

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY OF LANCASTER, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of and for the year ended June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County of Lancaster, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Lancaster, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County of Lancaster, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Lancaster, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Required Supplementary Information (Continued)

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 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 accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, 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 of 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 that reads "Robinson, Farmer, Cox Associates". The signature is written in a cursive, flowing style.

Richmond, Virginia
December 7, 2023

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, 2023. 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 \$20,182,423 (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 \$62,812,859 (Exhibit 5) after making contributions totaling \$9,459,054 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$81,941,214 an increase of \$62,812,859 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,981,346 or 25% of total general fund expenditures and other uses.
- The combined long-term obligations increased \$68,692,714 during the current fiscal year due to issuance of general obligation bonds and lease revenue bonds.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

Fiduciary funds - The County is the trustee, or fiduciary, for the County's custodial 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. Custodial funds are 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 present combining financial statements for the discretely presented component units: School Board, Broadband Authority, and IDA. These Component Units do 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 \$20,182,423 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 86,504,297	\$ 22,218,116	\$ 39,488	\$ 37,799	\$ 86,543,785	\$ 22,255,915
Capital assets	26,644,578	15,240,848	971,150	1,023,998	27,615,728	16,264,846
Total assets	\$ 113,148,875	\$ 37,458,964	\$ 1,010,638	\$ 1,061,797	\$ 114,159,513	\$ 38,520,761
Deferred outflows of resources	\$ 1,180,321	\$ 1,309,260	\$ -	\$ -	\$ 1,180,321	\$ 1,309,260
Current liabilities	\$ 5,665,338	\$ 2,497,269	\$ 163	\$ 259	\$ 5,665,501	\$ 2,497,528
Long-term liabilities outstanding	87,921,085	19,228,371	154,118	157,732	88,075,203	19,386,103
Total liabilities	\$ 93,586,423	\$ 21,725,640	\$ 154,281	\$ 157,991	\$ 93,740,704	\$ 21,883,631
Deferred inflows of resources	\$ 1,416,707	\$ 3,355,865	\$ -	\$ -	\$ 1,416,707	\$ 3,355,865
Net position:						
Net investment in capital assets	\$ 3,902,221	\$ 6,694,871	\$ 817,032	\$ 866,266	\$ 4,719,253	\$ 7,561,137
Restricted:						
Forfeited asset	11,147	11,147	-	-	11,147	11,147
Wetlands special project	10,369	10,369	-	-	10,369	10,369
Unrestricted	15,402,329	6,970,332	39,325	37,540	15,441,654	7,007,872
Total net position	\$ 19,326,066	\$ 13,686,719	\$ 856,357	\$ 903,806	\$ 20,182,423	\$ 14,590,525

Government-wide Financial Analysis (Continued)

The County's net position increased \$5,591,898 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	
	2023	2022	2023	2022	2023	2022
Charges for services	\$ 874,524	\$ 830,167	\$ 20,434	\$ 31,884	\$ 894,958	\$ 862,051
Operating grants and contributions	5,147,440	5,537,063	-	-	5,147,440	5,537,063
Capital grants and contributions	-	-	-	-	-	-
General property taxes	20,946,745	19,733,081	-	-	20,946,745	19,733,081
Other local taxes	3,141,632	3,053,868	-	-	3,141,632	3,053,868
Grants and other contributions not restricted	1,225,936	1,235,001	-	-	1,225,936	1,235,001
Other general revenues	3,009,344	226,401	46	9	3,009,390	226,410
Transfers	(5,760)	-	5,760	-	-	-
Total revenues	\$ 34,339,861	\$ 30,615,581	\$ 26,240	\$ 31,893	\$ 34,366,101	\$ 30,647,474
General government administration	\$ 1,773,804	\$ 1,136,523	\$ -	\$ -	\$ 1,773,804	\$ 1,136,523
Judicial administration	1,027,470	979,643	-	-	1,027,470	979,643
Public safety	7,902,135	7,129,556	-	-	7,902,135	7,129,556
Public works	1,680,241	1,717,083	73,689	100,991	1,753,930	1,818,074
Health and welfare	2,972,942	2,852,234	-	-	2,972,942	2,852,234
Education	9,635,288	11,797,326	-	-	9,635,288	11,797,326
Parks, recreation, and cultural	222,596	200,230	-	-	222,596	200,230
Community development	561,496	678,166	-	-	561,496	678,166
Interest and other fiscal charges	2,924,542	476,035	-	-	2,924,542	476,035
Total expenses	\$ 28,700,514	\$ 26,966,796	\$ 73,689	\$ 100,991	\$ 28,774,203	\$ 27,067,787
Change in net position	\$ 5,639,347	\$ 3,648,785	\$ (47,449)	\$ (69,098)	\$ 5,591,898	\$ 3,579,687
Net position, beginning of year	13,686,719	10,037,934	903,806	972,904	14,590,525	11,010,838
Net position, end of year	<u>\$ 19,326,066</u>	<u>\$ 13,686,719</u>	<u>\$ 856,357</u>	<u>\$ 903,806</u>	<u>\$ 20,182,423</u>	<u>\$ 14,590,525</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. Unassigned 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 \$81,941,214 an increase of \$62,812,859 in comparison with the prior year. Approximately 12% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

The County Capital Projects Fund accounts for all major public improvements. At the end of the fiscal year, the fund balance was \$71,936,249 with \$65,890,810 of restricted unspent bond proceeds.

During the year, actual revenues and other sources exceeded budgetary estimates of the General Fund by \$1,901,041. Budgetary estimates exceeded actual expenditures and other uses by \$12,108,450. The combination of the two resulted in a positive variance of \$14,009,491.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2023, amounted to \$26,644,578 (net of accumulated depreciation). This investment in capital assets includes land, assets under lease, buildings and system, and machinery and equipment.

Additional information on the County's capital assets can be found in note 5 of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$80,336,546. Of this amount, \$72,295,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease revenue bonds, revenue bonds and capital leases).

The County's total debt increased \$63,458,276 during the current fiscal year.

Additional information on the County of Lancaster, Virginia's long-term debt can be found in note 7 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 2024 fiscal year.

The fiscal year 2024 budget increased by approximately 36% due to planned capital project expenditures. All property tax rates remained the same.

Requests for Information

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

County of Lancaster, Virginia
 Statement of Net Position
 June 30, 2023

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Broadband Authority	IDA
ASSETS						
Cash and cash equivalents	\$ 17,684,696	\$ 35,074	\$ 17,719,770	\$ 1,188,977	\$ 41,279	\$ 62,970
Receivables (net of allowance for uncollectibles):						
Taxes receivable	882,431	-	882,431	-	-	-
Accounts receivable	311,534	4,414	315,948	750	-	-
Due from other governmental units	1,595,555	-	1,595,555	1,550,779	-	-
Leases receivable	138,808	-	138,808	-	-	-
Interest receivable	232	-	232	-	-	-
Prepaid expenses	231	-	231	-	-	-
Restricted assets:						
Cash and cash equivalents- unspent bond proceeds	65,890,810	-	65,890,810	-	-	-
Capital assets (net of accumulated depreciation/amortization):						
Land and land improvements	2,754,114	-	2,754,114	6,271	-	-
Buildings and improvements	5,267,161	971,150	6,238,311	5,954,932	-	-
Machinery and equipment	608,348	-	608,348	779,615	-	-
Infrastructure	1,731,835	-	1,731,835	-	-	-
Assets under lease	99,733	-	99,733	14,131	-	-
Construction in progress	16,183,387	-	16,183,387	1,861,120	-	-
Total assets	\$ 113,148,875	\$ 1,010,638	\$ 114,159,513	\$ 11,356,575	\$ 41,279	\$ 62,970
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	\$ 1,097,968	\$ -	\$ 1,097,968	\$ 1,863,842	\$ -	\$ -
OPEB related items	82,353	-	82,353	224,470	-	-
Total deferred outflows of resources	\$ 1,180,321	\$ -	\$ 1,180,321	\$ 2,088,312	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 114,329,196	\$ 1,010,638	\$ 115,339,834	\$ 13,444,887	\$ 41,279	\$ 62,970
LIABILITIES						
Accounts payable	\$ 1,951,903	\$ 162	\$ 1,952,065	\$ 358,760	\$ -	\$ -
Accrued liabilities	-	-	-	547,368	-	-
Retainage payable	427,101	-	427,101	-	-	-
Accrued interest payable	2,248,602	-	2,248,602	-	-	-
Due to other governmental units	-	-	-	727,432	-	-
Unearned revenue	1,037,732	-	1,037,732	-	-	-
Long-term liabilities:						
Due within one year	1,577,842	3,664	1,581,506	47,807	-	-
Due in more than one year	86,343,243	150,454	86,493,697	9,320,308	-	-
Total liabilities	\$ 93,586,423	\$ 154,280	\$ 93,740,703	\$ 11,001,675	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	\$ 59,883	\$ -	\$ 59,883	\$ -	\$ -	\$ -
Lease related items	135,897	-	135,897	-	-	-
Pension related items	1,152,122	-	1,152,122	2,683,440	-	-
OPEB related items	68,805	-	68,805	362,447	-	-
Total deferred inflows of resources	\$ 1,416,707	\$ -	\$ 1,416,707	\$ 3,045,887	\$ -	\$ -
NET POSITION						
Net investment in capital assets	\$ 3,902,221	\$ 817,032	\$ 4,719,253	\$ 8,604,760	\$ -	\$ -
Restricted:						
Forfeited assets	11,147	-	11,147	-	-	-
Wetlands special project	10,369	-	10,369	-	-	-
Unrestricted (deficit)	15,402,329	39,326	15,441,655	(9,207,435)	41,279	62,970
Total net position (deficit)	\$ 19,326,066	\$ 856,358	\$ 20,182,424	\$ (602,675)	\$ 41,279	\$ 62,970
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 114,329,196	\$ 1,010,638	\$ 115,339,834	\$ 13,444,887	\$ 41,279	\$ 62,970

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, 2023

<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	\$ 1,773,804	\$ 70,030	\$ 329,654	\$ -
Judicial administration	1,027,470	34,701	551,700	-
Public safety	7,902,135	764,432	2,479,408	-
Public works	1,680,241	4,342	128	-
Health and welfare	2,972,942	968	1,786,550	-
Education	9,635,288	-	-	-
Parks, recreation, and cultural	222,596	-	-	-
Community development	561,496	51	-	-
Interest on long-term debt	2,924,542	-	-	-
Total governmental activities	<u>\$ 28,700,514</u>	<u>\$ 874,524</u>	<u>\$ 5,147,440</u>	<u>\$ -</u>
Business-type activities:				
Sewer	\$ 73,688	\$ 20,434	\$ -	\$ -
Total business-type activities	<u>\$ 73,688</u>	<u>\$ 20,434</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 28,774,202</u>	<u>\$ 894,958</u>	<u>\$ 5,147,440</u>	<u>\$ -</u>
COMPONENT UNITS:				
School Board	\$ 17,281,374	\$ 8,198	\$ 8,835,719	\$ 1,072,790
Broadband Authority	-	7,500	-	-
IDA	41,500	18,789	-	-
Total component units	<u>\$ 17,322,874</u>	<u>\$ 34,487</u>	<u>\$ 8,835,719</u>	<u>\$ 1,072,790</u>

General revenues:
General property taxes
Other local taxes:
Local sales and use taxes
Motor vehicle licenses
Other local taxes
Unrestricted revenues from use of money
Miscellaneous
Payments from Lancaster County
Grants and contributions not restricted to specific programs
Transfers
Contribution to sewer fund
Total general revenues
Change in net position
Net position (deficit) - beginning
Net position (deficit) - 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	
\$ (1,374,120)	\$ -	\$ (1,374,120)	\$ -	\$ -	\$ -	-
(441,069)	-	(441,069)	-	-	-	-
(4,658,295)	-	(4,658,295)	-	-	-	-
(1,675,771)	-	(1,675,771)	-	-	-	-
(1,185,424)	-	(1,185,424)	-	-	-	-
(9,635,288)	-	(9,635,288)	-	-	-	-
(222,596)	-	(222,596)	-	-	-	-
(561,445)	-	(561,445)	-	-	-	-
(2,924,542)	-	(2,924,542)	-	-	-	-
\$ (22,678,550)	\$ -	\$ (22,678,550)	\$ -	\$ -	\$ -	-
\$ -	\$ (53,254)	\$ (53,254)	\$ -	\$ -	\$ -	-
\$ -	\$ (53,254)	\$ (53,254)	\$ -	\$ -	\$ -	-
\$ (22,678,550)	\$ (53,254)	\$ (22,731,804)	\$ -	\$ -	\$ -	-
\$ -	\$ -	\$ -	\$ (7,364,667)	\$ -	\$ -	-
-	-	-	-	7,500	-	-
-	-	-	-	-	-	(22,711)
\$ -	\$ -	\$ -	\$ (7,364,667)	\$ 7,500	\$ (22,711)	-
\$ 20,946,745	\$ -	\$ 20,946,745	\$ -	\$ -	\$ -	-
2,477,188	-	2,477,188	-	-	-	-
204,317	-	204,317	-	-	-	-
460,127	-	460,127	-	-	-	-
2,840,389	46	2,840,435	885	-	-	1,953
168,955	-	168,955	348,081	-	-	-
-	-	-	9,576,109	-	-	-
1,225,936	-	1,225,936	-	-	-	-
(5,760)	-	(5,760)	-	-	-	-
-	5,760	5,760	-	-	-	-
\$ 28,317,897	\$ 5,806	\$ 28,323,703	\$ 9,925,075	\$ -	\$ 1,953	-
\$ 5,639,347	\$ (47,448)	\$ 5,591,899	\$ 2,560,408	\$ 7,500	\$ (20,758)	-
13,686,719	903,806	14,590,525	(3,163,083)	33,779	83,728	-
\$ 19,326,066	\$ 856,358	\$ 20,182,424	\$ (602,675)	\$ 41,279	\$ 62,970	-

County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 11,614,123	\$ 25,134	\$ 6,045,439	\$ 17,684,696
Receivables (net of allowance for uncollectibles):				
Taxes receivable	882,431	-	-	882,431
Accounts receivable	311,534	-	-	311,534
Leases receivable	138,808	-	-	138,808
Interest receivable	232	-	-	232
Due from other governmental units	1,595,555	-	-	1,595,555
Prepaid items	231	-	-	231
Restricted assets:				
Cash and cash equivalents	-	-	65,890,810	65,890,810
Total assets	<u>\$ 14,542,914</u>	<u>\$ 25,134</u>	<u>\$ 71,936,249</u>	<u>\$ 86,504,297</u>
LIABILITIES				
Accounts payable	\$ 1,951,903	\$ -	\$ -	\$ 1,951,903
Retainage payable	427,101	-	-	427,101
Unearned revenue	1,035,986	1,746	-	1,037,732
Total liabilities	<u>\$ 3,414,990</u>	<u>\$ 1,746</u>	<u>\$ -</u>	<u>\$ 3,416,736</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 828,444	\$ -	\$ -	\$ 828,444
Unavailable revenue - opioid settlement	182,006	-	-	182,006
Lease related items	135,897	-	-	135,897
Total deferred inflows of resources	<u>\$ 1,146,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,146,347</u>
FUND BALANCES				
Nonspendable	\$ 231	\$ -	\$ -	\$ 231
Restricted	-	21,541	65,890,810	65,912,351
Committed	-	1,847	6,045,439	6,047,286
Unassigned	9,981,346	-	-	9,981,346
Total fund balances	<u>\$ 9,981,577</u>	<u>\$ 23,388</u>	<u>\$ 71,936,249</u>	<u>\$ 81,941,214</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,542,914</u>	<u>\$ 25,134</u>	<u>\$ 71,936,249</u>	<u>\$ 86,504,297</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, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 81,941,214
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	\$ 36,864,741	
Accumulated depreciation/amortization	<u>(10,220,163)</u>	26,644,578
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ 768,561	
Unavailable revenue - opioid settlement	<u>182,006</u>	950,567
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 1,097,968	
OPEB related items	<u>82,353</u>	1,180,321
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	\$ (2,625,000)	
General obligations bond	(77,420,000)	
Accrued interest payable	(2,248,602)	
Equipment purchase agreements	(137,428)	
Lease liabilities	(100,124)	
Bond premium	(5,691,037)	
Net pension liability	(1,335,955)	
Net OPEB liability	(310,657)	
Compensated absences	<u>(300,884)</u>	(90,169,687)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (1,152,122)	
OPEB related items	<u>(68,805)</u>	(1,220,927)
Net position of governmental activities		<u><u>\$ 19,326,066</u></u>

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

County of Lancaster, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 20,807,948	\$ -	\$ -	\$ 20,807,948
Other local taxes	3,141,632	-	-	3,141,632
Permits, privilege fees, and regulatory licenses	256,007	-	-	256,007
Fines and forfeitures	38,879	-	-	38,879
Revenue from the use of money and property	547,098	27	2,363,294	2,910,419
Charges for services	509,608	-	-	509,608
Miscellaneous	44,151	-	-	44,151
Recovered costs	27,329	-	-	27,329
Intergovernmental:				
Commonwealth	4,593,808	-	-	4,593,808
Federal	1,722,366	-	-	1,722,366
Total revenues	<u>\$ 31,688,826</u>	<u>\$ 27</u>	<u>\$ 2,363,294</u>	<u>\$ 34,052,147</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,811,059	\$ -	\$ -	\$ 1,811,059
Judicial administration	951,838	-	-	951,838
Public safety	7,985,855	-	-	7,985,855
Public works	1,687,919	-	-	1,687,919
Health and welfare	3,043,889	-	-	3,043,889
Education	9,466,589	-	-	9,466,589
Parks, recreation, and cultural	193,146	-	-	193,146
Community development	634,406	-	-	634,406
Capital projects	12,171,505	-	-	12,171,505
Debt service:				
Principal retirement	1,367,477	-	-	1,367,477
Interest and other fiscal charges	590,672	-	487,730	1,078,402
Total expenditures	<u>\$ 39,904,355</u>	<u>\$ -</u>	<u>\$ 487,730</u>	<u>\$ 40,392,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,215,529)</u>	<u>\$ 27</u>	<u>\$ 1,875,564</u>	<u>\$ (6,339,938)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,740,788	\$ -	\$ -	\$ 9,740,788
Transfers out	(5,760)	-	(9,740,788)	(9,746,548)
Issuance of general obligation bonds	-	-	59,605,000	59,605,000
Issuance of lease revenue bonds	-	-	5,125,000	5,125,000
Issuance of leases	57,628	-	-	57,628
Premium on bond issuances	-	-	4,370,929	4,370,929
Total other financing sources (uses)	<u>\$ 9,792,656</u>	<u>\$ -</u>	<u>\$ 59,360,141</u>	<u>\$ 69,152,797</u>
Net change in fund balances	\$ 1,577,127	\$ 27	\$ 61,235,705	\$ 62,812,859
Fund balances - beginning	8,404,450	23,361	10,700,544	19,128,355
Fund balances - ending	<u>\$ 9,981,577</u>	<u>\$ 23,388</u>	<u>\$ 71,936,249</u>	<u>\$ 81,941,214</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, 2023

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

Net change in fund balances - total governmental funds \$ 62,812,859

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

Capital asset additions	\$ 12,171,370	
Depreciation/amortization expense	(650,585)	
Transfer of joint tenancy assets to Component Unit from Primary Government	(117,055)	11,403,730

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

Property taxes	\$ 138,797	
Opioid settlement	182,006	320,803

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	\$ 850,000	
Principal retirement of school general obligation bond	410,000	
Principal retirement of equipment purchase agreements	65,738	
Principal retirement of leases	41,739	
Issuance of school general obligation bonds	(59,605,000)	
Issuance of lease revenue bond	(5,125,000)	
Bond premiums	(4,370,929)	
Issuance of equipment purchase agreements	(57,628)	(67,791,080)

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	\$ 166,960	
Change in compensated absences	(38,152)	
Pension expense	747,300	
OPEB expense	30,027	
Change in accrued interest payable	(2,013,100)	(1,106,965)

Change in net position of governmental activities \$ 5,639,347

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, 2023

	Enterprise Fund
	<u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 35,074
Accounts receivables, net of allowance for uncollectibles	4,414
Total current assets	\$ 39,488
Noncurrent assets:	
Capital assets:	
Buildings and improvements	\$ 971,150
Total assets	\$ 1,010,638
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 162
Bonds payable - current portion	3,664
Total current liabilities	\$ 3,826
Noncurrent liabilities:	
Bonds payable	\$ 150,454
Total noncurrent liabilities	\$ 150,454
Total liabilities	\$ 154,280
NET POSITION	
Net investment in capital assets	\$ 817,032
Unrestricted	39,326
Total net position	\$ 856,358

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, 2023

	Enterprise Fund
	<u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Sewer fees	\$ 20,434
Total operating revenues	\$ 20,434
OPERATING EXPENSES	
Repairs and maintenance	\$ 18,694
Depreciation	52,848
Total operating expenses	\$ 71,542
Operating income (loss)	\$ (51,108)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (2,146)
Interest income	46
Total nonoperating revenues (expenses)	\$ (2,100)
Income before contributions and transfers	\$ (53,208)
Transfers in	\$ 5,760
Change in net position	\$ (47,448)
Net position - beginning	903,806
Net position - ending	\$ 856,358

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, 2023

	Enterprise Fund
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 18,360
Payments for operating expenses	(18,792)
Net cash provided by (used for) operating activities	\$ (432)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (3,614)
Interest payments	(2,146)
Net cash provided by (used for) capital and related financing activities	\$ (5,760)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 46
Net increase (decrease) in cash and cash equivalents	\$ (6,146)
Cash and cash equivalents - beginning	35,459
Cash and cash equivalents - ending	\$ 29,313
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (51,108)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	52,848
(Increase) decrease in accounts receivable	(2,074)
Increase (decrease) in accounts payable	(98)
Total adjustments	\$ 50,676
Net cash provided by (used for) operating activities	\$ (432)

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, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 34,669
Total assets	<u>\$ 34,669</u>
NET POSITION	
Restricted for Individuals for Special Welfare	\$ 34,669
Total net position	<u>\$ 34,669</u>

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

County of Lancaster, Virginia
 Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 For the Year Ended June 30, 2023

	<u>Custodial Fund</u>
ADDITIONS	
Participant fees	\$ 40,186
Total additions	<u>\$ 40,186</u>
DEDUCTIONS	
Recipient payments	\$ 65,507
Total deductions	<u>\$ 65,507</u>
Net increase (decrease) in fiduciary net position	\$ (25,321)
Net position - beginning	59,990
Net position - ending	<u><u>\$ 34,669</u></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, 2023

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 specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. 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, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2023

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units on June 30, 2023.

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, 2023.

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, 2023. 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, 2023. The Broadband Authority does not issue a separate financial report.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

None

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

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.

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

1. Governmental Funds (Continued)

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.

2. Proprietary Funds

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

Enterprise Funds

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

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

4. Component Unit

Governmental Funds:

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

Special Revenue Funds:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

4. Component Unit (Continued)

Special Revenue Funds: (Continued)

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

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

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and 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 \$87,444 on June 30, 2023 is comprised solely of property taxes.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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 are tangible and intangible assets, which include property, plant, equipment, lease, subscription, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County and Component Unit School Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure asset the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

As the County and Component Unit School Board constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized 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
Lease buildings	5-20
Lease improvements	5-20
Lease equipment	5-10
Buses	10

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

I. Leases

The County has various lease assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The County and School Board recognize lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The County and School Board recognize leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the County uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease include the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable (lessor) or lease liability (lessee).

The County monitors changes in circumstances that would require a remeasurement or modification of its leases. The County will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

J. 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.

K. Pensions

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

L. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, 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.

M. 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.

N. 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/amortization 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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2023

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

N. 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.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets 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 pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets 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 pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on the pension item, reference the related notes.

P. Fund Balance

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

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund).
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

P. Fund Balance (Continued)

- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of a resolution 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 resolution remains in place until the resources have been spent for the specified purpose or the Board adopts another resolution 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 generally 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, which does not lapse at year end, 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, 2023

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

P. 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	\$ 231	\$ -	\$ -	\$ 231
Total Nonspendable	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231</u>
Restricted:				
Forfeited assets	\$ -	\$ 11,156	\$ -	\$ 11,156
Capital improvements	-	-	65,890,810	65,890,810
Wetlands special project	-	10,385	-	10,385
Total Restricted	<u>\$ -</u>	<u>\$ 21,541</u>	<u>\$ 65,890,810</u>	<u>\$ 65,912,351</u>
Committed:				
Sheriff's K-9 Unit	\$ -	\$ 1,847	\$ -	\$ 1,847
Capital Improvements	-	-	6,045,439	6,045,439
Total Committed	<u>\$ -</u>	<u>\$ 1,847</u>	<u>\$ 6,045,439</u>	<u>\$ 6,047,286</u>
Unassigned	<u>\$ 9,981,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,981,346</u>
Total	<u><u>\$ 9,981,577</u></u>	<u><u>\$ 23,388</u></u>	<u><u>\$ 71,936,249</u></u>	<u><u>\$ 81,941,214</u></u>

Q. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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, as well as bond issue costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Fund, and County Capital Projects Fund of the primary government and the School Operating Fund, School Cafeteria Fund, and School Textbook Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.
9. Expenditures and Appropriations
Expenditures exceeded appropriations in no funds at June 30, 2023.

Note 3—Deposits and Investments:

Deposits

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 3—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 7,507
VACo/VML Virginia Investment Pool	14,835,650
State Non-Arbitrage Program	65,890,810
Total	<u>\$ 80,733,967</u>

External Investment Pools

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

Fair Value Measurements

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

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 7,507	\$ 7,507
VACo/VML Virginia Investment Pool	14,835,650	14,835,650
State Non-Arbitrage Program	65,890,810	65,890,810
Total	<u>\$80,733,967</u>	<u>\$80,733,967</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 4—Due to/from Other Governments:

On June 30, 2023, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	\$ 727,432	\$ -
Commonwealth of Virginia:		
Local sales tax	475,596	232,442
Welfare	2,503	-
Rolling stock tax	555	-
Local jails	11,283	-
Constitutional officer reimbursements	193,330	-
Additional tax on deeds	11,838	-
Auto rental tax	664	-
Mobile home titling tax	6,884	-
Children's services act	49,848	-
E-911 wireless	8,820	-
Communications tax	36,491	-
VHDA fees	2,320	-
Federal Government:		
School fund grants	-	1,314,752
School cafeteria fund grants	-	3,585
Violence against women	26,634	-
Welfare	41,357	-
Total due from other governments	<u>\$ 1,595,555</u>	<u>\$ 1,550,779</u>

At June 30, 2023, amounts due to other governmental units are as follows:

Other Local Governments:		
Lancaster County School Board	<u>\$ -</u>	<u>\$ 727,432</u>
Total due to other governments	<u>\$ -</u>	<u>\$ 727,432</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

Primary Government:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation/amortization:				
Land and land improvements	\$ 2,704,114	\$ 50,000	\$ -	\$ 2,754,114
Construction in progress	4,445,660	11,737,727	-	16,183,387
Total capital assets not subject to depreciation/amortization	<u>\$ 7,149,774</u>	<u>\$11,787,727</u>	<u>\$ -</u>	<u>\$ 18,937,501</u>
Capital assets subject to depreciation/amortization:				
Buildings and improvements	\$ 8,067,541	\$ -	\$ -	\$ 8,067,541
Infrastructure	2,597,988	51,687	-	2,649,675
Machinery and equipment	4,570,995	331,957	27,753	4,875,199
Lease improvements	155,199	-	-	155,199
Lease equipment	27,578	-	-	27,578
Jointly owned assets	2,568,975	-	416,927	2,152,048
Total capital assets subject to depreciation/amortization	<u>\$17,988,276</u>	<u>\$ 383,644</u>	<u>\$ 444,680</u>	<u>\$ 17,927,240</u>
Accumulated depreciation/amortization:				
Buildings and improvements	\$ 3,209,616	\$ 177,065	\$ -	\$ 3,386,681
Infrastructure	778,564	139,276	-	917,840
Machinery and equipment	4,053,525	241,079	27,753	4,266,851
Lease improvements	32,901	32,901	-	65,802
Lease equipment	8,621	8,621	-	17,242
Jointly owned assets	1,813,975	51,644	299,872	1,565,747
Total accumulated depreciation/amortization	<u>\$ 9,897,202</u>	<u>\$ 650,586</u>	<u>\$ 327,625</u>	<u>\$ 10,220,163</u>
Total capital assets subject to depreciation/amortization, net	<u>\$ 8,091,074</u>	<u>\$ (266,942)</u>	<u>\$ 117,055</u>	<u>\$ 7,707,077</u>
Governmental activities capital assets, net	<u>\$15,240,848</u>	<u>\$11,520,785</u>	<u>\$ 117,055</u>	<u>\$ 26,644,578</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

A summary of proprietary fund capital assets on June 30, 2023 follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Business-type activities:</i>				
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,321,205	\$ -	\$ -	\$ 1,321,205
Accumulated depreciation:				
Buildings and improvements	\$ 297,207	\$ 52,848	\$ -	\$ 350,055
Total capital assets subject to depreciation, net	\$ 1,023,998	\$ (52,848)	\$ -	\$ 971,150
Business-type activities capital assets, net	<u>\$ 1,023,998</u>	<u>\$ (52,848)</u>	<u>\$ -</u>	<u>\$ 971,150</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation/amortization:				
Land and land improvements	\$ 6,271	\$ -	\$ -	\$ 6,271
Construction in progress	891,870	969,250	-	1,861,120
Total capital assets not subject to depreciation/amortization	\$ 898,141	\$ 969,250	\$ -	\$ 1,867,391
Capital assets subject to depreciation/amortization:				
Buildings and improvements	\$ 1,328,046	\$ -	\$ -	\$ 1,328,046
Machinery and equipment	4,834,272	158,413	-	4,992,685
Lease building	29,011	-	-	29,011
Lease equipment	55,329	-	36,406	18,923
Jointly owned assets	17,399,191	-	(275,210)	17,674,401
Total capital assets subject to depreciation/amortization	\$23,645,849	\$ 158,413	\$ (238,804)	\$ 24,043,066
Accumulated depreciation/amortization:				
Buildings and improvements	\$ 75,928	\$ 36,227	\$ -	\$ 112,155
Machinery and equipment	3,989,191	223,879	-	4,213,070
Lease building	13,875	13,875	-	27,750
Lease equipment	23,062	19,397	36,406	6,053
Jointly owned assets	12,285,713	349,775	(299,872)	12,935,360
Total accumulated depreciation/amortization	\$16,387,769	\$ 643,153	\$ (263,466)	\$ 17,294,388
Total capital assets subject to depreciation/amortization, net	\$ 7,258,080	\$ (484,740)	\$ 24,662	\$ 6,748,678
Component unit school board capital assets, net	\$ 8,156,221	\$ 484,510	\$ 24,662	\$ 8,616,069

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 5—Capital Assets: (Continued)

Depreciation/amortization expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 33,585
Judicial administration	140,228
Public safety	360,022
Public works	10,067
Health and welfare	25,590
Education	51,644
Parks, recreation and cultural	29,450
	<u>650,586</u>
Total Governmental activities	<u>\$ 650,586</u>
Business-type Activities	<u>\$ 52,848</u>
Component Unit School Board	<u>\$ 643,153</u>

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

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General fund	\$ 9,740,788	\$ 5,760
County capital projects fund	-	9,740,788
Sewer	5,760	-
	<u>9,746,548</u>	<u>9,746,548</u>
Total	<u>\$ 9,746,548</u>	<u>\$ 9,746,548</u>

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2023:

	Balance at July 1, 2022	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 262,732	\$ 64,425	\$ 26,273	\$ 300,884	\$ 30,088
Net pension liability	321,842	2,645,398	1,631,285	1,335,955	-
Net OPEB liability	294,328	182,775	166,446	310,657	-
Lease liabilities	141,863	-	41,739	100,124	41,461
Direct borrowings and placements:					
Lease revenue bonds	3,475,000	5,125,000	850,000	7,750,000	1,020,000
Bond premium	513,737	-	121,972	391,765	-
Equipment purchase agreements	145,538	57,628	65,738	137,428	56,293
Total incurred by County	\$ 5,155,040	\$ 8,075,226	\$ 2,903,453	\$10,326,813	\$ 1,147,842
Incurred by School Board:					
Direct borrowings and placements:					
General obligation bonds	\$13,100,000	\$59,605,000	\$ 410,000	\$72,295,000	\$ 430,000
Bond premium	973,331	4,370,929	44,988	5,299,272	-
Total incurred by School Board	\$14,073,331	\$63,975,929	\$ 454,988	\$77,594,272	\$ 430,000
Total Governmental Activities Obligations	\$19,228,371	\$72,051,155	\$ 3,358,441	\$87,921,085	\$ 1,577,842
Business-type Activities Obligations:					
Direct borrowings and placements:					
Revenue bond	\$ 157,732	\$ -	\$ 3,614	\$ 154,118	\$ 3,664
Total Business-type Activities Obligations	\$ 157,732	\$ -	\$ 3,614	\$ 154,118	\$ 3,664
Total Primary Government Obligations	\$19,386,103	\$72,051,155	\$ 3,362,055	\$88,075,203	\$ 1,581,506

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations			
	Direct Borrowings and Direct Placements			
	Lease		Equipment Purchase Agreements	
	Revenue Bond		Principal	Interest
	Principal	Interest	Principal	Interest
2024	\$ 1,020,000	\$ 358,968	\$ 56,293	\$ 9,818
2025	1,126,000	257,947	35,241	5,927
2026	368,000	222,114	29,755	3,470
2027	386,000	205,357	16,139	1,314
2028	403,000	187,778	-	-
2029-2033	1,360,000	739,262	-	-
2034-2038	1,393,000	493,735	-	-
2039-2043	1,694,000	201,820	-	-
Total	<u>\$ 7,750,000</u>	<u>\$ 2,666,981</u>	<u>\$ 137,428</u>	<u>\$ 20,529</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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	
	Direct Borrowings and Placements	
	General Obligation Bonds	
	Principal	Interest
2024	\$ 430,000	\$ 4,008,772
2025	445,000	3,317,444
2026	470,000	3,293,693
2027	1,370,000	3,246,845
2028	1,440,000	3,175,893
2029-2033	8,405,000	14,681,129
2034-2038	10,695,000	12,384,669
2039-2043	13,170,000	9,911,451
2044-2048	16,415,000	6,663,726
2049-2053	19,455,000	2,388,196
Total	<u>\$ 72,295,000</u>	<u>\$ 63,071,818</u>

Year Ending June 30	County Obligations	
	Lease Liabilities	
	Principal	Interest
2024	\$ 41,461	\$ 989
2025	39,617	507
2026	17,887	85
2027	1,159	6
Total	<u>\$ 100,124</u>	<u>\$ 1,587</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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
2024	\$ 3,664	\$ 2,096
2025	3,715	2,045
2026	3,766	1,994
2027	3,818	1,942
2028	3,871	1,889
2029	3,925	1,835
2030	3,979	1,781
2031	4,034	1,726
2032	4,090	1,670
2033	4,146	1,614
2034	4,204	1,556
2035	4,262	1,498
2036	4,321	1,439
2037	4,381	1,379
2038	4,441	1,319
2039	4,503	1,257
2040	4,565	1,195
2041	4,628	1,132
2042	4,692	1,068
2043	4,757	1,003
2044	4,823	937
2045	4,890	870
2046	4,957	803
2047	5,026	734
2048	5,095	665
2049	5,166	594
2050	5,237	523
2051	5,310	450
2052	5,383	377
2053	5,458	302
2054	5,533	227
2055	5,610	150
2056	5,688	72
2057	2,180	7
Total	\$ 154,118	\$38,149

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance	Amount Due Within One Year
Governmental account obligations:						
Compensated absences (payable from the General Fund)					\$ 300,884	\$ 30,088
Net OPEB liability (payable from the General Fund)					\$ 310,657	\$ -
Net pension liability (payable from the General Fund)					\$ 1,335,955	\$ -
Direct borrowings and placements:						
<u>General Obligation Bonds:</u>						
VPSA Bond outstanding \$575,000 plus unamortized premium of \$39,759	0.586%- 5.438%	11/14/10	04/01/26	\$ 2,280,000	\$ 614,759	\$ 185,000
Lease Revenue Refunding Bond outstanding \$2,625,000 plus unamortized premium of \$391,765	5.125%	11/18/20	10/01/28	4,285,000	3,016,765	895,000
VPSA Bond outstanding \$12,115,000 plus unamortized premium of \$888,584	2.05%-5.05%	11/10/20	07/15/50	12,345,000	13,003,584	245,000
VPSA Bond outstanding \$59,605,000 plus unamortized premium of \$4,370,929	4.05%-5.05%	11/09/22	07/15/52	59,605,000	63,975,929	-
Lease Revenue Bond outstanding \$5,125,000	3.87%	11/02/22	02/01/43	5,125,000	5,125,000	125,000
Total General Obligation Bonds					\$ 85,736,037	\$ 1,450,000
Other Long-Term Obligations:						
<u>Equipment Purchase Agreements:</u>						
Equipment Purchase Agreement	6.70%	12/12/19	12/12/23	\$ 54,359	\$ 14,909	\$ 14,909
Equipment Purchase Agreement	6.70%	12/23/19	12/23/23	30,701	8,437	8,437
Equipment Purchase Agreement	5.99%	11/10/20	11/10/24	27,533	14,566	7,072
Equipment Purchase Agreement	6.35%	07/16/21	07/16/25	54,216	41,887	13,112
Equipment Purchase Agreement	7.74%	09/07/22	09/07/26	35,228	27,095	6,727
Equipment Purchase Agreement	8.49%	03/24/23	03/24/27	30,534	30,534	6,036
Total General Equipment Purchase Agreements					\$ 137,428	\$ 56,293
<u>Lease Liabilities:</u>						
Equipment lease - postage equipment	1.45%	11/01/21	02/01/27	\$ 8,973	\$ 6,235	\$ 1,668
Equipment lease - copier	1.17%	07/01/21	02/01/25	5,944	2,992	1,487
Equipment lease - copier	1.00%	07/01/21	03/01/24	8,417	2,317	2,317
Equipment lease - copier	1.34%	07/01/21	03/01/26	5,474	3,208	1,153
Equipment lease - copier	1.17%	07/01/21	12/01/25	7,744	4,348	1,724
Improvement lease - tower site	1.17%	07/01/21	11/01/25	129,202	71,451	29,321
Improvement lease - tower site	1.34%	07/01/21	02/01/26	17,024	9,573	3,791
Total Lease Liabilities					\$ 100,124	\$ 41,461
Total long-term obligations incurred by the County					\$ 10,326,813	\$ 1,147,842
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 77,594,272	\$ 430,000
Total long-term obligations - governmental activities					\$ 87,921,085	\$ 1,577,842
Business-type account obligations:						
Direct borrowings and placements:						
<u>Revenue Bonds:</u>						
Series 2016 Sewer Revenue Bonds	1.38%	12/14/16	12/12/56	\$ 170,000	\$ 154,118	\$ 3,664
Total Revenue Bonds					\$ 154,118	\$ 3,664
Total Direct Borrowings and Placements					\$ 154,118	\$ 3,664
Total long-term obligations - business-type activities					\$ 154,118	\$ 3,664

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 618,045	\$ 31,159	\$ 217,496	\$ 431,708	\$ 43,171
Net OPEB liabilities	1,568,390	598,529	633,347	1,533,572	-
Net pension liability	6,020,282	6,758,709	5,387,465	7,391,526	-
Lease liability	47,696	-	36,387	11,309	4,636
Total Component Unit-School Board	\$ 8,254,413	\$ 7,388,397	\$ 6,274,695	\$ 9,368,115	\$ 47,807

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

Year Ending June 30	Component Unit School Board	
	Lease Liabilities	
	Principal	Interest
2024	\$ 4,636	\$ 120
2025	4,697	59
2026	1,976	6
Total	\$ 11,309	\$ 185

Details of Long-term Obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
Compensated absences (payable from the School Fund)					\$ 431,708	\$ 43,171
Net OPEB liabilities (payable from the School Fund)					\$ 1,533,572	\$ -
Net pension liability (payable from the School Fund)					\$ 7,391,526	\$ -
Other Long-Term Obligations:						
Lease Liability:						
Building lease	0.70%	08/01/21	06/01/26	29,011	\$ 11,309	\$ 4,636
Total Lease Liability					\$ 11,309	\$ 4,636
Total long-term obligations - component unit School Board					\$ 9,368,115	\$ 47,807

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 8—Lease Receivable:

The County leases land to a tenant for a cell tower site under a lease contract. In fiscal year 2023, the County recognized lease and interest revenue in the amount of \$13,312 and \$2,929, respectively. A description of the lease is as follows:

Lease Description	Interest Rate	Monthly Installments	Start Date	End Date	Payment Frequency	Ending Balance	Due in 1 Year
Cell Tower Site	2.00%	\$ 1,336	2021	2032	Monthly	<u>\$ 138,808</u>	<u>\$ 13,662</u>

There are no variable payments for the lease receivable above.

Expected future payments at June 30, 2023 are as follows:

Year Ended June 30	Governmental Activities	
	Principal	Interest
2024	13,662	2,658
2025	13,938	2,382
2026	14,220	2,100
2027	14,508	1,812
2028	14,801	1,518
2023-2033	67,679	3,154
Total	<u>\$ 138,808</u>	<u>\$ 13,624</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 \$768,561 on June 30, 2023.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2023 but paid in advance by the taxpayers totaled \$59,883 on June 30, 2023.

Unearned Revenue - Other unearned revenue items totaled \$1,219,738, of which \$5,661 was related to land sale funds, \$182,006 related to opioid settlements, \$1,746 is unspent federal asset forfeiture funds, and \$1,030,325 is unspent American Rescue Plan Act funds.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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 the Uniform Guidance, 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.

The County has entered into a contract for Middle School roof and building renovations. The total contract is for \$16,761,301 with \$1,413,398 payable and \$4,818,908 remaining at year-end.

Note 11—Litigation:

On June 30, 2023, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12 —Risk Management:

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

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

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

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

Note 13—Pension Plans:

Plan Description

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Average Final Compensation and Service Retirement Multiplier (Continued)

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	74	38
Inactive members:		
Vested inactive members	11	6
Non-vested inactive members	24	14
Inactive members active elsewhere in VRS	57	4
Total inactive members	92	24
Active members	102	32
Total covered employees	<u>268</u>	<u>94</u>

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.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Contributions (Continued)

The County’s contractually required employer contribution rate for the year ended June 30, 2023 was 14.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$891,679 and \$748,709 for the years ended June 30, 2023 and June 30, 2022, respectively.

The Component Unit School Board’s contractually employer required contribution rate for Nonprofessional employees for the year ended June 30, 2023 was 8.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$66,260 and \$74,752 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) 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 liability (asset) were measured as of June 30, 2022. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

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, 2021, 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, 2022.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, 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, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, 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, 2022 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, 2021	\$ 26,943,444	\$ 26,621,602	\$ 321,842
Changes for the year:			
Service cost	\$ 773,288	\$ -	\$ 773,288
Interest	1,825,506	-	1,825,506
Differences between expected and actual experience	(572,157)	-	(572,157)
Contributions - employer	-	748,731	(748,731)
Contributions - employee	-	309,779	(309,779)
Net investment income	-	(30,063)	30,063
Benefit payments, including refunds	(1,344,388)	(1,344,388)	-
Administrative expenses	-	(16,541)	16,541
Other changes	-	618	(618)
Net changes	\$ 682,249	\$ (331,864)	\$ 1,014,113
Balances at June 30, 2022	\$ 27,625,693	\$ 26,289,738	\$ 1,335,955

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 4,125,210	\$ 4,293,916	\$ (168,706)
Changes for the year:			
Service cost	\$ 77,314	\$ -	\$ 77,314
Interest	276,469	-	276,469
Differences between expected and actual experience	(34,484)	-	(34,484)
Contributions - employer	-	74,214	(74,214)
Contributions - employee	-	36,831	(36,831)
Net investment income	-	(4,253)	4,253
Benefit payments, including refunds	(213,386)	(213,386)	-
Administrative expenses	-	(2,681)	2,681
Other changes	-	98	(98)
Net changes	\$ 105,913	\$ (109,177)	\$ 215,090
Balances at June 30, 2022	\$ 4,231,123	\$ 4,184,739	\$ 46,384

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) 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 (asset) 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%)
County's Net Pension Liability (Asset)	\$ 4,592,057	\$ 1,335,955	\$ (1,359,856)
Component Unit School Board's (Nonprofessional) Net Pension Liability (Asset)	\$ 511,633	\$ 46,384	\$ (340,820)

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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, 2023, the County and Component Unit School Board (Nonprofessional) recognized pension expense of \$144,400 and (\$20,255) respectively. On June 30, 2023, 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	\$ -	\$ 398,493	\$ -	\$ 27,376
Changes of assumptions	206,289	-	17,190	-
Net difference between projected and actual earnings on pension plan investments	-	753,629	-	125,123
Employer contributions subsequent to the measurement date	891,679	-	66,260	-
Total	<u>\$ 1,097,968</u>	<u>\$ 1,152,122</u>	<u>\$ 83,450</u>	<u>\$ 152,499</u>

\$891,679 and \$66,260 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, 2024. 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)
2024	\$ (320,591)	\$ (59,156)
2025	(477,767)	(50,608)
2026	(510,842)	(83,656)
2027	363,367	58,111
2028	-	-
Thereafter	-	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-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, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 2021. 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 \$1,087,694 and \$1,146,164 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

On June 30, 2023, the school division reported a liability of \$7,345,142 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2022, the school division’s proportion was 0.07715% as compared to 0.07755% on June 30, 2021.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

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

For the year ended June 30, 2023, the school division recognized pension expense of (\$115,646). 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

On June 30, 2023, 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 \$	-	\$ 506,477
Changes of assumptions	692,499	-
Net difference between projected and actual earnings on pension plan investments	-	957,653
Changes in proportion and differences between employer contributions and proportionate share of contributions	199	1,066,811
Employer contributions subsequent to the measurement date	<u>1,087,694</u>	<u>-</u>
Total	<u>\$ 1,780,392</u>	<u>\$ 2,530,941</u>

\$1,087,694 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, 2024. 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>	
2024	\$ (707,615)
2025	(720,398)
2026	(833,415)
2027	423,185
2028	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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, 2021, 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, 2022.

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

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 20120 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	54,732,329
Plan Fiduciary Net Position		45,211,731
Employers' Net Pension Liability (Asset)	\$	<u>9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		82.61%

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, 2023

Note 13—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Net Pension Liability (Continued)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 13,118,986	\$ 7,345,142	\$ 2,643,963

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-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	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,097,968	\$ 1,152,122	\$ 1,335,955	\$ 144,400	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	83,450	152,499	46,384	(20,255)
School Board Professional	-	-	-	-	1,780,392	2,530,941	7,345,142	(115,646)
Totals	<u>\$ 1,097,968</u>	<u>\$ 1,152,122</u>	<u>\$ 1,335,955</u>	<u>\$ 144,400</u>	<u>\$ 1,863,842</u>	<u>\$ 2,683,440</u>	<u>\$ 7,391,526</u>	<u>\$ (135,901)</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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, seatbelt 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 \$8,984 as of June 30, 2023.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$33,072 and \$30,300 for the years ended June 30, 2023 and June 30, 2022, respectively.

Contributions to the GLI Plan from the Component Unit School Board Professional group were \$37,757 and \$39,507 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the GLI Plan from the Component Unit School Board Nonprofessional group were \$4,493 and \$4,336 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as non-employer contribution.

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, 2023, the County reported a liability of \$310,657 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board Professional and Nonprofessional groups reported liabilities of \$404,938 and \$44,431, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2022, the County's proportion was 0.02579% as compared to 0.02530% on June 30, 2021. On June 30, 2022, the Component Unit School Board Professional and Nonprofessional groups' proportion was 0.03363% and 0.03390%, respectively as compared to 0.00369% and 0.00390%, respectively on June 30, 2021.

For the year ended June 30, 2023, the County recognized GLI OPEB expense of \$10,894. For the year ended June 30, 2023, the Component Unit School Board Professional group recognized GLI OPEB expense of (\$5,813). For the year ended June 30, 2023, the Component Unit School Board Nonprofessional group recognized GLI OPEB expense of (\$441). 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, 2023

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, 2023, 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	\$ 24,600	\$ 12,463	\$ 32,066	\$ 16,245	\$ 3,518	\$ 1,782
Net difference between projected and actual earnings on GLI OPEB plan investments	-	19,411	-	25,303	-	2,776
Change in assumptions	11,587	30,259	15,104	39,443	1,657	4,328
Changes in proportionate share	13,094	6,672	608	64,626	176	8,164
Employer contributions subsequent to the measurement date	33,072	-	37,757	-	4,493	-
Total	\$ 82,353	\$ 68,805	\$ 85,535	\$ 145,617	\$ 9,844	\$ 17,050

\$33,072, \$37,757, and \$4,493, 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, 2024. 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	Component Unit	Component Unit
	Government	School Board (Professional)	School Board (Nonprofessional)
2024	\$ (4,102)	\$ (26,582)	\$ (2,638)
2025	(4,572)	(25,385)	(2,617)
2026	(14,331)	(36,402)	(4,182)
2027	4,599	(5,772)	(1,352)
2028	(1,118)	(3,698)	(910)
Thereafter	-	-	-

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability (Asset)	\$	<hr/> <u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

NET GLI OPEB Liability (Continued)

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.

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	2.50%
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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 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, 2022, 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, 2022 on, employers are assumed to continue 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	\$ 452,042	\$ 310,657	\$ 196,398
Component School Board (Professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 589,232	\$ 404,938	\$ 256,003
Component School Board (Nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 64,653	\$ 44,431	\$ 28,090

GLI Plan Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Plan Description

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

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>19</u>
Total inactive members	<u>19</u>
Active members	<u>32</u>
Total covered employees	<u><u>51</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board’s contractually required employer contribution rate for the year ended June 30, 2023 was 1.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Plan were \$12,397 and \$8,752 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Liability

The School Board’s net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	2.50%
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 121,185	\$ 10,047	\$ 111,138
Changes for the year:			
Service cost	\$ 2,780	\$ -	\$ 2,780
Interest	8,259	-	8,259
Differences between expected and actual experience	(10,134)	-	(10,134)
Assumption changes	240	-	240
Contributions - employer	-	8,752	(8,752)
Net investment income	-	(142)	142
Benefit payments	(3,222)	(3,222)	-
Administrative expenses	-	(28)	28
Net changes	\$ (2,077)	\$ 5,360	\$ (7,437)
Balances at June 30, 2022	\$ 119,108	\$ 15,407	\$ 103,701

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board's Net HIC OPEB Liability	\$ 114,264	\$ 103,701	\$ 94,551

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

For the year ended June 30, 2023, the School Board’s HIC Plan OPEB expense of \$8,376. At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board’s HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,295
Net difference between projected and actual earnings on HIC OPEB plan investments	248	-
Change in assumptions	2,113	-
Employer contributions subsequent to the measurement date	12,397	-
Total	<u>\$ 14,758</u>	<u>\$ 7,295</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

\$12,397 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (1,827)
2025	(1,827)
2026	(1,482)
2027	202
2028	-
Thereafter	-

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$84,535 and \$88,526 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher HIC Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

At June 30, 2023, the school division reported a liability of \$980,502 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, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2022, the school division’s proportion of the VRS Teacher Employee HIC Plan was 0.07850% as compared to 0.07919% on June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC OPEB expense of \$44,844. 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 proportionate share and differences between actual and expected contributions.

On June 30, 2023, 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	\$ -	\$ 39,967
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	984
Change of assumptions	28,645	2,504
Changes in proportionate share and differences between actual and expected contributions	1,153	149,030
Employer contributions subsequent to the measurement date	84,535	-
Total	<u>\$ 114,333</u>	<u>\$ 192,485</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

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

\$84,535 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, 2024. 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:

Year Ended June 30

2024	\$	(36,508)
2025		(36,321)
2026		(35,339)
2027		(27,770)
2028		(19,971)
Thereafter		(6,778)

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, 2021, 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, 2022.

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,470,891
Plan Fiduciary Net Position		221,845
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,249,046</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	15.08%
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The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, 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, 2022 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, 2023

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

Discount Rate (Continued)

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,105,036	\$ 980,502	\$ 874,936

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 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17—Summary of Other Postemployment Benefit Plans:

Aggregate OPEB Information:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 14):								
County	\$ 82,353	\$ 68,805	\$ 310,657	\$ 10,894	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	9,844	17,050	44,431	(441)
School Board Professional	-	-	-	-	85,535	145,617	404,938	(5,813)
Nonprofessional Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	14,758	7,295	103,701	8,376
Teacher Health Insurance Credit Program (Note 16)	-	-	-	-	114,333	192,485	980,502	44,844
Totals	<u>\$ 82,353</u>	<u>\$ 68,805</u>	<u>\$ 310,657</u>	<u>\$ 10,894</u>	<u>\$ 224,470</u>	<u>\$ 362,447</u>	<u>\$ 1,533,572</u>	<u>\$ 46,966</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 18–Surety Bonds:

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

Note 19–Jointly Governed Organizations:

The County in conjunction with other localities has created the Middle Peninsula/Northern Neck Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$42,693, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 20–Postclosure Costs:

Old County Landfill

The County demonstrated financial assurance requirements for postclosure care and corrective action costs, if any, through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 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, 2023 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 2023. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Note 21–Line of Duty Act (LODA) (OPEB Benefits):

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2023

Note 21—Line of Duty Act (LODA) (OPEB Benefits): (Continued)

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2023 was \$36,409.

Note 22—Upcoming Pronouncements:

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

County of Lancaster, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
General property taxes	\$ 19,467,805	\$ 19,467,805	\$ 20,807,948	\$ 1,340,143
Other local taxes	2,930,500	2,930,500	3,141,632	211,132
Permits, privilege fees, and regulatory licenses	230,606	230,606	256,007	25,401
Fines and forfeitures	23,500	23,500	38,879	15,379
Revenue from the use of money and property	265,000	265,000	547,098	282,098
Charges for services	460,320	460,320	509,608	49,288
Miscellaneous	40,000	40,000	44,151	4,151
Recovered costs	35,600	35,600	27,329	(8,271)
Intergovernmental:				
Commonwealth	4,841,555	4,841,555	4,593,808	(247,747)
Federal	1,472,468	1,550,527	1,722,366	171,839
Total revenues	<u>\$ 29,767,354</u>	<u>\$ 29,845,413</u>	<u>\$ 31,688,826</u>	<u>\$ 1,843,413</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,048,747	\$ 2,048,747	\$ 1,811,059	\$ 237,688
Judicial administration	985,054	985,054	951,838	33,216
Public safety	7,085,768	7,469,017	7,985,855	(516,838)
Public works	1,633,219	1,645,250	1,687,919	(42,669)
Health and welfare	4,267,626	4,345,685	3,043,889	1,301,796
Education	11,963,150	11,963,150	9,466,589	2,496,561
Parks, recreation, and cultural	192,995	192,995	193,146	(151)
Community development	826,913	826,913	634,406	192,507
Capital projects	13,161,164	20,695,371	12,171,505	8,523,866
Debt service:				
Principal retirement	1,263,516	1,263,516	1,367,477	(103,961)
Interest and other fiscal charges	582,867	582,867	590,672	(7,805)
Total expenditures	<u>\$ 44,011,019</u>	<u>\$ 52,018,565</u>	<u>\$ 39,904,355</u>	<u>\$ 12,114,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,243,665)</u>	<u>\$ (22,173,152)</u>	<u>\$ (8,215,529)</u>	<u>\$ 13,957,623</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 9,740,788	\$ 9,740,788	\$ -
Transfers out	-	-	(5,760)	(5,760)
Issuance of leases	-	-	57,628	57,628
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 9,740,788</u>	<u>\$ 9,792,656</u>	<u>\$ 51,868</u>
Net change in fund balances	\$ (14,243,665)	\$ (12,432,364)	\$ 1,577,127	\$ 14,009,491
Fund balances - beginning	14,243,665	12,432,364	8,404,450	(4,027,914)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,981,577</u>	<u>\$ 9,981,577</u>

County of Lancaster, Virginia
County Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 27	\$ 27
Total revenues	\$ -	\$ -	\$ 27	\$ 27
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 27	\$ 27
Net change in fund balances	\$ -	\$ -	\$ 27	\$ 27
Fund balances - beginning	-	-	23,361	23,361
Fund balances - ending	\$ -	\$ -	\$ 23,388	\$ 23,388

County of Lancaster, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2014 through June 30, 2022

	<u>2022</u>	<u>2021</u>
Total pension liability		
Service cost	\$ 773,288	\$ 665,198
Interest	1,825,506	1,660,514
Changes of assumptions	-	735,233
Differences between expected and actual experience	(572,157)	(99,082)
Benefit payments	(1,344,388)	(1,237,266)
Refund of contributions		
Net change in total pension liability	<u>\$ 682,249</u>	<u>\$ 1,724,597</u>
Total pension liability - beginning	26,943,444	25,218,847
Total pension liability - ending (a)	<u><u>\$ 27,625,693</u></u>	<u><u>\$ 26,943,444</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 748,731	\$ 697,698
Contributions - employee	309,779	251,379
Net investment income	(30,063)	5,787,528
Benefit payments	(1,344,388)	(1,237,266)
Administrator charges	(16,541)	(14,297)
Other	618	546
Net change in plan fiduciary net position	<u>\$ (331,864)</u>	<u>\$ 5,485,588</u>
Plan fiduciary net position - beginning	26,621,602	21,136,014
Plan fiduciary net position - ending (b)	<u><u>\$ 26,289,738</u></u>	<u><u>\$ 26,621,602</u></u>
County's net pension liability - ending (a) - (b)	\$ 1,335,955	\$ 321,842
Plan fiduciary net position as a percentage of the total pension liability	95.16%	98.81%
Covered payroll	\$ 5,611,129	\$ 5,219,068
County's net pension liability as a percentage of covered payroll	23.81%	6.17%

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.

	2020	2019	2018	2017	2016	2015	2014
\$	658,310	\$ 601,265	\$ 561,124	\$ 531,038	\$ 531,291	\$ 504,777	\$ 513,722
	1,609,757	1,543,490	1,441,221	1,435,694	1,401,918	1,320,944	1,253,422
	-	638,465	-	(24,006)	-	-	-
	(288,216)	228,160	625,068	(717,360)	(388,741)	248,771	-
	(1,218,512)	(1,207,462)	(1,125,384)	(1,167,440)	(956,461)	(878,972)	(726,122)
\$	761,339	\$ 1,803,918	\$ 1,502,029	\$ 57,926	\$ 588,007	\$ 1,195,520	\$ 1,041,022
	24,457,508	22,653,590	21,151,561	21,093,635	20,505,628	19,310,108	18,269,086
\$	25,218,847	\$ 24,457,508	\$ 22,653,590	\$ 21,151,561	\$ 21,093,635	\$ 20,505,628	\$ 19,310,108
\$	595,846	\$ 576,229	\$ 499,673	\$ 476,163	\$ 581,264	\$ 573,585	\$ 562,794
	244,486	235,193	238,583	241,369	235,664	230,155	222,340
	401,401	1,344,689	1,413,013	2,120,458	300,518	767,978	2,278,553
	(1,218,512)	(1,207,462)	(1,125,384)	(1,167,440)	(956,461)	(878,972)	(726,122)
	(13,763)	(13,412)	(12,287)	(12,468)	(10,836)	(10,432)	(12,131)
	(2,853)	(844)	(1,253)	(1,875)	(129)	(160)	120
\$	6,605	\$ 934,393	\$ 1,012,345	\$ 1,656,207	\$ 150,020	\$ 682,154	\$ 2,325,554
	21,129,409	20,195,016	19,182,671	17,526,464	17,376,444	16,694,290	14,368,736
\$	21,136,014	\$ 21,129,409	\$ 20,195,016	\$ 19,182,671	\$ 17,526,464	\$ 17,376,444	\$ 16,694,290
\$	4,082,833	\$ 3,328,099	\$ 2,458,574	\$ 1,968,890	\$ 3,567,171	\$ 3,129,184	\$ 2,615,818
	83.81%	86.39%	89.15%	90.69%	83.09%	84.74%	86.45%
\$	5,099,502	\$ 4,893,552	\$ 4,899,898	\$ 4,640,146	\$ 4,553,321	\$ 4,471,202	\$ 4,304,657
	80.06%	68.01%	50.18%	42.43%	78.34%	69.99%	60.77%

County of Lancaster, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (Nonprofessional)
 For the Measurement Dates of June 30, 2014 through June 30, 2022

	<u>2022</u>	<u>2021</u>
Total pension liability		
Service cost	\$ 77,314	\$ 89,059
Interest	276,469	259,682
Changes of assumptions	-	91,928
Differences between expected and actual experience	(34,484)	(56,556)
Benefit payments	(213,386)	(212,090)
Net change in total pension liability	<u>\$ 105,913</u>	<u>\$ 172,023</u>
Total pension liability - beginning	<u>4,125,210</u>	<u>3,953,187</u>
Total pension liability - ending (a)	<u><u>\$ 4,231,123</u></u>	<u><u>\$ 4,125,210</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 74,214	\$ 77,137
Contributions - employee	36,831	38,323
Net investment income	(4,253)	938,645
Benefit payments	(213,386)	(212,090)
Administrator charges	(2,681)	(2,368)
Other	98	88
Net change in plan fiduciary net position	<u>\$ (109,177)</u>	<u>\$ 839,735</u>
Plan fiduciary net position - beginning	<u>4,293,916</u>	<u>3,454,181</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,184,739</u></u>	<u><u>\$ 4,293,916</u></u>
School Division's net pension liability - ending (a) - (b)	\$ 46,384	\$ (168,706)
Plan fiduciary net position as a percentage of the total pension liability	98.90%	104.09%
Covered payroll	\$ 802,907	\$ 812,911
School Division's net pension liability as a percentage of covered payroll	5.78%	-20.75%

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.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	93,728	\$ 91,562	\$ 97,277	\$ 89,641	\$ 91,102	\$ 88,092	\$ 94,669
	248,843	237,309	227,405	227,049	210,460	198,993	187,434
	-	92,952	-	(38,882)	-	-	-
	10,103	17,182	(71,087)	(155,676)	59,648	4,221	-
	(172,095)	(113,057)	(111,163)	(122,916)	(125,526)	(129,468)	(104,491)
\$	<u>180,579</u>	<u>\$ 325,948</u>	<u>\$ 142,432</u>	<u>\$ (784)</u>	<u>\$ 235,684</u>	<u>\$ 161,838</u>	<u>\$ 177,612</u>
	3,772,608	3,446,660	3,304,228	3,305,012	3,069,328	2,907,490	2,729,878
\$	<u><u>3,953,187</u></u>	<u><u>3,772,608</u></u>	<u><u>3,446,660</u></u>	<u><u>3,304,228</u></u>	<u><u>3,305,012</u></u>	<u><u>3,069,328</u></u>	<u><u>2,907,490</u></u>
\$	76,747	\$ 76,492	\$ 82,593	\$ 83,849	\$ 90,270	\$ 89,468	\$ 95,208
	42,645	42,562	41,118	41,507	41,274	41,189	38,144
	65,367	217,515	221,781	327,027	46,922	114,353	338,585
	(172,095)	(113,057)	(111,163)	(122,916)	(125,526)	(129,468)	(104,491)
	(2,226)	(2,082)	(1,868)	(1,849)	(1,602)	(1,541)	(1,785)
	(78)	(137)	(200)	(292)	(19)	(26)	18
\$	<u>10,360</u>	<u>\$ 221,293</u>	<u>\$ 232,261</u>	<u>\$ 327,326</u>	<u>\$ 51,319</u>	<u>\$ 113,975</u>	<u>\$ 365,679</u>
	3,443,821	3,222,528	2,990,267	2,662,941	2,611,622	2,497,647	2,131,968
\$	<u><u>3,454,181</u></u>	<u><u>3,443,821</u></u>	<u><u>3,222,528</u></u>	<u><u>2,990,267</u></u>	<u><u>2,662,941</u></u>	<u><u>2,611,622</u></u>	<u><u>2,497,647</u></u>
\$	499,006	\$ 328,787	\$ 224,132	\$ 313,961	\$ 642,071	\$ 457,706	\$ 409,843
	87.38%	91.28%	93.50%	90.50%	80.57%	85.09%	85.90%
\$	895,606	\$ 882,678	\$ 850,536	\$ 850,716	\$ 853,609	\$ 841,096	\$ 762,880
	55.72%	37.25%	26.35%	36.91%	75.22%	54.42%	53.72%

County of Lancaster, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2022

Date (1)	Employer's Proportion of the Net Pension Liability (Asset) (2)	Employer's Proportionate Share of the Net Pension Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (6)
2022	0.07715% \$	7,345,142 \$	7,316,164	100.40%	82.61%
2021	0.07755%	6,020,282	7,003,596	85.96%	85.46%
2020	0.08312%	12,096,143	7,475,016	161.82%	71.47%
2019	0.09084%	11,955,060	7,813,034	153.01%	73.51%
2018	0.09483%	11,152,000	7,774,073	143.45%	74.81%
2017	0.09644%	11,861,000	7,718,889	153.66%	72.92%
2016	0.09729%	13,634,000	7,438,235	183.30%	68.28%
2015	0.09889%	12,447,000	7,358,567	169.15%	70.68%
2014	0.09898%	11,962,000	7,245,215	165.10%	70.88%

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

County of Lancaster, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution*	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
(1)	(2)	(3)	(4)	(5)	
Primary Government					
2023	\$ 891,679	\$ 891,679	\$ -	\$ 6,124,456	14.56%
2022	748,709	748,709	-	5,611,129	13.34%
2021	693,781	693,781	-	5,219,068	13.29%
2020	595,846	595,846	-	5,099,502	11.68%
2019	576,371	576,371	-	4,893,552	11.78%
2018	499,262	499,262	-	4,899,898	10.19%
2017	476,163	476,163	-	4,640,146	10.26%
2016	581,264	581,264	-	4,553,321	12.77%
2015	573,585	573,585	-	4,471,202	12.83%
2014	563,049	563,049	-	4,304,657	13.08%
Component Unit School Board (nonprofessional)					
2023	\$ 66,260	\$ 66,260	\$ -	\$ 832,008	7.96%
2022	74,752	74,752	-	802,907	9.31%
2021	77,298	77,298	-	812,911	9.51%
2020	76,940	76,940	-	895,606	8.59%
2019	76,594	76,594	-	882,678	8.68%
2018	82,760	82,760	-	850,536	9.73%
2017	83,849	83,849	-	850,716	9.86%
2016	90,270	90,270	-	853,609	10.58%
2015	89,468	89,468	-	841,096	10.64%
2014	95,207	95,207	-	762,880	12.48%
Component Unit School Board (professional)					
2023	\$ 1,087,694	\$ 1,087,694	\$ -	\$ 6,986,354	15.57%
2022	1,146,164	1,146,164	-	7,316,164	15.67%
2021	1,097,148	1,097,148	-	7,003,596	15.67%
2020	1,104,482	1,104,482	-	7,475,016	14.78%
2019	1,162,061	1,162,061	-	7,813,034	14.87%
2018	1,224,853	1,224,853	-	7,774,073	15.76%
2017	1,097,411	1,097,411	-	7,718,889	14.22%
2016	1,155,374	1,155,374	-	7,438,235	15.53%
2015	1,066,056	1,066,056	-	7,358,567	14.49%
2014	842,406	842,406	-	7,245,215	11.63%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information
 Pension Plans
 For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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 June 30, 2022

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government:					
2022	0.02579% \$	310,657 \$	5,611,129	5.54%	67.21%
2021	0.02530%	294,328	5,219,068	5.64%	67.45%
2020	0.02480%	413,538	5,099,502	8.11%	52.64%
2019	0.02496%	406,166	4,893,552	8.30%	52.00%
2018	0.02580%	392,000	4,905,271	7.99%	51.22%
2017	0.02518%	379,000	4,645,089	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2022	0.00369% \$	44,431 \$	802,907	5.53%	67.21%
2021	0.00390%	45,872	812,911	5.64%	67.45%
2020	0.00440%	72,594	895,606	8.11%	52.64%
2019	0.00450%	73,227	882,678	8.30%	52.00%
2018	0.00447%	68,000	850,536	7.99%	51.22%
2017	0.00461%	70,000	850,716	8.23%	48.86%
Component Unit School Board (professional):					
2022	0.03363% \$	404,938 \$	7,316,164	5.53%	67.21%
2021	0.03390%	394,921	7,003,596	5.64%	67.45%
2020	0.03640%	607,957	7,496,533	8.11%	52.64%
2019	0.03980%	647,652	7,802,088	8.30%	52.00%
2018	0.04088%	621,000	7,774,073	7.99%	51.22%
2017	0.04185%	629,000	7,718,889	8.15%	48.86%

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

County of Lancaster, Virginia

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2014 through June 30, 2023

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:					
2023	\$ 33,072	\$ 33,072	\$ -	\$ 6,124,456	0.54%
2022	30,300	30,300	-	5,611,129	0.54%
2021	28,183	28,183	-	5,219,068	0.54%
2020	26,517	26,517	-	5,099,502	0.52%
2019	25,446	25,446	-	4,893,552	0.52%
2018	25,507	25,507	-	4,905,271	0.52%
2017	24,154	24,154	-	4,645,089	0.52%
2016	21,963	21,963	-	4,575,564	0.48%
2015	21,476	21,476	-	4,474,101	0.48%
2014	20,690	20,690	-	4,310,370	0.48%
Component Unit School Board (nonprofessional):					
2023	\$ 4,493	\$ 4,493	\$ -	\$ 832,008	0.54%
2022	4,336	4,336	-	802,907	0.54%
2021	4,390	4,390	-	812,911	0.54%
2020	4,657	4,657	-	895,606	0.52%
2019	4,590	4,590	-	882,678	0.52%
2018	4,423	4,423	-	850,536	0.52%
2017	4,424	4,424	-	850,716	0.52%
2016	4,140	4,140	-	862,531	0.48%
2015	4,037	4,037	-	841,096	0.48%
2014	3,703	3,703	-	771,512	0.48%
Component Unit School Board (professional):					
2023	\$ 37,757	\$ 37,757	\$ -	\$ 6,992,106	0.54%
2022	39,507	39,507	-	7,316,164	0.54%
2021	37,819	37,819	-	7,003,596	0.54%
2020	38,982	38,982	-	7,496,533	0.52%
2019	40,571	40,571	-	7,802,088	0.52%
2018	40,704	40,704	-	7,774,073	0.52%
2017	40,138	40,138	-	7,718,889	0.52%
2016	35,704	35,704	-	7,438,235	0.48%
2015	35,321	35,321	-	7,358,567	0.48%
2014	34,777	34,777	-	7,245,215	0.48%

County of Lancaster, Virginia

Notes to Required Supplementary Information

Group Life Insurance (GLI) Plan

For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Lancaster, Virginia

Schedule of Changes in the School Board's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan - Nonprofessional Teachers
 For the Measurement Dates of June 30, 2020 through June 30, 2022

	2022	2021	2020
Total HIC OPEB Liability			
Service cost	\$ 2,780	\$ 1,941	\$ -
Interest	8,259	7,300	-
Changes in benefit terms	-	-	108,146
Differences between expected and actual experience	(10,134)	-	-
Changes of assumptions	240	3,798	-
Benefit payments	(3,222)	-	-
Net change in total HIC OPEB liability	\$ (2,077)	\$ 13,039	\$ 108,146
Total HIC OPEB Liability - beginning	121,185	108,146	-
Total HIC OPEB Liability - ending (a)	\$ 119,108	\$ 121,185	\$ 108,146
Plan fiduciary net position			
Contributions - employer	\$ 8,752	\$ 8,861	\$ -
Net investment income	(142)	1,225	-
Benefit payments	(3,222)	-	-
Administrator charges	(28)	(39)	-
Net change in plan fiduciary net position	\$ 5,360	\$ 10,047	\$ -
Plan fiduciary net position - beginning	10,047	-	-
Plan fiduciary net position - ending (b)	\$ 15,407	\$ 10,047	\$ -
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 103,701	\$ 111,138	\$ 108,146
Plan fiduciary net position as a percentage of the total HIC OPEB liability	12.94%	8.29%	0.00%
Covered payroll	\$ 802,907	\$ 812,911	\$ -
School Board's net HIC OPEB liability as a percentage of covered payroll	12.92%	13.67%	0.00%

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

County of Lancaster, Virginia

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan - Nonprofessional Teachers
 For the Years Ended June 30, 2021 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2023	\$ 12,397	\$ 12,397	\$ -	\$ 832,008	1.49%
2022	8,752	8,752	-	802,907	1.09%
2021	8,861	8,861	-	812,911	1.09%

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

County of Lancaster, Virginia

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan - Nonprofessional Teachers
 For the Year Ended June 30, 2023

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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 June 30, 2022

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)
2022	0.07850%	\$ 980,502	\$ 7,316,164	13.40%	15.08%
2021	0.07919%	1,016,459	7,003,596	14.51%	13.15%
2020	0.08527%	1,112,361	7,475,016	14.88%	9.95%
2019	0.09249%	1,210,784	7,757,454	15.61%	8.97%
2018	0.09613%	1,221,000	7,774,073	15.71%	8.08%
2017	0.09775%	1,240,000	7,714,656	16.07%	7.04%

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

County of Lancaster, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2014 through June 30, 2023

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)
2023	\$ 84,535	\$ 84,535	\$ -	\$ 6,986,354	1.21%
2022	88,526	88,526	-	7,316,164	1.21%
2021	84,744	84,744	-	7,003,596	1.21%
2020	89,700	89,700	-	7,475,016	1.20%
2019	93,089	93,089	-	7,757,454	1.20%
2018	95,543	95,543	-	7,774,073	1.23%
2017	85,633	85,633	-	7,714,656	1.11%
2016	78,634	78,634	-	7,418,330	1.06%
2015	77,932	77,932	-	7,352,112	1.06%
2014	80,343	80,343	-	7,238,082	1.11%

County of Lancaster, Virginia

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 10,600	\$ 10,600	\$ 2,363,294	\$ 2,352,694
Total revenues	\$ 10,600	\$ 10,600	\$ 2,363,294	\$ 2,352,694
EXPENDITURES				
Debt service:				
Bond issuance costs	\$ -	\$ 487,730	\$ 487,730	\$ -
Total expenditures	\$ -	\$ 487,730	\$ 487,730	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 10,600	\$ (477,130)	\$ 1,875,564	\$ 2,352,694
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (69,100,929)	\$ (9,740,788)	\$ 59,360,141
Issuance of general obligation bonds	-	69,100,929	59,605,000	(9,495,929)
Issuance of lease revenue bonds	-	-	5,125,000	5,125,000
Premium on bond issuance	-	-	4,370,929	4,370,929
Total other financing sources (uses)	\$ -	\$ -	\$ 59,360,141	\$ 59,360,141
Net change in fund balances	\$ 10,600	\$ (477,130)	\$ 61,235,705	\$ 61,712,835
Fund balances - beginning	(10,600)	477,130	10,700,544	10,223,414
Fund balances - ending	\$ -	\$ -	\$ 71,936,249	\$ 71,936,249

County of Lancaster, Virginia
 Combining Balance Sheet - Governmental Funds
 Discretely Presented Component Unit - School Board
 June 30, 2023

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Textbook <u>Fund</u>	School Activity <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 201,462	\$ 662,096	\$ 325,419	\$ 1,188,977
Receivables (net of allowance for uncollectibles):					
Accounts receivable	750	-	-	-	750
Due from other funds	19,763	-	-	-	19,763
Due from other governmental units	1,547,194	3,585	-	-	1,550,779
Total assets	<u>\$ 1,567,707</u>	<u>\$ 205,047</u>	<u>\$ 662,096</u>	<u>\$ 325,419</u>	<u>\$ 2,760,269</u>
LIABILITIES					
Accounts payable	\$ 354,202	\$ 4,558	\$ -	\$ -	\$ 358,760
Accrued liabilities	486,073	61,295	-	-	547,368
Due to other funds	-	19,763	-	-	19,763
Due to other governmental units	727,432	-	-	-	727,432
Total liabilities	<u>\$ 1,567,707</u>	<u>\$ 85,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,653,323</u>
FUND BALANCES					
Committed	\$ -	\$ 119,431	\$ 662,096	\$ 325,419	\$ 1,106,946
Total fund balances	<u>\$ -</u>	<u>\$ 119,431</u>	<u>\$ 662,096</u>	<u>\$ 325,419</u>	<u>\$ 1,106,946</u>
Total liabilities and fund balances	<u>\$ 1,567,707</u>	<u>\$ 205,047</u>	<u>\$ 662,096</u>	<u>\$ 325,419</u>	<u>\$ 2,760,269</u>

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

Total fund balances per above					\$ 1,106,946
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					
Capital assets, cost			\$ 25,910,457		
Accumulated depreciation			<u>(17,294,388)</u>		8,616,069
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.					
Pension related items			\$ 1,863,842		
OPEB related items			<u>224,470</u>		2,088,312
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			\$ (431,708)		
Lease liability			(11,309)		
Net OPEB liabilities			(1,533,572)		
Net pension liability			<u>(7,391,526)</u>		(9,368,115)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.					
Pension related items			\$ (2,683,440)		
OPEB related items			<u>(362,447)</u>		(3,045,887)
Net position (deficit) of governmental activities					<u>\$ (602,675)</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, 2023

	School Operating Fund	School Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 710	\$ 885	\$ -	\$ -	\$ 1,595
Charges for services	6,750	738	-	-	7,488
Miscellaneous	102,136	2,125	-	243,820	348,081
Recovered costs	178,407	-	-	-	178,407
Intergovernmental:					
Local government	9,360,563	-	98,491	-	9,459,054
Commonwealth	5,589,821	6,543	25,006	-	5,621,370
Federal	3,281,433	664,417	-	-	3,945,850
Total revenues	<u>\$ 18,519,820</u>	<u>\$ 674,708</u>	<u>\$ 123,497</u>	<u>\$ 243,820</u>	<u>\$ 19,561,845</u>
EXPENDITURES					
Current:					
Education	\$ 18,483,134	\$ 611,997	\$ 8,117	\$ 287,684	\$ 19,390,932
Debt service:					
Principal retirement	36,387	-	-	-	36,387
Interest and other fiscal charges	299	-	-	-	299
Total expenditures	<u>\$ 18,519,820</u>	<u>\$ 611,997</u>	<u>\$ 8,117</u>	<u>\$ 287,684</u>	<u>\$ 19,427,618</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 62,711	\$ 115,380	\$ (43,864)	\$ 134,227
Net change in fund balances	\$ -	\$ 62,711	\$ 115,380	\$ (43,864)	\$ 134,227
Fund balances - beginning	-	56,720	546,716	369,283	972,719
Fund balances - ending	<u>\$ -</u>	<u>\$ 119,431</u>	<u>\$ 662,096</u>	<u>\$ 325,419</u>	<u>\$ 1,106,946</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					\$ 134,227
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			\$ 985,946		
Depreciation expense			(643,153)		
Transfer of joint tenancy assets to Component Unit from Primary Government			<u>117,055</u>		459,848
Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in the governmental funds.					341,289
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 leases					36,387
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			\$ 186,337		
Pension expense			1,289,317		
OPEB expense			<u>113,003</u>		1,588,657
Change in net position of governmental activities					<u>\$ 2,560,408</u>

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, 2023

	School Operating Fund			School Cafeteria Fund			Textbook Fund			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		Original	Final		Original	Final		
REVENUES										
Revenue from the use of money and property	\$ 2,000	\$ 2,000	\$ 710	\$ (1,290)	\$ 100	\$ 100	\$ 885	\$ -	\$ -	\$ -
Charges for services	4,500	4,500	6,750	2,250	86,158	86,158	738	(85,420)	-	-
Miscellaneous	6,749	36,435	102,136	65,701	-	-	2,125	2,125	-	-
Recovered costs	165,000	194,048	178,407	(15,641)	-	-	-	-	-	-
Intergovernmental:										
Local government	11,857,124	11,857,124	9,360,563	(2,496,561)	-	-	-	-	98,491	98,491
Commonwealth	5,434,579	5,564,159	5,589,821	25,662	12,780	12,780	6,543	(6,237)	24,623	25,006
Federal	1,135,156	3,528,976	3,281,433	(247,543)	425,000	482,158	664,417	182,259	-	-
Total revenues	\$ 18,605,108	\$ 21,187,242	\$ 18,519,820	\$ (2,667,422)	\$ 524,038	\$ 581,196	\$ 674,708	\$ 93,512	\$ 123,114	\$ 123,497
EXPENDITURES										
Current:										
Education	\$ 18,605,108	\$ 21,187,242	\$ 18,483,134	\$ 2,704,108	\$ 524,038	\$ 581,196	\$ 611,997	\$ (30,801)	\$ 123,114	\$ 123,114
Debt service:										
Principal retirement	-	-	36,387	(36,387)	-	-	-	-	-	-
Interest and other fiscal charges	-	-	299	(299)	-	-	-	-	-	-
Total expenditures	\$ 18,605,108	\$ 21,187,242	\$ 18,519,820	\$ 2,667,422	\$ 524,038	\$ 581,196	\$ 611,997	\$ (30,801)	\$ 123,114	\$ 123,114
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,711	\$ 62,711	\$ -	\$ 115,380
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,711	\$ 62,711	\$ -	\$ 115,380
Fund balances - beginning	-	-	-	-	-	-	56,720	56,720	-	546,716
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,431	\$ 119,431	\$ -	\$ 662,096

County of Lancaster, Virginia
 Statement of Net Position
 Discretely Presented Component Unit - Industrial Development Authority
 June 30, 2023

ASSETS

Cash and cash equivalents	\$	62,970
Total assets	<u>\$</u>	<u>62,970</u>

NET POSITION

Unrestricted	\$	62,970
Total net position	<u>\$</u>	<u>62,970</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, 2023

OPERATING REVENUES

Charges for services:

Bond fees	\$ 18,789
Total operating revenues	\$ 18,789
Operating income (loss)	\$ 18,789

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 1,953
Grants to small businesses	(41,500)
Total nonoperating revenues (expenses)	\$ (39,547)
Change in net position	\$ (20,758)

Net position - beginning	83,728
Net position - ending	\$ 62,970

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 18,789
Net cash provided by (used for) operating activities	<u>\$ 18,789</u>

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES**

Grants to small businesses	\$ (41,500)
Net cash provided (used) by noncapital financing activities	<u>\$ (41,500)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 1,953
Net cash provided by (used for) investing activities	<u>\$ 1,953</u>

Net increase (decrease) in cash and cash equivalents	\$ (20,758)
--	-------------

Cash and cash equivalents - beginning	83,728
Cash and cash equivalents - ending	<u>\$ 62,970</u>

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

Operating income (loss)	\$ 18,789
Net cash provided (used) by operating activities	<u>\$ 18,789</u>

County of Lancaster, Virginia
Statement of Net Position
Discretely Presented Component Unit - Broadband Authority
June 30, 2023

ASSETS

Cash and cash equivalents	\$ 41,279
Total assets	<u>\$ 41,279</u>

NET POSITION

Unrestricted	\$ 41,279
Total net position	<u><u>\$ 41,279</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, 2023

OPERATING REVENUES

Charges for services:

Bond fees	\$	7,500
Total operating revenues	\$	7,500

Change in net position	\$	7,500
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Net position - beginning		33,779
Net position - ending	\$	41,279

County of Lancaster, Virginia
 Statement of Cash Flows
 Discretely Presented Component Unit - Broadband Authority
 For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$	7,500
Net cash provided by (used for) operating activities	\$	<u>7,500</u>
Net increase (decrease) in cash and cash equivalents	\$	7,500
Cash and cash equivalents - beginning		<u>33,779</u>
Cash and cash equivalents - ending	\$	<u><u>41,279</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$	7,500
Net cash provided (used) by operating activities	\$	<u><u>7,500</u></u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 16,811,693	\$ 16,811,693	\$ 16,948,484	\$ 136,791
Real and personal public service corporation taxes	496,112	496,112	533,869	37,757
Personal property taxes	1,625,000	1,625,000	2,812,177	1,187,177
Mobile home taxes	28,000	28,000	33,166	5,166
Machinery and tools taxes	7,000	7,000	7,583	583
Merchant's capital taxes	130,000	130,000	129,613	(387)
Penalties	250,000	250,000	253,962	3,962
Interest	120,000	120,000	89,094	(30,906)
Total general property taxes	<u>\$ 19,467,805</u>	<u>\$ 19,467,805</u>	<u>\$ 20,807,948</u>	<u>\$ 1,340,143</u>
Other local taxes:				
Local sales and use taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,477,188	\$ 277,188
Consumption tax	45,000	45,000	40,802	(4,198)
Motor vehicle licenses	205,000	205,000	204,317	(683)
Bank stock taxes	50,000	50,000	28,375	(21,625)
Taxes on recordation and wills	350,000	350,000	270,839	(79,161)
Tobacco taxes	65,000	65,000	50,043	(14,957)
Hotel and motel room taxes	15,500	15,500	70,068	54,568
Total other local taxes	<u>\$ 2,930,500</u>	<u>\$ 2,930,500</u>	<u>\$ 3,141,632</u>	<u>\$ 211,132</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 5,240	\$ 240
Land use application fees	1,000	1,000	3,025	2,025
Transfer fees	1,000	1,000	806	(194)
Permits and other licenses	223,606	223,606	246,936	23,330
Total permits, privilege fees, and regulatory licenses	<u>\$ 230,606</u>	<u>\$ 230,606</u>	<u>\$ 256,007</u>	<u>\$ 25,401</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 23,500	\$ 23,500	\$ 38,879	\$ 15,379
Revenue from use of money and property:				
Revenue from use of money	\$ 180,000	\$ 180,000	\$ 477,068	\$ 297,068
Revenue from use of property	85,000	85,000	70,030	(14,970)
Total revenue from use of money and property	<u>\$ 265,000</u>	<u>\$ 265,000</u>	<u>\$ 547,098</u>	<u>\$ 282,098</u>
Charges for services:				
Courthouses maintenance fees	\$ 2,000	\$ 2,000	\$ 2,772	\$ 772
Charges for Commonwealth's Attorney	500	500	860	360
Charges for correction and detention	800	800	2,202	1,402
Charges for other protection	4,200	4,200	3,142	(1,058)
Sheriff's fees	1,300	1,300	1,114	(186)
Charges for sanitation and waste removal	11,500	11,500	4,342	(7,158)
Charges for planning and community development	20	20	51	31
Charges for ambulance and rescue services	420,000	420,000	463,088	43,088
Charges for health and welfare	2,500	2,500	968	(1,532)
Court fees	17,500	17,500	31,069	13,569
Total charges for services	<u>\$ 460,320</u>	<u>\$ 460,320</u>	<u>\$ 509,608</u>	<u>\$ 49,288</u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 40,000	\$ 40,000	\$ 44,151	\$ 4,151
Recovered costs:				
Tri-county landfill	\$ 100	\$ 100	-	\$ (100)
VHDA	34,000	34,000	27,329	(6,671)
Other recovered costs	1,500	1,500	-	(1,500)
Total recovered costs	<u>\$ 35,600</u>	<u>\$ 35,600</u>	<u>\$ 27,329</u>	<u>\$ (8,271)</u>
Total revenue from local sources	<u>\$ 23,453,331</u>	<u>\$ 23,453,331</u>	<u>\$ 25,372,652</u>	<u>\$ 1,919,321</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 245,000	\$ 245,000	\$ 229,817	\$ (15,183)
Motor vehicle carriers' tax	10,000	10,000	-	(10,000)
Mobile home titling tax	15,000	15,000	16,873	1,873
Rolling stock tax	-	-	555	555
Auto rental tax	-	-	6,374	6,374
Additional tax on deeds	134,000	134,000	101,300	(32,700)
Personal property tax relief funds	871,000	871,000	871,017	17
Total noncategorical aid	<u>\$ 1,275,000</u>	<u>\$ 1,275,000</u>	<u>\$ 1,225,936</u>	<u>\$ (49,064)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 275,077	\$ 275,077	\$ 288,387	\$ 13,310
Sheriff	1,362,265	1,362,265	1,480,884	118,619
Commissioner of revenue	92,378	92,378	117,173	24,795
Treasurer	99,534	99,534	119,367	19,833
Registrar/electoral board	41,352	41,352	66,084	24,732
Clerk of the Circuit Court	212,060	212,060	251,265	39,205
Local jails	52,000	52,000	51,971	(29)
Total shared expenses	<u>\$ 2,134,666</u>	<u>\$ 2,134,666</u>	<u>\$ 2,375,131</u>	<u>\$ 240,465</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 840,689	\$ 840,689	\$ 380,513	\$ (460,176)
Emergency medical services	-	-	700	700
Children's services act	425,000	425,000	396,148	(28,852)
Indoor plumbing grant	-	-	128	128
DMV - animal tags	200	200	-	(200)
Opioid settlement	-	-	40,242	40,242
Victim-witness grant	66,000	66,000	5,164	(60,836)
Fire programs fund	35,000	35,000	34,877	(123)
RSAF grant	-	-	55,814	55,814
Rescue squad assistance	12,000	12,000	-	(12,000)
Other state funds	-	-	1,151	1,151
Wireless grant	48,000	48,000	50,974	2,974
Clerk records grant	5,000	5,000	27,030	22,030
Total other categorical aid	<u>\$ 1,431,889</u>	<u>\$ 1,431,889</u>	<u>\$ 992,741</u>	<u>\$ (439,148)</u>
Total categorical aid	<u>\$ 3,566,555</u>	<u>\$ 3,566,555</u>	<u>\$ 3,367,872</u>	<u>\$ (198,683)</u>
Total revenue from the Commonwealth	<u>\$ 4,841,555</u>	<u>\$ 4,841,555</u>	<u>\$ 4,593,808</u>	<u>\$ (247,747)</u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,464,968	\$ 1,464,968	\$ 912,445	\$ (552,523)
BABs subsidy	-	-	11,070	11,070
Sheriff transportation safety	-	-	2,113	2,113
American rescue plan act	-	-	635,847	635,847
Violence against women	-	78,059	130,022	51,963
Emergency management	7,500	7,500	7,500	-
Justice assistance grant	-	-	11,321	11,321
Victim-witness grant	-	-	12,048	12,048
Total categorical aid	<u>\$ 1,472,468</u>	<u>\$ 1,550,527</u>	<u>\$ 1,722,366</u>	<u>\$ 171,839</u>
Total revenue from the federal government	<u>\$ 1,472,468</u>	<u>\$ 1,550,527</u>	<u>\$ 1,722,366</u>	<u>\$ 171,839</u>
Total General Fund	<u>\$ 29,767,354</u>	<u>\$ 29,845,413</u>	<u>\$ 31,688,826</u>	<u>\$ 1,843,413</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	\$ -	\$ -	\$ 27	\$ 27
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 27</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,600	\$ 10,600	\$ 2,363,294	\$ 2,352,694
Total revenue from use of money and property	<u>\$ 10,600</u>	<u>\$ 10,600</u>	<u>\$ 2,363,294</u>	<u>\$ 2,352,694</u>
Total County Capital Projects Fund	<u>\$ 10,600</u>	<u>\$ 10,600</u>	<u>\$ 2,363,294</u>	<u>\$ 2,352,694</u>
Total Primary Government	<u>\$ 29,777,954</u>	<u>\$ 29,856,013</u>	<u>\$ 34,052,147</u>	<u>\$ 4,196,134</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,000	\$ 2,000	\$ 710	\$ (1,290)
Charges for services:				
Charges for education	\$ 4,500	\$ 4,500	\$ 6,750	\$ 2,250
Miscellaneous:				
Miscellaneous	<u>\$ 6,749</u>	<u>\$ 36,435</u>	<u>\$ 102,136</u>	<u>\$ 65,701</u>

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Other recovered costs	\$ 165,000	\$ 194,048	\$ 178,407	\$ (15,641)
Total revenue from local sources	<u>\$ 178,249</u>	<u>\$ 236,983</u>	<u>\$ 288,003</u>	<u>\$ 51,020</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 11,857,124	\$ 11,857,124	\$ 9,360,563	\$ (2,496,561)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,642,532	\$ 1,642,532	\$ 1,706,835	\$ 64,303
Basic school aid	1,007,904	1,007,904	1,012,146	4,242
Security equipment grant	-	86,523	86,523	-
Remedial summer education	9,578	9,578	17,170	7,592
Vocational education	51,894	51,894	57,047	5,153
Gifted and talented	10,416	10,416	10,578	162
Remedial education	62,310	62,310	63,281	971
Enrollment loss	-	-	98,184	98,184
School fringes	236,034	236,034	244,623	8,589
Early reading intervention	36,621	36,621	12,705	(23,916)
Class size reduction	62,839	62,839	71,260	8,421
Homebound	347	347	49	(298)
School construction	1,100,156	1,100,156	1,072,790	(27,366)
Special education	216,304	216,304	208,356	(7,948)
GED preparation assistance	8,233	8,233	8,203	(30)
At risk payments	431,678	431,678	507,465	75,787
ESL	1,065	1,065	1,218	153
Project graduation	3,141	3,141	3,141	-
PluggedIn Virginia	-	-	3,375	3,375
Mentor teacher program	1,442	1,442	699	(743)
Technology grant	128,000	128,000	-	(128,000)
SOL algebra readiness	6,067	6,067	6,802	735
Compensation supplement	75,948	75,948	72,929	(3,019)
State provider add on	77,718	77,718	-	(77,718)
State infrastructure	200,000	200,000	200,000	-
Early childhood	64,352	64,352	64,352	-
Gear Up	-	43,057	43,000	(57)
Race to GED	-	-	16,295	16,295
CTE industry certification	-	-	795	795
Total categorical aid	<u>\$ 5,434,579</u>	<u>\$ 5,564,159</u>	<u>\$ 5,589,821</u>	<u>\$ 25,662</u>
Total revenue from the Commonwealth	<u>\$ 5,434,579</u>	<u>\$ 5,564,159</u>	<u>\$ 5,589,821</u>	<u>\$ 25,662</u>
Revenue from the federal government:				
Categorical aid:				
Title VI-B	\$ 349,717	\$ 349,717	\$ 307,501	\$ (42,216)
Title I	459,136	459,136	303,044	(156,092)
Vocational education	28,000	28,000	11,550	(16,450)
Title II, Part A - Improving teacher quality	59,566	59,566	44,652	(14,914)
School improvement	-	70,959	-	(70,959)

County of Lancaster, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title VI - Rural education	\$ 23,710	\$ 23,710	\$ 33,479	\$ 9,769
Title IV Part A	30,027	30,027	44,645	14,618
School improvement	-	35,317	100,369	65,052
ARPA Act	-	1,967,040	108,468	(1,858,572)
ESSER	120,000	440,504	2,287,276	1,846,772
JROTC grant	65,000	65,000	40,449	(24,551)
Total categorical aid	<u>\$ 1,135,156</u>	<u>\$ 3,528,976</u>	<u>\$ 3,281,433</u>	<u>\$ (247,543)</u>
Total revenue from the federal government	<u>\$ 1,135,156</u>	<u>\$ 3,528,976</u>	<u>\$ 3,281,433</u>	<u>\$ (247,543)</u>
Total School Operating Fund	<u>\$ 18,605,108</u>	<u>\$ 21,187,242</u>	<u>\$ 18,519,820</u>	<u>\$ (2,667,422)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 885	\$ 785
Charges for services:				
Cafeteria sales	\$ 86,158	\$ 86,158	\$ 738	\$ (85,420)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 2,125	\$ 2,125
Total revenue from local sources	<u>\$ 86,258</u>	<u>\$ 86,258</u>	<u>\$ 3,748</u>	<u>\$ (82,510)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 12,780	\$ 12,780	\$ 6,543	\$ (6,237)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 425,000	\$ 425,000	\$ 607,259	\$ 182,259
Commodities	-	57,158	57,158	-
Total categorical aid	<u>\$ 425,000</u>	<u>\$ 482,158</u>	<u>\$ 664,417</u>	<u>\$ 182,259</u>
Total revenue from the federal government	<u>\$ 425,000</u>	<u>\$ 482,158</u>	<u>\$ 664,417</u>	<u>\$ 182,259</u>
Total School Cafeteria Fund	<u>\$ 524,038</u>	<u>\$ 581,196</u>	<u>\$ 674,708</u>	<u>\$ 93,512</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2023

<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)				
Special Revenue Funds: (Continued)				
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 98,491	\$ 98,491	\$ 98,491	\$ -
Total revenues from local governments	<u>\$ 98,491</u>	<u>\$ 98,491</u>	<u>\$ 98,491</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 24,623	\$ 24,623	\$ 25,006	\$ 383
Total revenue from the Commonwealth	<u>\$ 24,623</u>	<u>\$ 24,623</u>	<u>\$ 25,006</u>	<u>\$ 383</u>
Total Textbook Fund	<u>\$ 123,114</u>	<u>\$ 123,114</u>	<u>\$ 123,497</u>	<u>\$ 383</u>
School Activity Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 243,820	\$ 243,820
Total School Activity Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,820</u>	<u>\$ 243,820</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 19,252,260</u>	<u>\$ 21,891,552</u>	<u>\$ 19,561,845</u>	<u>\$ (2,329,707)</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<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	\$ 52,441	\$ 52,441	\$ 48,207	\$ 4,234
General and financial administration:				
County administrator	\$ 558,444	\$ 558,444	\$ 454,366	\$ 104,078
Information Technology	172,607	172,607	166,207	6,400
Legal services	25,000	25,000	20,006	4,994
Commissioner of revenue	317,292	317,292	312,810	4,482
Independent Auditor	46,900	46,900	46,900	-
Treasurer	368,559	368,559	363,168	5,391
Real estate assessor	235,000	235,000	139,591	95,409
Total general and financial administration	<u>\$ 1,723,802</u>	<u>\$ 1,723,802</u>	<u>\$ 1,503,048</u>	<u>\$ 220,754</u>
Board of elections:				
Electoral board and officials	\$ 72,015	\$ 72,015	\$ 69,584	\$ 2,431
Registrar	200,489	200,489	190,220	10,269
Total board of elections	<u>\$ 272,504</u>	<u>\$ 272,504</u>	<u>\$ 259,804</u>	<u>\$ 12,700</u>
Total general government administration	<u>\$ 2,048,747</u>	<u>\$ 2,048,747</u>	<u>\$ 1,811,059</u>	<u>\$ 237,688</u>
Judicial administration:				
Courts:				
Circuit court	\$ 28,800	\$ 28,800	\$ 32,032	\$ (3,232)
General district court	4,000	4,000	4,547	(547)
Adult drug court	6,000	6,000	6,000	-
Juvenile and domestic relations court	2,675	2,675	1,790	885
Victim/witness assistance	86,660	86,660	83,278	3,382
Court appointed special advocates	5,000	5,000	5,000	-
Clerk of the circuit court	413,880	413,880	409,198	4,682
Total courts	<u>\$ 547,015</u>	<u>\$ 547,015</u>	<u>\$ 541,845</u>	<u>\$ 5,170</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 438,039	\$ 438,039	\$ 409,993	\$ 28,046
Total judicial administration	<u>\$ 985,054</u>	<u>\$ 985,054</u>	<u>\$ 951,838</u>	<u>\$ 33,216</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,935,823	\$ 3,234,861	\$ 3,847,265	\$ (612,404)
School resource officer	154,817	154,817	161,923	(7,106)
DCJS grant	-	-	6,827	(6,827)
Total law enforcement and traffic control	<u>\$ 3,090,640</u>	<u>\$ 3,389,678</u>	<u>\$ 4,016,015</u>	<u>\$ (626,337)</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<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	\$ 360,456	\$ 360,456	\$ 360,385	\$ 71
Ambulance and rescue services	1,757,973	1,830,036	1,809,016	21,020
Forestry service	4,000	4,000	3,975	25
Public safety radio	155,147	155,147	61,822	93,325
Local emergency services	39,500	39,500	26,941	12,559
Total fire and rescue services	<u>\$ 2,317,076</u>	<u>\$ 2,389,139</u>	<u>\$ 2,262,139</u>	<u>\$ 127,000</u>
Correction and detention:				
Sheriff	\$ 1,223,656	\$ 1,235,804	\$ 1,252,910	\$ (17,106)
Probation office	59,769	59,769	57,594	2,175
Total correction and detention	<u>\$ 1,283,425</u>	<u>\$ 1,295,573</u>	<u>\$ 1,310,504</u>	<u>\$ (14,931)</u>
Inspections:				
Building	\$ 194,227	\$ 194,227	\$ 196,224	\$ (1,997)
Other protection:				
Animal control	\$ 200,200	\$ 200,200	\$ 199,713	\$ 487
Medical examiner	200	200	1,260	(1,060)
Total other protection	<u>\$ 200,400</u>	<u>\$ 200,400</u>	<u>\$ 200,973</u>	<u>\$ (573)</u>
Total public safety	<u>\$ 7,085,768</u>	<u>\$ 7,469,017</u>	<u>\$ 7,985,855</u>	<u>\$ (516,838)</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 1,303,125	\$ 1,303,125	\$ 1,343,559	\$ (40,434)
Maintenance of general buildings and grounds:				
General properties	\$ 330,094	\$ 342,125	\$ 344,360	\$ (2,235)
Total public works	<u>\$ 1,633,219</u>	<u>\$ 1,645,250</u>	<u>\$ 1,687,919</u>	<u>\$ (42,669)</u>
Health and welfare:				
Health:				
Local health department	\$ 227,148	\$ 227,148	\$ 227,148	\$ -
Free health clinic	135,713	135,713	135,713	-
Total health	<u>\$ 362,861</u>	<u>\$ 362,861</u>	<u>\$ 362,861</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 42,693	\$ 42,693	\$ 42,693	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,938,646	\$ 2,938,646	\$ 1,737,216	\$ 1,201,430
Area agency on aging	79,426	79,426	79,426	-

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Children's services act	\$ 800,000	\$ 800,000	\$ 680,210	\$ 119,790
The Haven crisis shelter	4,000	4,000	4,000	-
Food bank	5,000	5,000	5,000	-
Boys and girls club of America	35,000	113,059	132,483	(19,424)
Total welfare	<u>\$ 3,862,072</u>	<u>\$ 3,940,131</u>	<u>\$ 2,638,335</u>	<u>\$ 1,301,796</u>
Total health and welfare	<u>\$ 4,267,626</u>	<u>\$ 4,345,685</u>	<u>\$ 3,043,889</u>	<u>\$ 1,301,796</u>
Education:				
Contributions to Community College	\$ 7,535	\$ 7,535	\$ 7,535	\$ -
Contribution to County School Board	11,955,615	11,955,615	9,459,054	2,496,561
Total education	<u>\$ 11,963,150</u>	<u>\$ 11,963,150</u>	<u>\$ 9,466,589</u>	<u>\$ 2,496,561</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 50,000	\$ 50,000	\$ 49,992	\$ 8
Total parks and recreation	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 49,992</u>	<u>\$ 8</u>
Cultural enrichment:				
Museum	\$ 5,000	\$ 5,000	\$ 5,159	\$ (159)
Total cultural enrichment	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,159</u>	<u>\$ (159)</u>
Library:				
Library	\$ 137,995	\$ 137,995	\$ 137,995	\$ -
Total parks, recreation, and cultural	<u>\$ 192,995</u>	<u>\$ 192,995</u>	<u>\$ 193,146</u>	<u>\$ (151)</u>
Community development:				
Planning and community development:				
Land use administration	\$ 409,852	\$ 409,852	\$ 332,670	\$ 77,182
Section 8 housing	88,115	88,115	85,763	2,352
Planning district commission	26,508	26,508	23,795	2,713
Broadband authority	195,300	195,300	103,338	91,962
Zoning board	2,164	2,164	1,294	870

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Other community development	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Total planning and community development	<u>\$ 722,939</u>	<u>\$ 722,939</u>	<u>\$ 547,860</u>	<u>\$ 175,079</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Wetlands board	9,990	9,990	6,583	3,407
Total environmental management	<u>\$ 24,990</u>	<u>\$ 24,990</u>	<u>\$ 21,583</u>	<u>\$ 3,407</u>
Cooperative extension program:				
Extension office	\$ 51,333	\$ 51,333	\$ 49,812	\$ 1,521
Rebranding initiative	25,000	25,000	12,500	12,500
Workforce development	2,651	2,651	2,651	-
Total cooperative extension program	<u>\$ 78,984</u>	<u>\$ 78,984</u>	<u>\$ 64,963</u>	<u>\$ 14,021</u>
Total community development	<u>\$ 826,913</u>	<u>\$ 826,913</u>	<u>\$ 634,406</u>	<u>\$ 192,507</u>
Capital projects:				
Landfill closure	\$ 20,410	\$ 20,410	\$ 23,473	\$ (3,063)
Enhanced emergency telephone system	47,425	47,425	40,799	6,626
School projects	8,175,500	15,709,707	11,737,727	3,971,980
Other capital projects	4,917,829	4,917,829	369,506	4,548,323
Total capital projects	<u>\$ 13,161,164</u>	<u>\$ 20,695,371</u>	<u>\$ 12,171,505</u>	<u>\$ 8,523,866</u>
Debt service:				
Principal retirement	\$ 1,263,516	\$ 1,263,516	\$ 1,367,477	\$ (103,961)
Interest and other fiscal charges	582,867	582,867	590,672	(7,805)
Total debt service	<u>\$ 1,846,383</u>	<u>\$ 1,846,383</u>	<u>\$ 1,958,149</u>	<u>\$ (111,766)</u>
Total General Fund	<u>\$ 44,011,019</u>	<u>\$ 52,018,565</u>	<u>\$ 39,904,355</u>	<u>\$ 12,114,210</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Debt service:				
Bond issuance costs	\$ -	\$ 487,730	\$ 487,730	\$ -
Total debt service	<u>\$ -</u>	<u>\$ 487,730</u>	<u>\$ 487,730</u>	<u>\$ -</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ 487,730</u>	<u>\$ 487,730</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 44,011,019</u>	<u>\$ 52,506,295</u>	<u>\$ 40,392,085</u>	<u>\$ 12,114,210</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<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:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,127,700	\$ 1,138,820	\$ 1,132,275	\$ 6,545
Instruction costs	13,143,924	12,115,066	11,769,568	345,498
Pupil transportation	1,310,192	1,310,192	1,177,344	132,848
Operation and maintenance of school plant	3,023,292	6,623,164	4,403,947	2,219,217
Total education	<u>\$ 18,605,108</u>	<u>\$ 21,187,242</u>	<u>\$ 18,483,134</u>	<u>\$ 2,704,108</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 36,387	\$ (36,387)
Interest and other fiscal charges	-	-	299	(299)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,686</u>	<u>\$ (36,686)</u>
Total School Operating Fund	<u>\$ 18,605,108</u>	<u>\$ 21,187,242</u>	<u>\$ 18,519,820</u>	<u>\$ 2,667,422</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 524,038	\$ 524,038	\$ 554,839	\$ (30,801)
Commodities	-	57,158	57,158	-
Total school food services	<u>\$ 524,038</u>	<u>\$ 581,196</u>	<u>\$ 611,997</u>	<u>\$ (30,801)</u>
Total education	<u>\$ 524,038</u>	<u>\$ 581,196</u>	<u>\$ 611,997</u>	<u>\$ (30,801)</u>
Total School Cafeteria Fund	<u>\$ 524,038</u>	<u>\$ 581,196</u>	<u>\$ 611,997</u>	<u>\$ (30,801)</u>
Textbook Fund:				
Education:				
Purchase of textbooks	\$ 123,114	\$ 123,114	\$ 8,117	\$ 114,997
Total Textbook Fund	<u>\$ 123,114</u>	<u>\$ 123,114</u>	<u>\$ 8,117</u>	<u>\$ 114,997</u>
School Activity Fund:				
Education:				
Elementary and secondary schools	\$ -	\$ -	\$ 287,684	\$ (287,684)
Total education	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,684</u>	<u>\$ (287,684)</u>
Total School Activity Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,684</u>	<u>\$ (287,684)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 19,252,260</u>	<u>\$ 21,891,552</u>	<u>\$ 19,427,618</u>	<u>\$ 2,463,934</u>

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
2014	\$ 1,345,631	\$ 804,040	\$ 4,889,888	\$ 827,480	\$ 2,603,743	\$ 10,495,867
2015	1,611,832	807,803	4,613,799	1,238,203	2,511,962	10,403,350
2016	1,908,331	799,809	4,952,988	1,310,981	2,586,611	11,439,147
2017	1,699,686	838,473	5,424,432	1,917,013	2,647,115	10,916,368
2018	1,449,191	821,911	5,516,169	1,501,261	2,614,466	10,994,217
2019	1,476,693	911,383	5,408,627	1,336,789	2,885,295	11,164,059
2020	1,448,143	986,683	6,205,175	1,597,827	3,120,376	11,758,993
2021	1,708,528	1,022,474	6,755,282	1,641,742	3,046,528	11,205,133
2022	1,136,523	979,643	7,129,556	1,717,083	2,852,234	11,797,326
2023	1,773,804	1,027,470	7,902,135	1,680,241	2,972,942	9,635,288

Table 1

	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Sewer Fund	Total
\$	182,973	\$ 1,244,682	\$ 194,525	\$ -	\$ 22,588,829
	172,119	661,086	378,089	-	22,398,243
	31,285	605,475	255,179	16,483	23,906,289
	210,063	456,267	274,329	17,443	24,401,189
	204,327	659,828	188,793	72,496	24,022,659
	196,072	368,805	252,744	64,389	24,064,856
	210,112	386,699	246,681	75,855	26,036,544
	210,068	1,641,608	814,422	72,805	28,118,590
	200,230	678,166	476,035	100,991	27,067,787
	222,596	561,496	2,924,542	73,689	28,774,203

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	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2014	\$ 519,542	\$ 3,261,746	\$ 644,332	\$ 14,722,918	\$ 1,892,069	\$ 118,016	\$ 83,414	\$ 1,323,904	\$ 22,565,941
2015	600,783	3,340,098	212,096	15,827,037	1,936,429	153,280	142,360	1,317,854	23,529,937
2016	508,057	3,637,999	163,998	15,693,176	1,973,114	145,471	114,978	1,302,796	23,539,589
2017	496,767	3,318,227	912,601	15,493,614	2,052,020	130,432	589,649	1,314,001	24,307,311
2018	619,374	3,774,048	139,212	17,228,176	2,068,049	139,878	25,129	1,318,972	25,312,838
2019	529,623	4,090,804	-	17,155,371	2,089,980	228,132	58,950	1,278,588	25,431,448
2020	609,139	4,163,799	-	18,951,537	2,377,456	242,362	73,900	1,282,087	27,700,280
2021	740,494	5,594,740	-	19,260,040	2,931,188	279,784	73,589	1,262,185	30,142,020
2022	862,051	5,537,063	-	19,733,081	3,053,868	137,433	88,977	1,235,001	30,647,474
2023	894,958	5,147,440	-	20,946,745	3,141,632	2,840,435	168,955	1,225,936	34,366,101

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)
2014	\$ 1,310,767	\$ 663,850	\$ 4,694,193	\$ 1,254,976	\$ 2,596,948	\$ 14,752,836
2015	1,539,813	694,752	4,622,133	1,203,081	2,565,290	15,377,552
2016	1,520,697	683,614	4,992,280	1,320,139	2,583,793	15,300,394
2017	1,586,908	701,180	5,165,831	1,445,692	2,628,153	16,151,982
2018	1,428,951	721,735	5,459,268	1,437,942	2,649,502	16,286,153
2019	1,477,843	820,043	5,337,243	1,351,889	2,977,266	16,628,214
2020	1,400,802	819,124	5,880,302	1,564,346	3,043,429	16,767,103
2021	1,542,487	839,373	6,204,271	1,603,013	2,935,319	17,261,878
2022	1,589,585	894,571	7,175,523	1,689,057	2,958,409	19,708,217
2023	1,811,059	951,838	7,985,855	1,687,919	3,043,889	19,398,467

(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
\$	182,973	\$ 656,245	\$ 1,206,455	\$ 27,319,243
	183,454	476,841	2,350,142	29,013,058
	192,866	522,018	1,999,846	29,115,647
	192,816	482,994	1,985,164	30,340,720
	202,898	447,070	1,955,746	30,589,265
	177,992	433,065	1,689,379	30,892,934
	188,047	456,405	1,339,015	31,458,573
	188,003	1,656,325	5,897,672	38,128,341
	178,165	772,216	1,805,112	36,770,855
	193,146	634,406	1,958,149	37,664,728

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
2014	\$ 14,722,314	\$ 1,892,069	\$ 100,564	\$ 14,759	\$ 118,770	\$ 524,268
2015	15,927,308	1,936,429	101,185	21,134	121,975	583,249
2016	15,836,307	1,973,114	108,799	10,833	116,102	499,186
2017	15,593,585	2,052,020	137,953	24,333	114,374	450,878
2018	16,986,495	2,068,049	131,233	30,713	131,014	499,581
2019	17,205,483	2,089,980	136,434	27,322	214,763	423,207
2020	18,851,409	2,377,456	158,117	27,601	226,629	458,791
2021	19,335,694	2,931,188	230,628	23,756	268,934	471,455
2022	19,826,934	3,053,868	203,770	27,986	180,007	536,861
2023	20,807,948	3,141,632	256,007	38,879	548,720	517,096

(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
\$ 180,383	\$ 115,017	\$ 9,065,976	\$ 26,734,120
347,465	196,456	9,454,840	28,690,041
223,117	69,887	9,976,488	28,813,833
109,288	188,360	9,937,141	28,607,932
115,970	158,505	10,336,901	30,458,461
199,110	247,597	10,546,143	31,090,039
303,609	312,366	10,331,857	33,047,835
437,009	111,741	12,813,216	36,623,621
956,004	404,034	14,310,260	39,499,724
392,232	205,736	15,883,394	41,791,644

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections	to Tax Levy		
2014	\$ 15,317,462	\$ 14,841,839	96.89%	\$ 465,359	\$ 15,307,198	99.93%	\$ 959,942	6.27%	
2015	16,471,200	16,022,956	97.28%	487,835	16,510,791	100.24%	857,726	5.21%	
2016	16,395,196	15,993,536	97.55%	443,482	16,437,018	100.26%	797,241	4.86%	
2017	16,223,560	15,813,002	97.47%	379,351	16,192,353	99.81%	794,978	4.90%	
2018	17,629,525	17,185,267	97.48%	407,930	17,593,197	99.79%	856,569	4.86%	
2019	18,066,621	17,431,376	96.48%	389,234	17,820,610	98.64%	851,654	4.71%	
2020	19,674,230	18,955,025	96.34%	474,289	19,429,314	98.76%	933,692	4.75%	
2021	19,771,587	19,287,374	97.55%	546,423	19,833,797	100.31%	808,535	4.09%	
2022	20,180,297	19,852,491	98.38%	513,666	20,366,157	100.92%	750,305	3.72%	
2023	21,488,435	20,915,601	97.33%	420,308	21,335,909	99.29%	878,733	4.09%	

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2014	\$ 2,493,664,800	\$ 136,569,120	\$ 433,350	\$ 10,992,013	\$ 44,789,060	\$ 2,686,448,343
2015	2,502,707,773	138,593,352	327,250	11,044,308	57,257,295	2,709,929,978
2016	2,508,388,693	131,126,404	276,500	11,576,166	57,321,237	2,708,689,000
2017	2,514,523,163	114,663,537	256,150	11,405,489	59,378,306	2,700,226,645
2018	2,524,855,368	119,572,026	556,950	10,972,495	60,647,781	2,716,604,620
2019	2,539,716,958	124,892,138	448,850	11,394,021	63,956,272	2,740,408,239
2020	2,654,801,825	125,789,911	435,750	11,372,483	67,710,661	2,860,110,630
2021	2,645,661,552	130,162,943	451,850	12,194,971	78,250,287	2,866,721,603
2022	2,667,079,943	142,537,620	453,150	11,679,684	86,652,632	2,908,403,029
2023	2,686,783,130	191,516,777	498,850	12,426,928	84,656,501	2,975,882,186

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2014	\$ 0.50	\$ 2.04	\$ 1.00	\$ 1.52
2015	0.54	2.04	1.00	1.52
2016	0.54	2.04	1.00	1.52
2017	0.54	2.04	1.00	1.52
2018	0.59	2.04	1.00	1.52
2019	0.59	2.04	1.00	1.52
2020	0.63	2.04	1.00	1.52
2021	0.63	2.04	1.00	1.52
2022	0.63	2.04	1.00	1.52
2023	0.63	2.04	1.00	1.52

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
2014	11,391	\$ 2,686,448,343	\$ 1,935,000	\$ -	\$ -	\$ 1,935,000	0.07%	\$ 170
2015	11,391	2,709,929,978	1,810,000	-	-	1,810,000	0.07%	159
2016	11,391	2,708,689,000	1,680,000	-	-	1,680,000	0.06%	147
2017	11,391	2,700,226,645	1,545,000	-	-	1,545,000	0.06%	136
2018	11,391	2,716,604,620	1,405,000	-	-	1,405,000	0.05%	123
2019	11,391	2,740,408,239	1,255,000	-	-	1,255,000	0.05%	110
2020	11,391	2,860,110,630	1,255,000	-	-	1,255,000	0.04%	110
2021	10,808	2,866,721,603	13,275,000	-	-	13,275,000	0.46%	1,228
2022	10,808	2,908,403,029	13,100,000	-	-	13,100,000	0.45%	1,212
2023	10,757	2,975,882,186	77,420,000	-	-	77,420,000	2.60%	7,197

(1) Weldon Cooper Center 2010 and 2020 Census and 2022 Estimate.

(2) From Table 6.

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

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

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



**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, 2023, and the related notes to the financial statements which collectively comprise County of Lancaster, Virginia's basic financial statements and have issued our report thereon dated December 7, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 that reads "Robinson, Farmer, Cox Associates". The signature is written in a cursive, flowing style.

Richmond, Virginia
December 7, 2023



**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

Opinion on Each Major Federal Program

We have audited County of Lancaster, Virginia's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, County of Lancaster, Virginia complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of County of Lancaster, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of County of Lancaster, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to County of Lancaster, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on County of Lancaster, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about County of Lancaster, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding County of Lancaster, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of County of Lancaster, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 County of Lancaster, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
December 7, 2023

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
Virginia Department of Social Services:				
Temporary Assistance for Needy Families	93.558	0400122/0400123	\$ 136,747	\$ -
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950121/0950122/0950221	10,069	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	0500122/0500123	538	-
Low-Income Home Energy Assistance	93.568	0600422/0600423	29,044	-
Chafee Education and Training Vouchers Program	93.599	9160121	799	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760122/0760123	32,539	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900121/0900122	273	-
Foster Care - Title IV-E	93.658	1100122/1100123	81,008	-
Adoption Assistance	93.659	1120122/1120123	29,966	-
Social Services Block Grant	93.667	1000122/1000123	117,396	-
Guardianship Assistance	93.090	1110122/1110123	69	-
Title IV-E Prevention Services	93.472	1140122/1140123	2,724	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150121/9150122/9152121	4,134	-
Adult Protective Services	93.747	8000221	939	-
Children's Health Insurance Program	93.767	0540122/0540123	1,392	-
Medical Assistance Program (Medicaid Cluster)	93.778	1200122/1200123	157,894	-
Total Department of Health and Human Services			<u>\$ 605,531</u>	<u>\$ -</u>
Department of Homeland Security:				
Pass Through Payments:				
Virginia Department of Emergency Assistance:				
Emergency Management Performance Grants	97.042	776002-120355	\$ 7,500	\$ -
Total Department of Homeland Security			<u>\$ 7,500</u>	<u>\$ -</u>
Department of Agriculture:				
Pass Through Payments:				
Virginia Department of Agriculture and Consumer Services:				
National School Lunch Program Food Distribution (Child Nutrition Cluster)	10.555	Not available	\$ 57,158	\$ -
Virginia Department of Education:				
National School Lunch Program (Child Nutrition Cluster)	10.555	202221N11994/202323N1194/ 202322N8903	434,834	-
Total FALN 10.555			<u>\$ 491,992</u>	<u>\$ -</u>
School Breakfast Program	10.553	202221N11994/202322N11994	\$ 165,583	-
Child Nutrition Cluster Total			<u>\$ 657,575</u>	<u>\$ -</u>
Child and Adult Care Food Program	10.558	202322N11994/202323N11994	3,708	-
Pandemic EBT Administrative Cost	10.649	202222S900941	3,135	-
Virginia Department of Social Services:				
State Administrative Matching Grants for the Supplemental				
Nutrition Assistance Program (SNAP Cluster)	10.561	0010122/0010123/ 0040122/004123	306,913	-
Total Department of Agriculture			<u>\$ 971,331</u>	<u>\$ -</u>

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Transportation:				
Pass Through Payments:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety (Highway Safety Cluster)	20.600	60507-52363	\$ 2,113	\$ -
Total Department of Transportation			\$ 2,113	\$ -
Department of Justice:				
Pass Through Payments:				
Virginia Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	390002118457	\$ 12,048	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	390002120131/390002120134 390002117106/390002120580/ 3990002CJS5701701/ 39002122609	11,321	-
Violence Against Women Formula Grants	16.588		130,022	-
Total Department of Justice			\$ 153,391	\$ -
Department of Treasury:				
Direct Payments:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 585,847	\$ -
Pass Through Payments:				
Virginia Tourism Corporation:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Tourism	21.027	Not available	50,000	-
Virginia Department of Education:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Schools	21.027	SLFRP1026	108,468	-
Total FALN 21.027			\$ 744,315	\$ -
Total Department of Treasury			\$ 744,315	\$ -
Department of Defense:				
Direct Payments:				
ROTC	12.xxx	N/A	\$ 40,449	\$ -
Total Department of Defense			\$ 40,449	\$ -
Department of Education:				
Pass Through Payments:				
Virginia Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A210046	\$ 303,044	\$ -
Special Education - Grants to States (Special Education Cluster)	84.027	H027A220107	307,501	-
Career and Technical Education - Basic Grants to States	84.048	V048A210046	11,550	-
Rural Education	84.358	S358B210046/ S358B220046	33,479	-
Supporting Effective Instruction State Grants	84.367	S367A210044/ S367A220044	44,652	-
Student Support and Academic Enrichment Program	84.424	S424A200048/ S424A210048	44,644	-
Governor's Emergency Education Relief (GEER)	84.425C	S425C200042	11,765	-
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210008	583,508	-
American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	S425U210008	1,692,003	-
Total FALN 84.425			\$ 2,275,511	\$ -
School Improvement Grants	84.377	S377A160047	100,370	-
Total Department of Education			\$ 3,132,516	\$ -
Total Expenditures of Federal Awards			\$ 5,657,146	\$ -

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, 2023

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, 2023. 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	\$ 1,722,366
Total primary government	\$ 1,722,366

Component Unit School Board:

School Operating Fund	\$ 3,281,433
School Cafeteria Fund	664,417
Total Component Unit School Board	\$ 3,945,850

Total expenditures of federal awards per basic financial statements	\$ 5,668,216
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BABs subsidy	\$ (11,070)
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 5,657,146
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Note 5 - De Minimis Cost Rate

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

Note 6 - Loan Balances

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

County of Lancaster, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		<u>unmodified</u>	
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no	
Significant deficiency(ies) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported	
 Noncompliance material to financial statements noted?	 _____ yes	 _____ <input checked="" type="checkbox"/> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no	
Significant deficiency(ies) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported	

Type of auditors' report issued on compliance for major programs:		<u>unmodified</u>	
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Any findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes	_____ <input checked="" type="checkbox"/> no	
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Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> yes	_____ <input type="checkbox"/> no	
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Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

**County of Lancaster, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023**

There were no prior year findings.