682
Restricted:				
Forfeited asset	\$ -	\$ 10,271	\$ -	\$ 10,271
Wetlands special project	-	10,362	-	10,362
Total Restricted	\$ -	\$ 20,633	\$ -	\$ 20,633
Committed:				
Sheriff's K-9 Unit	\$ -	\$ 1,843	\$ -	\$ 1,843
Capital Improvements	-	-	656,676	656,676
Total Committed	\$ -	\$ 1,843	\$ 656,676	\$ 658,519
Unassigned	\$ 4,829,863	\$ -	\$ -	\$ 4,829,863
Total	\$ 4,834,545	\$ 22,476	\$ 656,676	\$ 5,513,697

P. Long-term Obligations

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2020.

Note 3—Deposits and Investments:

Deposits

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2020 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Rating
	AAAm
Local Government Investment Pool	\$ 7,190
Virginia Investment Pool	499,561
Total	\$ 506,751

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Fair Value Measurements

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

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 7,190	\$ 7,190
Virginia Investment Pool	499,561	499,561
Total	\$ 506,751	\$ 506,751

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 4—Due to/from Other Governments:

On June 30, 2020, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	\$ -	\$ 1,060,017
Commonwealth of Virginia:		
Local sales tax	375,982	177,187
Welfare	10,813	-
Rolling stock tax	40	-
Local jails	7,716	-
Constitutional officer reimbursements	160,389	-
Auto rental tax	1,131	-
Mobile home titling tax	7,171	-
Victim-witness grant	17,500	-
Children's services act	117,132	-
E-911 wireless	7,845	-
Communications tax	45,045	-
VHDA fees	44,633	-
Federal Government:		
School fund grants	-	35,383
Violence against women	16,729	-
Victim-witness grant	52,500	-
Welfare	11,168	-
Total due from other governments	<u>\$ 875,794</u>	<u>\$ 1,272,587</u>

At June 30, 2020, amounts due to other governmental units are as follows:

Other Local Governments:		
Lancaster County School Board	<u>\$ 1,060,017</u>	<u>\$ -</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

Primary Government:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,649,744	\$ -	\$ -	\$ 1,649,744
Construction in progress	1,409,298	-	-	1,409,298
Total capital assets not subject to depreciation	<u>\$ 3,059,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,059,042</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,284,841	\$ -	\$ -	\$ 7,284,841
Infrastructure	2,558,128	39,860	-	2,597,988
Machinery and equipment	3,992,925	264,636	-	4,257,561
Jointly owned assets	3,320,529	-	191,347	3,129,182
Total capital assets subject to depreciation	<u>\$ 17,156,423</u>	<u>\$ 304,496</u>	<u>\$ 191,347</u>	<u>\$ 17,269,572</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,715,271	\$ 158,095	\$ -	\$ 2,873,366
Infrastructure	382,887	131,892	-	514,779
Machinery and equipment	3,324,880	248,193	-	3,573,073
Jointly owned assets	2,065,528	93,042	124,389	2,034,181
Total accumulated depreciation	<u>\$ 8,488,566</u>	<u>\$ 631,222</u>	<u>\$ 124,389</u>	<u>\$ 8,995,399</u>
Total capital assets subject to depreciation, net	<u>\$ 8,667,857</u>	<u>\$ (326,726)</u>	<u>\$ 66,958</u>	<u>\$ 8,274,173</u>
Governmental activities capital assets, net	<u><u>\$ 11,726,899</u></u>	<u><u>\$ (326,726)</u></u>	<u><u>\$ 66,958</u></u>	<u><u>\$ 11,333,215</u></u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

Primary Government:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,649,744	\$ -	\$ -	\$ 1,649,744
Construction in progress	1,409,298	-	-	1,409,298
Total capital assets not subject to depreciation	<u>\$ 3,059,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,059,042</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,284,841	\$ -	\$ -	\$ 7,284,841
Infrastructure	2,558,128	39,860	-	2,597,988
Machinery and equipment	3,992,925	264,636	-	4,257,561
Jointly owned assets	3,320,529	-	191,347	3,129,182
Total capital assets subject to depreciation	<u>\$ 17,156,423</u>	<u>\$ 304,496</u>	<u>\$ 191,347</u>	<u>\$ 17,269,572</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,715,271	\$ 158,095	\$ -	\$ 2,873,366
Infrastructure	382,887	131,892	-	514,779
Machinery and equipment	3,324,880	248,193	-	3,573,073
Jointly owned assets	2,065,528	93,042	124,389	2,034,181
Total accumulated depreciation	<u>\$ 8,488,566</u>	<u>\$ 631,222</u>	<u>\$ 124,389</u>	<u>\$ 8,995,399</u>
Total capital assets subject to depreciation, net	<u>\$ 8,667,857</u>	<u>\$ (326,726)</u>	<u>\$ 66,958</u>	<u>\$ 8,274,173</u>
Governmental activities capital assets, net	<u>\$ 11,726,899</u>	<u>\$ (326,726)</u>	<u>\$ 66,958</u>	<u>\$ 11,333,215</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 6,271	\$ -	\$ -	\$ 6,271
Construction in progress	-	28,000	-	28,000
Total capital assets not subject to depreciation	<u>\$ 6,271</u>	<u>\$ 28,000</u>	<u>\$ -</u>	<u>\$ 34,271</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 51,100	\$ 19,850	\$ -	\$ 70,950
Machinery and equipment	4,865,846	386,295	834,760	4,417,381
Jointly owned assets	16,647,637	-	(191,347)	16,838,984
Total capital assets subject to depreciation	<u>\$ 21,564,583</u>	<u>\$ 406,145</u>	<u>\$ 643,413</u>	<u>\$ 21,327,315</u>
Accumulated depreciation:				
Buildings and improvements	\$ 28,942	\$ 3,394	\$ -	\$ 32,336
Machinery and equipment	3,953,644	308,937	834,760	3,427,821
Jointly owned assets	10,355,630	466,468	(124,389)	10,946,487
Total accumulated depreciation	<u>\$ 14,338,216</u>	<u>\$ 778,799</u>	<u>\$ 710,371</u>	<u>\$ 14,406,644</u>
Total capital assets subject to depreciation, net	<u>\$ 7,226,367</u>	<u>\$ (372,654)</u>	<u>\$ (66,958)</u>	<u>\$ 6,920,671</u>
Component unit school board capital assets, net	<u>\$ 7,232,638</u>	<u>\$ (344,654)</u>	<u>\$ (66,958)</u>	<u>\$ 6,954,942</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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	315,303
Public works	8,681
Health and welfare	27,050
Education	93,042
Parks, recreation and cultural	<u>22,065</u>
Total Governmental activities	<u>\$ 631,222</u>
Business-type Activities	<u>\$ 52,848</u>
Component Unit School Board	<u>\$ 778,799</u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2020, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General fund	\$ 1,969,377	\$ 267,079
County special revenue	-	2,000
County capital projects fund	<u>267,079</u>	<u>1,967,377</u>
Total	<u>\$ 2,236,456</u>	<u>\$ 2,236,456</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, 2020

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2020:

	Balance at July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 226,764	\$ 39,031	\$ 22,676	\$ 243,119	\$ 24,312
Net pension liability	2,458,574	2,095,389	1,225,864	3,328,099	-
Net OPEB liability	392,000	106,283	92,117	406,166	-
Direct borrowings and placements:					
Lease revenue bonds	6,448,000	-	894,000	5,554,000	896,000
Capital leases (Note 8)	75,192	85,060	39,736	120,516	30,305
Total incurred by County	<u>\$ 9,600,530</u>	<u>\$ 2,325,763</u>	<u>\$ 2,274,393</u>	<u>\$ 9,651,900</u>	<u>\$ 950,617</u>
Incurred by School Board:					
General obligation bond	\$ 1,255,000	\$ -	\$ 160,000	\$ 1,095,000	\$ 165,000
Bond premium	92,771	-	13,253	79,518	-
Total incurred by School Board	<u>\$ 1,347,771</u>	<u>\$ -</u>	<u>\$ 173,253</u>	<u>\$ 1,174,518</u>	<u>\$ 165,000</u>
Total Governmental Activities Obligations	<u>\$ 10,948,301</u>	<u>\$ 2,325,763</u>	<u>\$ 2,447,646</u>	<u>\$ 10,826,418</u>	<u>\$ 1,115,617</u>
Business-type Activities Obligations:					
Direct borrowings and placements:					
Revenue bond	\$ 168,281	\$ -	\$ 3,468	\$ 164,813	\$ 3,502
Total Business-type Activities Obligations	<u>\$ 168,281</u>	<u>\$ -</u>	<u>\$ 3,468</u>	<u>\$ 164,813</u>	<u>\$ 3,502</u>
Total Primary Government Obligations	<u>\$ 11,116,582</u>	<u>\$ 2,325,763</u>	<u>\$ 2,451,114</u>	<u>\$ 10,991,231</u>	<u>\$ 1,119,119</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Direct Borrowings and Direct Placements	
	County Obligations	
	Lease	
	Revenue Bonds	
	Principal	Interest
2021	\$ 896,000	\$ 135,116
2022	917,000	114,123
2023	938,000	92,634
2024	960,000	70,646
2025	982,000	48,132
2026	206,000	25,098
2027	212,000	19,092
2028	218,000	12,914
2029	225,000	6,559
Total	<u>\$ 5,554,000</u>	<u>\$ 524,314</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations	
	General Obligation	
	Bond	
	Principal	Interest
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>\$ 1,095,000</u>	<u>\$ 177,166</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Direct Borrowings and Direct Placements	
	Buisness-type Activities	
	Revenue Bond	
	Principal	Interest
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	2,837	11
Total	<u>\$ 164,813</u>	<u>\$ 44,963</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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)					\$ 243,119	\$ 24,312
Net OPEB liability (payable from the General Fund)					\$ 406,166	\$ -
Net pension liability (payable from the General Fund)					\$ 3,328,099	\$ -
Total long-term obligations incurred by the County					\$ 3,977,384	\$ 24,312
Direct borrowings and placements:						
<u>General Obligation Bonds:</u>						
VPSA Bond outstanding \$1,255,000 plus unamortized premium of \$79,518.	.586%-5.438%	11/14/10	04/01/26	\$ 2,280,000	\$ 1,174,518	\$ 165,000
Lease Revenue Refunding Bond outstanding \$2,000,000.	2.79%	05/16/19	01/15/29	2,000,000	1,808,000	179,000
Lease Revenue Refunding Bond outstanding \$4,448,000.	2.20%	09/26/14	01/15/25	7,107,000	3,746,000	717,000
Total General Obligation Bonds					\$ 6,728,518	\$ 1,061,000
<u>Other Long-Term Obligations:</u>						
Capital Lease - Equipment Purchase Agreement	6.70%	12/12/19	12/12/23	54,359	\$ 54,359	\$ 12,298
Capital Lease - Equipment Purchase Agreement	6.70%	12/23/19	12/23/23	30,701	30,701	6,946
Capital Lease - Equipment Purchase Agreement	6.70%	10/12/18	10/12/22	45,823	35,456	11,061
Total Other Long-Term Obligations					\$ 120,516	\$ 30,305
Total long-term obligations incurred by the County					\$ 9,651,900	\$ 950,617
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 1,174,518	\$ 165,000
Total long-term obligations - governmental activities					\$ 10,826,418	\$ 1,115,617
Direct borrowings and placements:						
<u>Revenue Bonds:</u>						
Series 2016 Sewer Revenue Bonds	1.38%	12/14/16	12/12/56	170,000	\$ 164,813	\$ 3,502
Total Revenue Bonds					\$ 164,813	\$ 3,502
Total Direct Borrowings and Placements					\$ 164,813	\$ 3,502
Total long-term obligations - business-type activities					\$ 164,813	\$ 3,502

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 564,280	\$ 18,440	\$ 56,428	\$ 526,292	\$ 52,629
Net OPEB liability	1,910,000	346,212	324,549	1,931,663	-
Net pension liability	11,376,132	4,043,409	3,135,694	12,283,847	-
Total Component Unit-School Board	<u>\$ 13,850,412</u>	<u>\$ 4,408,061</u>	<u>\$ 3,516,671</u>	<u>\$ 14,741,802</u>	<u>\$ 52,629</u>

Note 8—Capital Leases:

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

The assets acquired through capital leases are as follows:

	Primary Government
Asset:	
Equipment	\$ 239,011
Less: accumulated depreciation	(101,722)
Total	<u>\$ 137,289</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020, are as follows:

Year Ended June 30	Primary Government
2021	\$ 39,279
2022	38,379
2023	38,379
2024	24,941
Total minimum lease payments	\$ 140,978
Less: amount representing interest	(20,462)
Present value of minimum lease payments	<u>\$ 120,516</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 \$799,271 on June 30, 2020.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2020 but paid in advance by the taxpayers totaled \$48,787 on June 30, 2020.

Unearned Revenue - Other unearned revenue items totaled \$756,317, of which \$1,746 was related to asset forfeiture grant funds and \$754,571 is unspent CARES Act funds.

Note 10—Contingent Liabilities:

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 11—Litigation:

On June 30, 2020, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12 –Risk Management:

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

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

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

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

Note 13—Pension Plans:

Plan Description

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

Benefit Structures

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

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

Note 13—Pension Plans: (Continued)

Benefit Structures (Continued)

- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees 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 service credit, or when the sum of their age plus service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	65	25
Inactive members:		
Vested inactive members	9	1
Non-vested inactive members	18	12
Inactive members active elsewhere in VRS	52	8
Total inactive members	79	21
Active members	101	43
Total covered employees	245	89

Contributions

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

The County’s contractually required employer contribution rate for the year ended June 30, 2020 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.

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 \$595,846 and \$576,371 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board’s contractually employer required contribution rate for Nonprofessional employees for the year ended June 30, 2020 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 \$76,940 and \$76,594 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 13—Pension Plans: (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Discount Rate (Continued)

fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 22,653,590	\$ 20,195,016	\$ 2,458,574
Changes for the year:			
Service cost	\$ 601,265	\$ -	\$ 601,265
Interest	1,543,490	-	1,543,490
Assumption changes	638,465	-	638,465
Differences between expected and actual experience	228,160	-	228,160
Contributions - employer	-	576,229	(576,229)
Contributions - employee	-	235,193	(235,193)
Net investment income	-	1,344,689	(1,344,689)
Benefit payments, including refunds	(1,207,462)	(1,207,462)	-
Administrative expenses	-	(13,412)	13,412
Other changes	-	(844)	844
Net changes	\$ 1,803,918	\$ 934,393	\$ 869,525
Balances at June 30, 2019	\$ 24,457,508	\$ 21,129,409	\$ 3,328,099

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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, 2018	\$ 3,446,660	\$ 3,222,528	\$ 224,132
Changes for the year:			
Service cost	\$ 91,562	\$ -	\$ 91,562
Interest	237,309	-	237,309
Assumption changes	92,952	-	92,952
Differences between expected and actual experience	17,182	-	17,182
Contributions - employer	-	76,492	(76,492)
Contributions - employee	-	42,562	(42,562)
Net investment income	-	217,515	(217,515)
Benefit payments, including refunds	(113,057)	(113,057)	-
Administrative expenses	-	(2,082)	2,082
Other changes	-	(137)	137
Net changes	\$ 325,948	\$ 221,293	\$ 104,655
Balances at June 30, 2019	\$ 3,772,608	\$ 3,443,821	\$ 328,787

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's Net Pension Liability	\$ 6,167,993	\$ 3,328,099	\$ 1,045,845
Component Unit School Board's (Nonprofessional) Net Pension Liability	\$ 731,032	\$ 328,787	\$ 3,088

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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, 2020, the County and Component Unit School Board (Nonprofessional) recognized pension expense of \$805,670 and \$35,326, respectively. On June 30, 2020, 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	\$ 379,642	\$ 31,983	\$ 10,226	\$ 29,452
Changes of assumptions	416,776	1,071	55,320	2,657
Net difference between projected and actual earnings on pension plan investments	-	188,695	-	29,737
Employer contributions subsequent to the measurement date	595,846	-	76,940	-
Total	<u>\$ 1,392,264</u>	<u>\$ 221,749</u>	<u>\$ 142,486</u>	<u>\$ 61,846</u>

\$595,846 and \$76,940 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, 2021. 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)
2021	\$ 459,252	\$ 10,787
2022	110,424	(7,945)
2023	(5,929)	(780)
2024	10,922	1,638
2025	-	-
Thereafter	-	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2020 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 \$1,104,482 and \$1,116,061 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

On June 30, 2020, the school division reported a liability of \$11,955,060 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2019, the school division's proportion was 0.09084% as compared to 0.09483% on June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$1,065,509. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

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

On June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 765,533
Changes of assumptions	1,183,831	-
Net difference between projected and actual earnings on pension plan investments	-	262,505
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	668,597
Employer contributions subsequent to the measurement date	<u>1,104,482</u>	<u>-</u>
Total	<u>\$ 2,288,313</u>	<u>\$ 1,696,635</u>

\$1,104,482 reported as deferred outflows of resources related to pensions resulting from the school division's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. 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>	
2021	\$ (197,794)
2022	(406,165)
2023	(44,626)
2024	81,975
2025	53,806

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		<u>36,522,769</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>13,160,567</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.51%

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, 2020

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

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

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

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 17,997,559	\$ 11,955,060	\$ 6,959,032

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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	\$ 1,392,264	\$ 221,749	\$ 3,328,099	\$ 805,670	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	142,486	61,846	328,787	35,326
School Board Professional	-	-	-	-	2,288,313	1,696,635	11,955,060	1,065,509
Totals	\$ 1,392,264	\$ 221,749	\$ 3,328,099	\$ 805,670	\$ 2,430,799	\$ 1,758,481	\$ 12,283,847	\$ 1,100,835

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% 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 the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 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 Plan from the County were \$26,517 and \$25,446 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the GLI Plan from the Component Unit School Board Professional group were \$38,982 and \$40,571 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the GLI Plan from the Component Unit School Board Nonprofessional group were \$4,657 and \$4,590 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

On June 30, 2020, the County reported a liability of \$406,166 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board Professional and Nonprofessional groups reported liabilities of \$647,652 and \$73,227, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2019, the County's proportion was 0.02496% as compared to 0.02580% on June 30, 2018. On June 30, 2019, the Component Unit School Board Professional and Nonprofessional groups' proportion was 0.03980% and 0.00450%, respectively as compared to 0.04088% and 0.00447% respectively on June 30, 2018.

For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$8,115. For the year ended June 30, 2020, the Component Unit School Board Professional group recognized GLI OPEB expense of \$11,038. For the year ended June 30, 2020, the Component Unit School Board Nonprofessional group recognized GLI OPEB expense of \$1,770. 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, 2020

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

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

On June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (Professional)		Component School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,012	\$ 5,267	\$ 43,073	\$ 8,401	\$ 4,870	\$ 950
Net difference between projected and actual earnings on GLI OPEB plan investments	-	8,343	-	13,303	-	1,504
Change in assumptions	25,643	12,248	40,889	19,530	4,623	2,208
Changes in proportion	6,513	13,532	4,652	25,806	401	-
Employer contributions subsequent to the measurement date	26,517	-	38,982	-	4,657	-
Total	\$ 85,685	\$ 39,390	\$ 127,596	\$ 67,040	\$ 14,551	\$ 4,662

\$26,517, \$38,982 and \$4,657, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Professional)	Component Unit School Board (Nonprofessional)
2021	\$ 166	\$ (1,637)	\$ 337
2022	166	(1,636)	337
2023	3,700	3,998	974
2024	7,295	8,400	1,556
2025	6,820	9,633	1,582
Thereafter	1,631	2,816	446

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	<hr/> <hr/> 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Discount Rate (Continued)

Through the fiscal year ended June 30, 2019, 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, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County’s proportionate share of the GLI Plan Net OPEB Liability	\$ 533,589	\$ 406,166	\$ 302,829
Component School Board (Professional)’s proportionate share of the GLI Plan Net OPEB Liability	\$ 850,835	\$ 647,652	\$ 482,876
Component School Board (Nonprofessional)’s proportionate share of the GLI Plan Net OPEB Liability	\$ 96,200	\$ 73,227	\$ 54,596

GLI Plan Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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) Plan (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire 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 Plan Notes

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

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 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 Plan were \$89,700 and \$93,089 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

On June 30, 2020, the school division reported a liability of \$1,210,784 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.09249% as compared to 0.09613% on June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC OPEB expense of \$91,351. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

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

On June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,858
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	76	-
Change of assumptions	28,181	8,413
Changes in proportion	3,288	55,895
Employer contributions subsequent to the measurement date	<u>89,700</u>	<u>-</u>
Total	<u>\$ 121,245</u>	<u>\$ 71,166</u>

\$89,700 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, 2021. 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>	
2021	\$ (7,151)
2022	(7,152)
2023	(6,622)
2024	(6,799)
2025	(6,530)
Thereafter	(5,367)

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
		<hr/>
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<hr/> <hr/> 1,309,098

Plan Fiduciary Net Position as a Percentage
of the Total Teacher Employee HIC OPEB Liability 8.97%

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

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, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Discount Rate (Continued)

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

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

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 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
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,355,073	\$ 1,210,784	\$ 1,088,211

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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	\$ 85,685	\$ 39,390	\$ 406,166	\$ 8,115	\$ -	\$ -	\$ -	-
School Board Nonprofessional	-	-	-	-	14,551	4,662	73,227	1,770
School Board Professional	-	-	-	-	127,596	67,040	647,652	11,038
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	121,245	71,166	1,210,784	91,351
Totals	<u>\$ 85,685</u>	<u>\$ 39,390</u>	<u>\$ 406,166</u>	<u>\$ 8,115</u>	<u>\$ 263,392</u>	<u>\$ 142,868</u>	<u>\$ 1,931,663</u>	<u>\$ 104,159</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 17-Surety Bonds:

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

Note 18-Jointly Governed Organizations:

The County in conjunction with other localities has created the Middle Peninsula/Northern Neck Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$42,322, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 19-Postclosure Costs:

Old County Landfill

The County demonstrated financial assurance requirements for postclosure care and corrective action costs, if any, through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA20-70 of the Virginia Administrative Code. In addition, the County closed its landfill in August 1996 and is liable for the postclosure monitoring for a period of ten years. The County's ten-year period has expired but they are still required to complete an annual landfill assurance calculation. The amount reported as landfill postclosure liability on June 30, 2020 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 2020. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2020 was \$39,155.

Note 21—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 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, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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

Note 22–Upcoming Pronouncements: (Continued)

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

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

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

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

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

Note 23–Subsequent Events:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Lancaster, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 23–Subsequent Events: (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds on June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Lancaster, Virginia, received the second round of CRF funds in the amount of \$925,071 on August 26, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Lancaster, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
REVENUES				
General property taxes	\$ 18,943,974	\$ 18,943,974	\$ 18,851,409	\$ (92,565)
Other local taxes	2,019,000	2,019,000	2,377,456	358,456
Permits, privilege fees, and regulatory licenses	135,606	135,606	158,117	22,511
Fines and forfeitures	28,800	28,800	27,601	(1,199)
Revenue from the use of money and property	150,000	150,000	224,781	74,781
Charges for services	374,950	377,256	397,692	20,436
Miscellaneous	40,000	50,025	73,900	23,875
Recovered costs	38,500	38,500	79,897	41,397
Intergovernmental:				
Commonwealth	4,325,079	4,478,013	4,262,133	(215,880)
Federal	978,262	1,921,538	1,183,037	(738,501)
Total revenues	<u>\$ 27,034,171</u>	<u>\$ 28,142,712</u>	<u>\$ 27,636,023</u>	<u>\$ (506,689)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,432,653	\$ 1,435,015	\$ 1,400,802	\$ 34,213
Judicial administration	841,257	860,985	819,124	41,861
Public safety	5,705,222	6,694,290	5,880,302	813,988
Public works	1,382,926	1,565,112	1,564,346	766
Health and welfare	3,117,248	3,356,568	3,043,429	313,139
Education	11,731,444	11,731,444	11,383,113	348,331
Parks, recreation, and cultural	187,395	187,395	188,047	(652)
Community development	541,528	543,834	456,405	87,429
Capital projects	619,765	619,765	457,015	162,750
Debt service:				
Principal retirement	1,042,480	1,042,480	1,093,736	(51,256)
Interest and other fiscal charges	286,459	286,459	245,279	41,180
Total expenditures	<u>\$ 26,888,377</u>	<u>\$ 28,323,347</u>	<u>\$ 26,531,598</u>	<u>\$ 1,791,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 145,794</u>	<u>\$ (180,635)</u>	<u>\$ 1,104,425</u>	<u>\$ 1,285,060</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 52,500	\$ 102,500	\$ 1,969,377	\$ 1,866,877
Transfers out	-	(267,079)	(267,079)	-
Issuance of capital lease	-	-	85,060	85,060
Total other financing sources (uses)	<u>\$ 52,500</u>	<u>\$ (164,579)</u>	<u>\$ 1,787,358</u>	<u>\$ 1,951,937</u>
Net change in fund balances	\$ 198,294	\$ (345,214)	\$ 2,891,783	\$ 3,236,997
Fund balances - beginning	(198,294)	345,214	1,942,762	1,597,548
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,834,545</u>	<u>\$ 4,834,545</u>

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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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 25	\$ 25
Intergovernmental:				
Commonwealth	-	-	716	716
Total revenues	\$ -	\$ -	\$ 741	\$ 741
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 741	\$ 741
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (2,000)	\$ (2,000)
Total other financing sources (uses)	\$ -	\$ -	\$ (2,000)	\$ (2,000)
Net change in fund balances	\$ -	\$ -	\$ (1,259)	\$ (1,259)
Fund balances - beginning	-	-	23,735	23,735
Fund balances - ending	\$ -	\$ -	\$ 22,476	\$ 22,476

County of Lancaster, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	\$ 601,265	\$ 561,124
Interest	1,543,490	1,441,221
Changes of assumptions	638,465	-
Differences between expected and actual experience	228,160	625,068
Benefit payments	(1,207,462)	(1,125,384)
Net change in total pension liability	\$ 1,803,918	\$ 1,502,029
Total pension liability - beginning	22,653,590	21,151,561
Total pension liability - ending (a)	\$ 24,457,508	\$ 22,653,590
Plan fiduciary net position		
Contributions - employer	\$ 576,229	\$ 499,673
Contributions - employee	235,193	238,583
Net investment income	1,344,689	1,413,013
Benefit payments	(1,207,462)	(1,125,384)
Administrator charges	(13,412)	(12,287)
Other	(844)	(1,253)
Net change in plan fiduciary net position	\$ 934,393	\$ 1,012,345
Plan fiduciary net position - beginning	20,195,016	19,182,671
Plan fiduciary net position - ending (b)	\$ 21,129,409	\$ 20,195,016
County's net pension liability - ending (a) - (b)	\$ 3,328,099	\$ 2,458,574
Plan fiduciary net position as a percentage of the total pension liability	86.39%	89.15%
Covered payroll	\$ 4,893,552	\$ 4,899,898
County's net pension liability as a percentage of covered payroll	68.01%	50.18%

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

Exhibit 13

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

County of Lancaster, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (Nonprofessional)
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	\$ 91,562	\$ 97,277
Interest	237,309	227,405
Changes of assumptions	92,952	-
Differences between expected and actual experience	17,182	(71,087)
Benefit payments	(113,057)	(111,163)
Net change in total pension liability	\$ 325,948	\$ 142,432
Total pension liability - beginning	3,446,660	3,304,228
Total pension liability - ending (a)	\$ 3,772,608	\$ 3,446,660
Plan fiduciary net position		
Contributions - employer	\$ 76,492	\$ 82,593
Contributions - employee	42,562	41,118
Net investment income	217,515	221,781
Benefit payments	(113,057)	(111,163)
Administrator charges	(2,082)	(1,868)
Other	(137)	(200)
Net change in plan fiduciary net position	\$ 221,293	\$ 232,261
Plan fiduciary net position - beginning	3,222,528	2,990,267
Plan fiduciary net position - ending (b)	\$ 3,443,821	\$ 3,222,528
School Division's net pension liability - ending (a) - (b)	\$ 328,787	\$ 224,132
Plan fiduciary net position as a percentage of the total pension liability	91.28%	93.50%
Covered payroll	\$ 882,678	\$ 850,536
School Division's net pension liability as a percentage of covered payroll	37.25%	26.35%

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

Exhibit 14

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

County of Lancaster, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 Pension Plans
 For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.09084%	0.09483%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,955,060	\$ 11,152,000
Employer's Covered Payroll	7,813,034	7,774,073
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	153.01%	143.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	84.71%

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

Exhibit 15

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

County of Lancaster, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2020	\$ 595,846	\$ 595,846	\$ -	\$ 5,099,502	11.68%
2019	576,371	576,371	-	4,893,552	11.78%
2018	499,262	499,262	-	4,899,898	10.19%
2017	476,163	476,163	-	4,640,146	10.26%
2016	581,264	581,264	-	4,553,321	12.77%
2015	573,585	573,585	-	4,471,202	12.83%
2014	563,049	563,049	-	4,304,657	13.08%
2013	531,602	531,602	-	4,064,234	13.08%
2012	431,242	431,242	-	3,796,146	11.36%
2011	468,069	468,069	-	4,120,328	11.36%
Component Unit School Board (nonprofessional)					
2020	\$ 76,940	\$ 76,940	\$ -	\$ 895,606	8.59%
2019	76,594	76,594	-	882,678	8.68%
2018	82,760	82,760	-	850,536	9.73%
2017	83,849	83,849	-	850,716	9.86%
2016	90,270	90,270	-	853,609	10.58%
2015	89,468	89,468	-	841,096	10.64%
2014	95,207	95,207	-	762,880	12.48%
2013	100,762	100,762	-	807,389	12.48%
2012	83,208	83,208	-	769,734	10.81%
2011	84,780	84,780	-	784,278	10.81%
Component Unit School Board (professional)					
2020	\$ 1,104,482	\$ 1,104,482	\$ -	\$ 7,475,016	14.78%
2019	1,162,061	1,162,061	-	7,813,034	14.87%
2018	1,224,853	1,224,853	-	7,774,073	15.76%
2017	1,097,411	1,097,411	-	7,718,889	14.22%
2016	1,155,374	1,155,374	-	7,438,235	15.53%
2015	1,066,056	1,066,056	-	7,358,567	14.49%
2014	842,406	842,406	-	7,245,215	11.63%
2013	811,193	811,193	-	7,141,207	11.36%
2012	463,563	463,563	-	7,355,964	6.30%
2011	279,119	279,119	-	7,054,765	3.96%

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 Plans
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees:

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

County of Lancaster, Virginia

Schedule of County's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2019	0.02496%	\$ 406,166	\$ 4,893,552	8.30%	52.00%
2018	0.02580%	392,000	4,905,271	7.99%	51.22%
2017	0.02518%	379,000	4,645,089	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2019	0.00450%	\$ 73,227	\$ 882,678	8.30%	52.00%
2018	0.00447%	68,000	850,536	7.99%	51.22%
2017	0.00461%	70,000	850,716	8.23%	48.86%
Component Unit School Board (professional):					
2019	0.03980%	\$ 647,652	\$ 7,802,088	8.30%	52.00%
2018	0.04088%	621,000	7,774,073	7.99%	51.22%
2017	0.04185%	629,000	7,718,889	8.15%	48.86%

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

County of Lancaster, Virginia

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2020	\$ 26,517	\$ 26,517	\$ -	\$ 5,099,502	0.52%
2019	25,446	25,446	-	4,893,552	0.52%
2018	25,507	25,507	-	4,905,271	0.52%
2017	24,154	24,154	-	4,645,089	0.52%
2016	21,963	21,963	-	4,575,564	0.48%
2015	21,476	21,476	-	4,474,101	0.48%
2014	20,690	20,690	-	4,310,370	0.48%
2013	19,508	19,508	-	4,064,234	0.48%
2012	10,629	10,629	-	3,796,146	0.28%
2011	10,818	10,818	-	3,863,509	0.28%
Component Unit School Board (nonprofessional):					
2020	\$ 4,657	\$ 4,657	\$ -	\$ 895,606	0.52%
2019	4,590	4,590	-	882,678	0.52%
2018	4,423	4,423	-	850,536	0.52%
2017	4,424	4,424	-	850,716	0.52%
2016	4,140	4,140	-	862,531	0.48%
2015	4,037	4,037	-	841,096	0.48%
2014	3,703	3,703	-	771,512	0.48%
2013	3,875	3,875	-	807,389	0.48%
2012	2,155	2,155	-	769,734	0.28%
2011	2,196	2,196	-	784,278	0.28%
Component Unit School Board (professional):					
2020	\$ 38,982	\$ 38,982	\$ -	\$ 7,496,533	0.52%
2019	40,571	40,571	-	7,802,088	0.52%
2018	40,704	40,704	-	7,774,073	0.52%
2017	40,138	40,138	-	7,718,889	0.52%
2016	35,704	35,704	-	7,438,235	0.48%
2015	35,321	35,321	-	7,358,567	0.48%
2014	34,777	34,777	-	7,245,215	0.48%
2013	34,278	34,278	-	7,141,207	0.48%
2012	20,597	20,597	-	7,355,964	0.28%
2011	19,753	19,753	-	7,054,765	0.28%
2010	13,564	13,564	-	7,002,493	0.19%

County of Lancaster, Virginia

Notes to Required Supplementary Information

Group Life Insurance (GLI) Plan

For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Lancaster, Virginia

Schedule of County School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.09249% \$	1,210,784 \$	7,757,454	15.61%	8.97%
2018	0.09613%	1,221,000	7,774,073	15.71%	8.08%
2017	0.09775%	1,240,000	7,714,656	16.07%	7.04%

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

County of Lancaster, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 89,700	\$ 89,700	\$ -	\$ 7,475,016	1.20%
2019	93,089	93,089	-	7,757,454	1.20%
2018	95,543	95,543	-	7,774,073	1.23%
2017	85,633	85,633	-	7,714,656	1.11%
2016	78,634	78,634	-	7,418,330	1.06%
2015	77,932	77,932	-	7,352,112	1.06%
2014	80,343	80,343	-	7,238,082	1.11%
2013	78,293	78,293	-	7,053,394	1.11%
2012	44,417	44,417	-	7,402,865	0.60%
2011	42,278	42,278	-	8,046,263	0.53%

County of Lancaster, Virginia

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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OTHER SUPPLEMENTARY INFORMATION

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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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 13,000	\$ 13,000	\$ 17,520	\$ 4,520
Total revenues	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 17,520</u>	<u>\$ 4,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 17,520</u>	<u>\$ 4,520</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 267,079	\$ 267,079	\$ -
Transfers out	-	(317,079)	(1,967,377)	(1,650,298)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (1,700,298)</u>	<u>\$ (1,650,298)</u>
Net change in fund balances	\$ 13,000	\$ (37,000)	\$ (1,682,778)	\$ (1,645,778)
Fund balances - beginning	(13,000)	37,000	2,339,454	2,302,454
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,676</u>	<u>\$ 656,676</u>

County of Lancaster, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2020

		Agency Fund
		<u>Special Welfare</u>
ASSETS		
Cash and cash equivalents	\$	15,265
Total assets	\$	15,265
LIABILITIES		
Amounts held for social services clients	\$	15,265
Total liabilities	\$	15,265

County of Lancaster, Virginia
 Statement of Changes in Assets and Liabilities - Agency Fund
 For the Year Ended June 30, 2020

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 14,585	\$ 10,316	\$ 9,636	\$ 15,265
Liabilities:				
Accounts payable	\$ 4,877	\$ -	\$ 4,877	\$ -
Amounts held for social services clients	9,708	10,316	4,759	15,265
Total liabilities	\$ 14,585	\$ 10,316	\$ 9,636	\$ 15,265

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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, 2020

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Textbook <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 70,130	\$ 366,489	\$ 436,619
Receivables (net of allowance for uncollectibles):				
Due from other funds	19,763	-	-	19,763
Due from other governmental units	1,253,612	18,975	-	1,272,587
Total assets	<u>\$ 1,273,375</u>	<u>\$ 89,105</u>	<u>\$ 366,489</u>	<u>\$ 1,728,969</u>
LIABILITIES				
Accounts payable	\$ 40,233	\$ 11,789	\$ -	\$ 52,022
Accrued liabilities	1,233,142	41,748	-	1,274,890
Due to other funds	-	19,763	-	19,763
Total liabilities	<u>\$ 1,273,375</u>	<u>\$ 73,300</u>	<u>\$ -</u>	<u>\$ 1,346,675</u>
FUND BALANCES				
Committed	\$ -	\$ 15,805	\$ 366,489	\$ 382,294
Total fund balances	<u>\$ -</u>	<u>\$ 15,805</u>	<u>\$ 366,489</u>	<u>\$ 382,294</u>
Total liabilities and fund balances	<u>\$ 1,273,375</u>	<u>\$ 89,105</u>	<u>\$ 366,489</u>	<u>\$ 1,728,969</u>

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

Total fund balances per above	\$ 382,294
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, cost	\$ 21,361,586
Accumulated depreciation	<u>(14,406,644)</u>
	6,954,942
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 2,430,799
OPEB related items	<u>263,392</u>
	2,694,191
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	\$ (526,292)
Net OPEB liability	(1,931,663)
Net pension liability	<u>(12,283,847)</u>
	(14,741,802)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (1,758,481)
OPEB related items	<u>(142,868)</u>
	(1,901,349)
Net position of governmental activities	<u>\$ (6,611,724)</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, 2020

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 1,587	\$ 236	\$ -	\$ 1,823
Charges for services	2,200	58,899	-	61,099
Miscellaneous	226,776	2,933	-	229,709
Recovered costs	232,469	-	-	232,469
Intergovernmental:				
Local government	11,297,768	-	77,957	11,375,725
Commonwealth	3,580,239	9,364	22,841	3,612,444
Federal	788,677	484,850	-	1,273,527
Total revenues	<u>\$ 16,129,716</u>	<u>\$ 556,282</u>	<u>\$ 100,798</u>	<u>\$ 16,786,796</u>
EXPENDITURES				
Current:				
Education	\$ 16,129,716	\$ 608,753	\$ 21,246	\$ 16,759,715
Total expenditures	<u>\$ 16,129,716</u>	<u>\$ 608,753</u>	<u>\$ 21,246</u>	<u>\$ 16,759,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (52,471)</u>	<u>\$ 79,552</u>	<u>\$ 27,081</u>
Net change in fund balances	\$ -	\$ (52,471)	\$ 79,552	\$ 27,081
Fund balances - beginning	-	68,276	286,937	355,213
Fund balances - ending	<u>\$ -</u>	<u>\$ 15,805</u>	<u>\$ 366,489</u>	<u>\$ 382,294</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 \$ 27,081

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	\$ 434,145	
Depreciation expense	(778,799)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>66,958</u>	(277,696)

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	\$ 37,988	
Pension expense	82,069	
OPEB expense	<u>29,611</u>	149,668

Change in net position of governmental activities \$ (100,947)

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, 2020

	School Operating Fund				School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 1,587	\$ (913)	\$ 200	\$ 200	\$ 236	\$ 36	\$ -	\$ -	\$ -	\$ -
Charges for services	4,300	4,300	2,200	(2,100)	101,026	101,026	58,899	(42,127)	-	-	-	-
Miscellaneous	11,750	11,750	226,776	215,026	-	-	2,933	2,933	-	-	-	-
Recovered costs	105,000	105,000	232,469	127,469	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	11,646,100	11,646,100	11,297,768	(348,332)	-	-	-	-	77,957	77,957	77,957	-
Commonwealth	3,669,627	3,669,627	3,580,239	(89,388)	11,002	11,002	9,364	(1,638)	23,050	23,050	22,841	(209)
Federal	839,541	1,070,362	788,677	(281,685)	475,840	475,840	484,850	9,010	-	-	-	-
Total revenues	\$ 16,278,818	\$ 16,509,639	\$ 16,129,716	\$ (379,923)	\$ 588,068	\$ 588,068	\$ 556,282	\$ (31,786)	\$ 101,007	\$ 101,007	\$ 100,798	\$ (209)
EXPENDITURES												
Current:												
Education	\$ 16,278,818	\$ 16,509,639	\$ 16,129,716	\$ 379,923	\$ 588,068	\$ 588,068	\$ 608,753	\$ (20,685)	\$ 101,007	\$ 101,007	\$ 21,246	\$ 79,761
Total expenditures	\$ 16,278,818	\$ 16,509,639	\$ 16,129,716	\$ 379,923	\$ 588,068	\$ 588,068	\$ 608,753	\$ (20,685)	\$ 101,007	\$ 101,007	\$ 21,246	\$ 79,761
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (52,471)	\$ (52,471)	\$ -	\$ -	\$ 79,552	\$ 79,552
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (52,471)	\$ (52,471)	\$ -	\$ -	\$ 79,552	\$ 79,552
Fund balances - beginning	-	-	-	-	-	-	68,276	68,276	-	-	286,937	286,937
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,805	\$ 15,805	\$ -	\$ -	\$ 366,489	\$ 366,489

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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, 2020

ASSETS

Cash and cash equivalents	\$ 99,777
Total assets	<u>\$ 99,777</u>

NET POSITION

Unrestricted	\$ 99,777
Total net position	<u>\$ 99,777</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, 2020

OPERATING REVENUES

Charges for services:

Bond fees	\$ 38,854
Total operating revenues	<u>\$ 38,854</u>

OPERATING EXPENSES

Other expenses	\$ 17,755
Total operating expenses	<u>\$ 17,755</u>

Operating income (loss)	<u>\$ 21,099</u>
-------------------------	------------------

NONOPERATING REVENUES (EXPENSES)

Interest income	<u>\$ 10</u>
Total nonoperating revenues (expenses)	<u>\$ 10</u>

Change in net position	\$ 21,109
------------------------	-----------

Total net position - beginning	78,668
Total net position - ending	<u><u>\$ 99,777</u></u>

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$	38,854
Payments for operating activities		(17,755)
Net cash provided by (used for) operating activities	\$	21,099

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$	10
Net cash provided by (used for) investing activities	\$	10

Net increase (decrease) in cash and cash equivalents	\$	21,109
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Cash and cash equivalents - beginning		78,668
Cash and cash equivalents - ending	\$	99,777

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*DISCRETELY PRESENTED COMPONENT UNIT
BROADBAND AUTHORITY*

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County of Lancaster, Virginia
 Statement of Net Position
 Discretely Presented Component Unit - Broadband Authority
 June 30, 2020

ASSETS

Cash and cash equivalents	\$	10,008
Total assets	\$	<u>10,008</u>

NET POSITION

Unrestricted	\$	10,008
Total net position	\$	<u><u>10,008</u></u>

County of Lancaster, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Broadband Authority
For the Year Ended June 30, 2020

OPERATING EXPENSES

Other expenses	\$	19,762
Total operating expenses	<u>\$</u>	<u>19,762</u>
Operating income (loss)	<u>\$</u>	<u>(19,762)</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	1
Total nonoperating revenues (expenses)	<u>\$</u>	<u>1</u>
Change in net position	<u>\$</u>	<u>(19,761)</u>

Total net position - beginning		<u>29,769</u>
Total net position - ending	<u>\$</u>	<u><u>10,008</u></u>

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Broadband Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for operating activities	\$ (19,762)
Net cash provided by (used for) operating activities	<u>\$ (19,762)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 1
Net cash provided by (used for) investing activities	<u>\$ 1</u>

Net increase (decrease) in cash and cash equivalents	\$ (19,761)
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Cash and cash equivalents - beginning	29,769
Cash and cash equivalents - ending	<u><u>\$ 10,008</u></u>

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SUPPORTING SCHEDULES

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County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 1 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 16,787,474	\$ 16,787,474	\$ 16,431,894	\$ (355,580)
Real and personal public service corporation taxes	360,000	360,000	427,328	67,328
Personal property taxes	1,400,000	1,400,000	1,542,647	142,647
Mobile home taxes	28,500	28,500	32,741	4,241
Machinery and tools taxes	8,000	8,000	6,623	(1,377)
Merchant's capital taxes	115,000	115,000	117,064	2,064
Penalties	190,000	190,000	222,200	32,200
Interest	55,000	55,000	70,912	15,912
Total general property taxes	<u>\$ 18,943,974</u>	<u>\$ 18,943,974</u>	<u>\$ 18,851,409</u>	<u>\$ (92,565)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,858,276	\$ 258,276
Consumption tax	45,000	45,000	42,273	(2,727)
Motor vehicle licenses	190,000	190,000	201,441	11,441
Bank stock taxes	29,000	29,000	38,887	9,887
Taxes on recordation and wills	155,000	155,000	235,218	80,218
Hotel and motel room taxes	-	-	1,361	1,361
Total other local taxes	<u>\$ 2,019,000</u>	<u>\$ 2,019,000</u>	<u>\$ 2,377,456</u>	<u>\$ 358,456</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,000	\$ 6,000	\$ 5,926	\$ (74)
Land use application fees	500	500	600	100
Transfer fees	600	600	736	136
Permits and other licenses	128,506	128,506	150,855	22,349
Total permits, privilege fees, and regulatory licenses	<u>\$ 135,606</u>	<u>\$ 135,606</u>	<u>\$ 158,117</u>	<u>\$ 22,511</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 28,800	\$ 28,800	\$ 27,601	\$ (1,199)
Revenue from use of money and property:				
Revenue from use of money	\$ 80,000	\$ 80,000	\$ 161,105	\$ 81,105
Revenue from use of property	70,000	70,000	63,676	(6,324)
Total revenue from use of money and property	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 224,781</u>	<u>\$ 74,781</u>
Charges for services:				
Courthouses maintenance fees	\$ 2,500	\$ 2,500	\$ 2,184	\$ (316)
Charges for Commonwealth's Attorney	1,000	1,000	568	(432)
Charges for correction and detention	2,500	2,500	2,351	(149)
Charges for other protection	3,500	3,500	2,723	(777)
Sheriff's fees	2,000	2,000	507	(1,493)
Charges for sanitation and waste removal	10,000	10,000	6,270	(3,730)
Charges for planning and community development	10,050	10,050	2,026	(8,024)
Charges for ambulance and rescue services	330,000	330,000	366,322	36,322
Charges for health and welfare	-	2,306	2,306	-
Court fees	13,400	13,400	12,435	(965)
Total charges for services	<u>\$ 374,950</u>	<u>\$ 377,256</u>	<u>\$ 397,692</u>	<u>\$ 20,436</u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 2 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 40,000	\$ 50,025	\$ 73,900	\$ 23,875
Recovered costs:				
Tri-county landfill	\$ 500	\$ 500	\$ 1,333	\$ 833
VHDA	30,000	30,000	74,769	44,769
Other recovered costs	8,000	8,000	3,795	(4,205)
Total recovered costs	\$ 38,500	\$ 38,500	\$ 79,897	\$ 41,397
Total revenue from local sources	\$ 21,730,830	\$ 21,743,161	\$ 22,190,853	\$ 447,692
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 300,000	\$ 300,000	\$ 274,540	\$ (25,460)
Motor vehicle carriers' tax	4,000	4,000	5,849	1,849
Mobile home titling tax	12,000	12,000	15,260	3,260
Rolling stock tax	-	-	40	40
Additional tax on deeds	57,000	57,000	71,921	14,921
State recordation tax	45,000	45,000	43,460	(1,540)
Personal property tax relief funds	875,000	875,000	871,017	(3,983)
Total noncategorical aid	\$ 1,293,000	\$ 1,293,000	\$ 1,282,087	\$ (10,913)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 271,507	\$ 271,507	\$ 271,244	\$ (263)
Sheriff	1,283,195	1,283,195	1,271,944	(11,251)
Commissioner of revenue	94,550	94,550	89,361	(5,189)
Treasurer	93,528	93,528	93,479	(49)
Registrar/electoral board	40,665	40,665	48,463	7,798
Clerk of the Circuit Court	194,802	201,512	203,801	2,289
Local jails	45,000	45,000	41,040	(3,960)
Total shared expenses	\$ 2,023,247	\$ 2,029,957	\$ 2,019,332	\$ (10,625)
Other categorical aid:				
Public assistance and welfare administration	\$ 565,707	\$ 565,707	\$ 365,756	\$ (199,951)
Emergency medical services	-	3,972	3,972	-
Children's services act	200,000	334,234	477,468	143,234
DMV - animal tags	125	125	235	110
Victim-witness grant	66,000	66,000	17,500	(48,500)
Fire programs fund	60,000	60,000	33,216	(26,784)
Rescue squad assistance	12,000	12,000	-	(12,000)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

Schedule 1
 Page 3 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ 100,000	\$ 100,000	\$ 46,258	\$ (53,742)
Storm assistance	-	-	3,291	3,291
Clerk records grant	5,000	13,018	13,018	-
Total other categorical aid	<u>\$ 1,008,832</u>	<u>\$ 1,155,056</u>	<u>\$ 960,714</u>	<u>\$ (194,342)</u>
Total categorical aid	<u>\$ 3,032,079</u>	<u>\$ 3,185,013</u>	<u>\$ 2,980,046</u>	<u>\$ (204,967)</u>
Total revenue from the Commonwealth	<u>\$ 4,325,079</u>	<u>\$ 4,478,013</u>	<u>\$ 4,262,133</u>	<u>\$ (215,880)</u>
Revenue from the federal government:				
Noncategorical aid:				
CARES Act	\$ -	\$ 943,276	\$ 188,704	\$ (754,572)
Categorical aid:				
Public assistance and welfare administration	\$ 970,762	\$ 970,762	\$ 839,681	\$ (131,081)
Children's services act	-	-	18,804	\$ 18,804
BABs subsidy	-	-	15,012	15,012
Violence against women	-	-	44,381	44,381
Emergency management	7,500	7,500	7,500	-
Disaster recovery	-	-	16,455	16,455
Victim-witness grant	-	-	52,500	52,500
Total categorical aid	<u>\$ 978,262</u>	<u>\$ 978,262</u>	<u>\$ 994,333</u>	<u>\$ 16,071</u>
Total revenue from the federal government	<u>\$ 978,262</u>	<u>\$ 1,921,538</u>	<u>\$ 1,183,037</u>	<u>\$ (738,501)</u>
Total General Fund	<u><u>\$ 27,034,171</u></u>	<u><u>\$ 28,142,712</u></u>	<u><u>\$ 27,636,023</u></u>	<u><u>\$ (506,689)</u></u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 25	\$ 25

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture proceeds	\$ -	\$ -	\$ 716	\$ 716
Total categorical aid	\$ -	\$ -	\$ 716	\$ 716
Total revenue from the Commonwealth	\$ -	\$ -	\$ 716	\$ 716
Total County Special Revenue Fund	\$ -	\$ -	\$ 741	\$ 741
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	\$ 17,520	\$ 4,520
Total revenue from use of money and property	\$ 13,000	\$ 13,000	\$ 17,520	\$ 4,520
Total County Capital Projects Fund	\$ 13,000	\$ 13,000	\$ 17,520	\$ 4,520
Total Primary Government	\$ 27,047,171	\$ 28,155,712	\$ 27,654,284	\$ (501,428)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 1,587	\$ (913)
Charges for services:				
Charges for education	\$ 4,300	\$ 4,300	\$ 2,200	\$ (2,100)
Miscellaneous:				
Miscellaneous	\$ 11,750	\$ 11,750	\$ 226,776	\$ 215,026

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Other recovered costs	\$ 105,000	\$ 105,000	\$ 232,469	\$ 127,469
Total revenue from local sources	<u>\$ 123,550</u>	<u>\$ 123,550</u>	<u>\$ 463,032</u>	<u>\$ 339,482</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 11,646,100	\$ 11,646,100	\$ 11,297,768	\$ (348,332)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,342,039	\$ 1,342,039	\$ 1,379,793	\$ 37,754
Basic school aid	1,144,863	1,144,863	1,125,821	(19,042)
Remedial summer education	12,760	12,760	11,004	(1,756)
Vocational education	38,458	38,458	38,110	(348)
Special education foster care	7,636	7,636	115	(7,521)
Gifted and talented	11,446	11,446	11,342	(104)
Remedial education	76,230	76,230	75,539	(691)
School fringes	244,942	244,942	242,724	(2,218)
Early reading intervention	9,916	9,916	8,391	(1,525)
Class size reduction	75,344	75,344	69,381	(5,963)
Lottery	84,114	84,114	83,027	(1,087)
Homebound	2,971	2,971	249	(2,722)
Vocational education - equipment	3,194	3,194	1,391	(1,803)
Special education	196,689	196,689	226,823	30,134
GED preparation assistance	8,355	8,355	8,387	32
At risk payments	193,149	193,149	192,140	(1,009)
ESL	1,382	1,382	307	(1,075)
Project graduation	3,282	3,282	3,282	-
Mentor teacher program	2,889	2,889	2,107	(782)
Technology grant	128,000	128,000	-	(128,000)
SOL algebra readiness	6,940	6,940	7,046	106
Virginia workplace readiness	-	-	243	243
Compensation supplement	75,028	75,028	75,029	1
Race to GED	-	-	17,988	17,988
Total categorical aid	<u>\$ 3,669,627</u>	<u>\$ 3,669,627</u>	<u>\$ 3,580,239</u>	<u>\$ (89,388)</u>
Total revenue from the Commonwealth	<u>\$ 3,669,627</u>	<u>\$ 3,669,627</u>	<u>\$ 3,580,239</u>	<u>\$ (89,388)</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title VI-B	\$ 268,856	\$ 268,856	\$ 196,550	\$ (72,306)
Title I	401,400	401,400	308,628	(92,772)
Vocational education	29,284	29,284	24,152	(5,132)
Title II, Part A - Improving teacher quality	56,605	56,605	53,404	(3,201)
Title VI - Rural education	21,032	21,032	20,308	(724)
Title IV Part A	-	-	15,780	15,780
School improvement	-	230,821	100,348	(130,473)
JROTC grant	62,364	62,364	69,507	7,143
Total categorical aid	<u>\$ 839,541</u>	<u>\$ 1,070,362</u>	<u>\$ 788,677</u>	<u>\$ (281,685)</u>
Total revenue from the federal government	<u>\$ 839,541</u>	<u>\$ 1,070,362</u>	<u>\$ 788,677</u>	<u>\$ (281,685)</u>
Total School Operating Fund	<u>\$ 16,278,818</u>	<u>\$ 16,509,639</u>	<u>\$ 16,129,716</u>	<u>\$ (379,923)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 200	\$ 200	\$ 236	\$ 36
Charges for services:				
Cafeteria sales	\$ 101,026	\$ 101,026	\$ 58,899	\$ (42,127)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 2,933	\$ 2,933
Total revenue from local sources	<u>\$ 101,226</u>	<u>\$ 101,226</u>	<u>\$ 62,068</u>	<u>\$ (39,158)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 11,002	\$ 11,002	\$ 9,364	\$ (1,638)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
CARES Act federal school nutrition	\$ -	\$ -	\$ 148,453	\$ 148,453
Categorical aid:				
School food program grant - lunch	\$ 430,000	\$ 430,000	\$ 200,054	\$ (229,946)
School food program grant - breakfast	-	-	80,296	80,296
Summer food	4,000	4,000	-	(4,000)
Child and adult care	-	-	14,207	14,207
Commodities	41,840	41,840	41,840	-
Total categorical aid	<u>\$ 475,840</u>	<u>\$ 475,840</u>	<u>\$ 336,397</u>	<u>\$ (139,443)</u>
Total revenue from the federal government	<u>\$ 475,840</u>	<u>\$ 475,840</u>	<u>\$ 484,850</u>	<u>\$ 9,010</u>
Total School Cafeteria Fund	<u>\$ 588,068</u>	<u>\$ 588,068</u>	<u>\$ 556,282</u>	<u>\$ (31,786)</u>
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 77,957	\$ 77,957	\$ 77,957	\$ -
Total revenues from local governments	<u>\$ 77,957</u>	<u>\$ 77,957</u>	<u>\$ 77,957</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 23,050	\$ 23,050	\$ 22,841	\$ (209)
Total revenue from the Commonwealth	<u>\$ 23,050</u>	<u>\$ 23,050</u>	<u>\$ 22,841</u>	<u>\$ (209)</u>
Total Textbook Fund	<u>\$ 101,007</u>	<u>\$ 101,007</u>	<u>\$ 100,798</u>	<u>\$ (209)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,967,893</u>	<u>\$ 17,198,714</u>	<u>\$ 16,786,796</u>	<u>\$ (411,918)</u>

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County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 49,942	\$ 49,942	\$ 49,727	\$ 215
General and financial administration:				
County administrator	\$ 396,893	\$ 396,893	\$ 390,563	\$ 6,330
Information Technology	135,710	135,710	131,547	4,163
Legal services	25,000	25,000	12,283	12,717
Commissioner of revenue	273,472	273,472	269,617	3,855
Independent Auditor	45,000	45,000	44,500	500
Treasurer	320,602	320,602	310,935	9,667
Board of equalization	-	2,362	2,445	(83)
Total general and financial administration	\$ 1,196,677	\$ 1,199,039	\$ 1,161,890	\$ 37,149
Board of elections:				
Electoral board and officials	\$ 75,641	\$ 75,641	\$ 67,149	\$ 8,492
Registrar	110,393	110,393	122,036	(11,643)
Total board of elections	\$ 186,034	\$ 186,034	\$ 189,185	\$ (3,151)
Total general government administration	\$ 1,432,653	\$ 1,435,015	\$ 1,400,802	\$ 34,213
Judicial administration:				
Courts:				
Circuit court	\$ 26,314	\$ 26,314	\$ 28,646	\$ (2,332)
General district court	3,400	3,400	3,415	(15)
Special Magistrates	200	200	-	200
Adult drug court	6,000	6,000	6,000	-
Juvenile and domestic relations court	2,675	2,675	1,712	963
Victim/witness assistance	83,899	83,899	82,583	1,316
Court appointed special advocates	5,000	5,000	5,000	-
Library of VA grant	-	13,018	13,018	-
Clerk of the circuit court	342,393	349,103	323,848	25,255
Total courts	\$ 469,881	\$ 489,609	\$ 464,222	\$ 25,387
Commonwealth's attorney:				
Commonwealth's attorney	\$ 371,376	\$ 371,376	\$ 354,902	\$ 16,474
Total judicial administration	\$ 841,257	\$ 860,985	\$ 819,124	\$ 41,861
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,190,510	\$ 3,116,181	\$ 2,376,923	\$ 739,258
School resource officer	128,209	128,209	128,153	56
DCJS grant	-	-	21,287	(21,287)
Total law enforcement and traffic control	\$ 2,318,719	\$ 3,244,390	\$ 2,526,363	\$ 718,027

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	\$ 340,489	\$ 340,489	\$ 343,224	\$ (2,735)
Ambulance and rescue services	1,384,425	1,397,822	1,427,547	(29,725)
Forestry service	4,000	4,000	3,975	25
Public safety radio	155,147	155,147	122,624	32,523
Local emergency services	37,500	87,500	37,440	50,060
Total fire and rescue services	<u>\$ 1,921,561</u>	<u>\$ 1,984,958</u>	<u>\$ 1,934,810</u>	<u>\$ 50,148</u>
Correction and detention:				
Sheriff	\$ 1,077,528	\$ 1,077,528	\$ 1,064,123	\$ 13,405
Probation office	71,767	71,767	55,176	16,591
Total correction and detention	<u>\$ 1,149,295</u>	<u>\$ 1,149,295</u>	<u>\$ 1,119,299</u>	<u>\$ 29,996</u>
Inspections:				
Building	\$ 165,659	\$ 165,659	\$ 160,029	\$ 5,630
Other protection:				
Animal control	\$ 149,788	\$ 149,788	\$ 139,621	\$ 10,167
Medical examiner	200	200	180	20
Total other protection	<u>\$ 149,988</u>	<u>\$ 149,988</u>	<u>\$ 139,801</u>	<u>\$ 10,187</u>
Total public safety	<u>\$ 5,705,222</u>	<u>\$ 6,694,290</u>	<u>\$ 5,880,302</u>	<u>\$ 813,988</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 1,076,156	\$ 1,258,342	\$ 1,277,552	\$ (19,210)
Maintenance of general buildings and grounds:				
General properties	\$ 306,770	\$ 306,770	\$ 286,794	\$ 19,976
Total public works	<u>\$ 1,382,926</u>	<u>\$ 1,565,112</u>	<u>\$ 1,564,346</u>	<u>\$ 766</u>
Health and welfare:				
Health:				
Local health department	\$ 215,928	\$ 215,928	\$ 215,928	\$ -
Free health clinic	100,477	100,477	100,476	1
Total health	<u>\$ 316,405</u>	<u>\$ 316,405</u>	<u>\$ 316,404</u>	<u>\$ 1</u>
Mental health and mental retardation:				
Community services board	\$ 42,231	\$ 42,231	\$ 42,322	\$ (91)
Welfare:				
Public assistance and welfare administration	\$ 2,043,012	\$ 2,043,012	\$ 1,584,021	\$ 458,991
Area agency on aging	75,600	75,600	75,600	-

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Comprehensive services act	\$ 600,000	\$ 839,320	\$ 985,082	\$ (145,762)
The Haven crisis shelter	4,000	4,000	4,000	-
Food bank	1,000	1,000	1,000	-
Boys and girls club of America	35,000	35,000	35,000	-
Total welfare	<u>\$ 2,758,612</u>	<u>\$ 2,997,932</u>	<u>\$ 2,684,703</u>	<u>\$ 313,229</u>
Total health and welfare	<u>\$ 3,117,248</u>	<u>\$ 3,356,568</u>	<u>\$ 3,043,429</u>	<u>\$ 313,139</u>
Education:				
Contributions to Community College	\$ 7,387	\$ 7,387	\$ 7,388	\$ (1)
Contribution to County School Board	11,724,057	11,724,057	11,375,725	348,332
Total education	<u>\$ 11,731,444</u>	<u>\$ 11,731,444</u>	<u>\$ 11,383,113</u>	<u>\$ 348,331</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	\$ 5,043	\$ (643)
Total cultural enrichment	<u>\$ 4,400</u>	<u>\$ 4,400</u>	<u>\$ 5,043</u>	<u>\$ (643)</u>
Library:				
Library	\$ 132,995	\$ 132,995	\$ 133,000	\$ (5)
Total parks, recreation, and cultural	<u>\$ 187,395</u>	<u>\$ 187,395</u>	<u>\$ 188,047</u>	<u>\$ (652)</u>
Community development:				
Planning and community development:				
Land use administration	\$ 294,427	\$ 294,427	\$ 226,347	\$ 68,080
Section 8 housing	83,801	86,107	80,601	5,506
Planning district commission	26,529	26,529	22,945	3,584
Broadband authority	52,500	52,500	50,000	2,500
Zoning board	2,169	2,169	1,621	548

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Other community development	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Total planning and community development	<u>\$ 462,426</u>	<u>\$ 464,732</u>	<u>\$ 384,514</u>	<u>\$ 80,218</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands board	10,002	10,002	7,270	2,732
Total environmental management	<u>\$ 20,002</u>	<u>\$ 20,002</u>	<u>\$ 17,270</u>	<u>\$ 2,732</u>
Cooperative extension program:				
Extension office	\$ 34,100	\$ 34,100	\$ 29,621	\$ 4,479
Rebranding initiative	25,000	25,000	25,000	-
Total cooperative extension program	<u>\$ 59,100</u>	<u>\$ 59,100</u>	<u>\$ 54,621</u>	<u>\$ 4,479</u>
Total community development	<u>\$ 541,528</u>	<u>\$ 543,834</u>	<u>\$ 456,405</u>	<u>\$ 87,429</u>
Capital projects:				
Landfill closure	\$ 7,000	\$ 7,000	\$ 6,775	\$ 225
Enhanced emergency telephone system	90,925	90,925	16,592	74,333
School projects	243,000	243,000	215,880	27,120
Other capital projects	278,840	278,840	217,768	61,072
Total capital projects	<u>\$ 619,765</u>	<u>\$ 619,765</u>	<u>\$ 457,015</u>	<u>\$ 162,750</u>
Debt service:				
Principal retirement	\$ 1,042,480	\$ 1,042,480	\$ 1,093,736	\$ (51,256)
Interest and other fiscal charges	286,459	286,459	245,279	41,180
Total debt service	<u>\$ 1,328,939</u>	<u>\$ 1,328,939</u>	<u>\$ 1,339,015</u>	<u>\$ (10,076)</u>
Total General Fund	<u>\$ 26,888,377</u>	<u>\$ 28,323,347</u>	<u>\$ 26,531,598</u>	<u>\$ 1,791,749</u>
Total Primary Government	<u>\$ 26,888,377</u>	<u>\$ 28,323,347</u>	<u>\$ 26,531,598</u>	<u>\$ 1,791,749</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,006,333	\$ 1,051,333	\$ 1,055,890	\$ (4,557)
Instruction costs	12,296,710	12,482,531	12,113,091	369,440
Pupil transportation	1,278,621	1,278,621	1,193,216	85,405
Operation and maintenance of school plant	1,697,154	1,697,154	1,767,519	(70,365)
Total education	<u>\$ 16,278,818</u>	<u>\$ 16,509,639</u>	<u>\$ 16,129,716</u>	<u>\$ 379,923</u>
Total School Operating Fund	<u>\$ 16,278,818</u>	<u>\$ 16,509,639</u>	<u>\$ 16,129,716</u>	<u>\$ 379,923</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 546,228	\$ 546,228	\$ 566,913	\$ (20,685)
Commodities	41,840	41,840	41,840	-
Total school food services	<u>\$ 588,068</u>	<u>\$ 588,068</u>	<u>\$ 608,753</u>	<u>\$ (20,685)</u>
Total education	<u>\$ 588,068</u>	<u>\$ 588,068</u>	<u>\$ 608,753</u>	<u>\$ (20,685)</u>
Total School Cafeteria Fund	<u>\$ 588,068</u>	<u>\$ 588,068</u>	<u>\$ 608,753</u>	<u>\$ (20,685)</u>
Textbook Fund				
Education:				
Purchase of textbooks	\$ 101,007	\$ 101,007	\$ 21,246	\$ 79,761
Total Textbook Fund	<u>\$ 101,007</u>	<u>\$ 101,007</u>	<u>\$ 21,246</u>	<u>\$ 79,761</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,967,893</u>	<u>\$ 17,198,714</u>	<u>\$ 16,759,715</u>	<u>\$ 438,999</u>

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STATISTICAL INFORMATION

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education
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
2020	1,448,143	986,683	6,205,175	1,597,827	3,120,376	11,758,993

Table 1

	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Sewer Fund	Total
\$	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
	210,112	386,699	246,681	75,855	26,036,544

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Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Misc- ellaneous	Grants and Contributions Not Restricted to Specific Programs	
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
2020	609,139	4,163,799	-	18,951,537	2,377,456	242,362	73,900	1,282,087	27,700,280

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)
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
2020	1,400,802	819,124	5,880,302	1,564,346	3,043,429	16,767,103

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

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

(3) Excludes Capital Projects funds.

Table 3

	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
\$	172,801	\$ 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
	188,047	456,405	1,339,015	31,458,573

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
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
2020	18,851,409	2,377,456	158,117	27,601	226,629	458,791

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

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

(3) Excludes Capital Projects funds.

Table 4

Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$ 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
303,609	312,366	10,331,857	33,047,835

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)		
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%	
2020	19,674,230	18,955,025	96.34%	474,289	19,429,314	98.76%	933,692	4.75%	

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
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
2020	2,654,801,825	125,789,911	435,750	11,372,483	67,710,661	2,860,110,630

(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 Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
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
2020	0.63	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 Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
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
2020	11,391	2,860,110,630	1,095,000	-	-	1,095,000	0.04%	96

(1) Weldon Cooper Center 2010 Census.

(2) From Table 6.

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

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

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

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COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lancaster, Virginia, as of and for the year ended June 30, 2020, 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 25, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
November 25, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited County of Lancaster, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Lancaster, Virginia's major federal programs for the year ended June 30, 2020. 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, 2020.

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 25, 2020

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Provider Relief Fund	93.498	N/A	\$ 18,205
Pass Through Payments:			
Department of Social Services:			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950119/0950120	11,376
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400119/0400120	121,722
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	0500119/0500120	219
Low-Income Home Energy Assistance	93.568	0600419/0600420	25,722
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760119/0760120	23,532
Chafee Education and Training Vouchers Program (ETV)	93.599	0760119/0760120	3,534
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900119/0900120	302
Foster Care - Title IV-E	93.658	1100119/1100120	113,702
Adoption Assistance	93.659	1130119/11301120	25,788
Social Services Block Grant	93.667	1000119/1000120	109,854
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150119/9150120	2,972
Children's Health Insurance Program	93.767	0540119/0540120	3,418
Medical Assistance Program (Medicaid Cluster)	93.778	1200119/1200120	212,744
Total Department of Health and Human Services			<u>\$ 673,090</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Assistance:			
Emergency Management Performance Grants	97.042	77501-52743	\$ 7,500
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602-155	16,455
Total Department of Homeland Security			<u>\$ 23,955</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Department of Agriculture:			
National School Lunch Program Food Distribution (Child Nutrition Cluster)	10.555	17901-45707	\$ 41,840
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901-40623	188,044
COVID-19 - National School Lunch Program (Child Nutrition Cluster)	10.555	17901-40623	93,155
Total CFDA 10.555			<u>\$ 323,039</u>
School Breakfast Program	10.553	17901-40591	\$ 80,296
COVID-19 - School Breakfast Program (Child Nutrition Cluster)	10.553	17901-40591	55,297
Total CFDA 10.553			<u>\$ 135,593</u>
Child Nutrition Cluster Total			<u>\$ 458,632</u>
Child and Adult Care Food Program	10.558	17901-70027	14,207
Child Nutrition Discretionary Grants Limited Availability	10.579	17901-70027	12,011
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010118/0010119	203,599
Total Department of Agriculture			<u>\$ 688,449</u>

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-86000	\$ 52,500
Violence Against Women Formula Grants	16.588	7651601/5651701	<u>44,381</u>
Total Department of Justice			<u>\$ 96,881</u>
Department of Treasury:			
Pass Through Payments:			
Department of Accounts:			
Coronavirus Relief Fund	21.019	10110-728021	<u>\$ 170,500</u>
Total Department of Treasury			<u>\$ 170,500</u>
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	<u>\$ 69,507</u>
Total Department of Defense			<u>\$ 69,507</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 308,628
Special Education - Grants to States (Special Education Cluster)	84.027	17901-43071	196,550
Career and Technical Education - Basic Grants to States	84.048	17901-61095	24,152
Student Support and Academic Enrichment Program	84.424	S424A180048/S424A190048	15,780
Rural Education	84.358	17901-43481	20,308
Supporting Effective Instruction State Grants	84.367	17901-61480	53,404
School Improvement Grants	84.377	17901-43040	<u>100,348</u>
Total Department of Education			<u>\$ 719,170</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,441,552</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, 2020

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, 2020. 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	\$ 1,183,037
Total primary government	\$ 1,183,037

Component Unit School Board:

School Operating Fund	\$ 788,677
School Cafeteria Fund	484,850
Total Component Unit School Board	\$ 1,273,527

Total expenditures of federal awards per basic financial statements	\$ 2,456,564
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BABs subsidy	\$ (15,012)
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 2,441,552
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Lancaster, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

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)	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

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, 2020

There were no prior year findings.

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